

CHAPTER 9 LEARNING FROM ODD CASES: A HONG KONG PERSPECTIVE

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Introduction

By now the story of the 'East Asian Miracle' has been well documented. Perhaps, getting repetitive and being overdone. From the macro analysis of global economic restructuring to the micro-level and subjectivist discussion of economic culture, the role of the capitalist developmental state to the forces of the market system, we have been offered many different stories of the secrets of economic success in the East Asian economies. Indeed, nowadays, we have no shortages of narrative which carries the promise of unraveling the underlying factors that bring about rapid socio-economic development in the region. Rather, the problem is that many of these recipes point us to different, if not contradictory, directions in the search of a model of economic success. More interesting, this proliferation of research on East Asian capitalism shows that East Asian studies have become a growing industry. The early stage of development of this 'booming industry' is marked by a search for the model of East Asian development. Later, concomitant with slowing down of the growth rates of the newly industrialized economies (NIEs) in the region, the discussion has shifted to an analysis of the stress and pain of such development experience and a debate about the relevance of East Asian development to western industrialized economies. In a sense, the growing literature on East Asian capitalism has come full circle -- critics of East Asian capitalism contend that "the realities of East Asian growth suggest that we may have to *unlearn* some popular lessons" (Krugman, 1994, p.78; emphasis added). Of course, a refusal to recognize the emergence of East Asian capitalism is unlikely; after all, the rise of the East Asian NIEs does make a significant impact on the world economic and political order. However, while the race to find the recipe for economic success in East Asia continues, and is still going strong, the research agenda of East Asian studies has been restructured. The leading research concern is no longer that of constructing a (yet another) model of East Asian capitalism but rather rigorous middle-range analysis of concrete socio-economic and political processes in these NIEs. This (belated) turn to middle-range analysis can be seen as a response to the earlier rush to develop a 'construct' called the East Asian model or system. The emphases have been changed from development model to development trajectory, commonality to diversity, and East Asian

development as such to the East Asian NIEs in historical and institutional contexts (see, for example, Humphrey 1995, Chiu, Ho and Lui 1997, Orru, Biggart and Hamilton 1997). This change in research focus is by no means confined to the study of economic development in East Asia. The same rethinking process is evident in the study of social change and political transitions in the East Asian NIEs. In short, a new literature on East Asian capitalism is in the process of formation.

This short essay cuts into the current discussion of East Asian capitalism in two ways. First, speaking from the position of a sociologist of Hong Kong studies, I shall use the case of Hong Kong to show the inadequacies of many existing studies of East Asian development and the relevance of sociological analysis to the development of comparative study of the NIEs in the region. Second, my discussion will cover the study of economic development, and the middle class and political change in Hong Kong, and where possible in other East Asian NIEs. My discussion of the above topics is illustrative, showing how some theoretical constructs fail to address concrete issues and how future studies of the East Asian NIEs may benefit from being more sensitive to observations and insights developed by researchers in the field.

Unpacking Models of Development

Let me start with a discussion of the Hong Kong economy. Sociological studies of the development experience of the Hong Kong economy are few but have been increasing (see, Chiu, Ho and Lui 1997, Chiu and Lui 1995, Henderson 1989, Schiffer 1991, So 1986, Wong 1986). But a cursory review of this literature should be able to alert the readers to the fact that the case of Hong Kong is always difficult to fit in with the other pieces of the jigsaw of a model of East Asian development. This is particularly so in the case of the state-centred literature. There are two ways to treat the case of Hong Kong in the state-centred approach. First, is simply to ignore the case of Hong Kong in the analysis of successful late-industrialization (see, for example, Amsden 1990, p.5). Second, is to treat Hong Kong as exceptional and this exceptional case proves rather than falsifies the general rule of the state-centred approach (see, for example, Deyo 1987).

This is not the venue to go into a detailed discussion of the state-centred approach. What I find problematic in the statist literature is the tendency to either rule out the relevance of Hong Kong's case of selective interventionism or ignore its peculiarities. Either way, I believe, will only undermine the explanatory power of the state-centred approach to the study of East Asian capitalism. The case of Hong Kong illustrates that late-industrialization *per se* does not necessarily bring about a developmental state. The functionalist explanation in current research on late-industrialization not only fails to give a satisfactory analysis of why developmental states are found in some late-developers and not others, but also distracts us from asking the more important question concerning the substance

of state activism in the regulation of economic activities in different economies. As a consequence, we rarely see a rigorous comparative analysis of the different forms and actual practices of state intervention in the management of economic affairs in different East Asian NIEs. However, when we look at the actual practice of state intervention in different economies, it is not difficult to find that the East Asian states differ significantly in their style of regulating economic activities. For example, the case of Hong Kong is selective interventionism -- while the colonial administration is by no means passive in the regulation of financial activities and building an infrastructure for development, it stays aloof from supporting industrial capital. This differs from the entrepreneurial state of Singapore, which adopts an active role in shaping the institutional environment for attracting foreign direct investment to the city-state and directing the future course of development for local capitalists. Indeed, the case of Hong Kong reminds us that the role of the state is not an either/or question (statist or market driven). The colonial state is far from being developmentalist. Nevertheless, it takes up a significant and active role in the provision of mass housing, education, and medical services. What makes the colonial state of Hong Kong distinctive from other East Asian states is not the degree of state involvement in the economy but the scope and direction of intervention (Lui and Chiu 1996). Moreover, how state activities can assist economic development also varies according to the conditions of the broader business and social environment. The intervention by the colonial state in areas of housing, education, and medical services is pertinent to assist small, local manufacturers in carrying out labour-intensive production in the 1960s and 1970s by providing the working class families with a 'social wage' to handle the problem of labour power reproduction (Castells, Goh and Kwok 1990). But such assistance is irrelevant to the problems of industrial restructuring -- for example, technological upgrading -- arising in the 1980s and 1990s. The project of technological upgrading requires other forms of assistance. In short, there is a need to unpack the statist arguments, specifying more clearly how (and what kind of) state intervention works to facilitate economic development in particular historical contexts.

Indeed, we need to unpack the statist arguments in order to develop a more rigorous analysis of the role of the market in the development of East Asian capitalism. Current discussion of the significance of a free market in the facilitation of export-led industrialization in the East Asian NIEs is often assertive and ideological. The superiority of a free market is often assumed rather than proved (the assumption is that the market mechanism itself is necessarily efficient). Even in the recent round of discussion of the roles of state and market in East Asian development (mainly expressed in the form of a counter-attack on statist theory), the argument that state involvement in East Asia fails to enhance efficiency does not necessarily explain why the market mechanism *per se* is more efficient and thus convinces us to adopt the free-market ideology. In fact, before coming to examine the evidence for or against the arguments of neo-classical economics, we have to ask: is it sensible to think of a free market being

(at least analytically) separated and abstracted from the social context wherein economic activities are carried out? Furthermore, is it meaningful to talk about market signals in abstract terms?

The case of Hong Kong has long been used to illustrate the superiority of a free market and the importance of keeping government to a minimalist role in the economy (Friedman and Friedman 1980). However, as noted earlier, the colonial government in Hong Kong is clearly far from being passive and minimalist. Its limited role in assisting manufacturing development does not reveal the whole picture of its involvement in economic and related affairs. More important, the recent development of massive plant relocation and the resultant de-industrialization have clearly shown that market signals (say, in terms of rising labour cost) themselves (if they really work in the way suggested by neo-classical economists) do not determine the direction of changes in the industrial economy. Market pressures can bring about technological upgrading. But they can also trigger offshore production (and this may, in turn, facilitate either a re-organization of production or more sweeping de-industrialization). The reactions to market pressures are structured by broader institutional factors and the strategy adopted by the agents (from the state to individual manufacturers) involved. To assume that the market mechanism is by definition efficient and market forces will necessarily drive economic actors towards the adoption of efficient strategies will merely beg the question, leaving the more crucial issues unanswered. The prevalence of short-term calculation among the small, local manufacturers in Hong Kong (bringing about a form of guerilla capitalism exploiting the resources in China, and particularly in the Pearl River Delta region) requires explanation. And such explanation must start with a recognition of the social structuring of the market. Indeed, how the market works is an instituted process and not the deductive outcome of rational calculation operated in a black-box. From this perspective, future research needs to look at a comparative analysis of the social and cultural construction of (different types of) market societies in the East Asian NIEs. The distinctive feature of the Hong Kong economy lies not in the existence of a free market (whereas in other NIEs the market mechanism has been disciplined and composed) but its peculiar configuration of a market society, which facilitates its incorporation into the world economy and the launching of export-led industrialization through commercial linkages in the global economy.

This leads us to the literature on the global economy and the rise of East Asian capitalism. No doubt, one of the major contributions of this literature is to highlight the significance of the changing global economy in opening opportunities for the East Asian NIEs. However, there is a danger in this literature to take an economic determinist, often in the form of a core-determinist, position in the explanation of the development experience of individual economies. Also, being core-determinist, this perspective tends to ignore the processes through which the local economies are able to capitalize on the openings in the changing world economy for their economic growth and

development. Recent advances in this literature (for instance, on global commodity chains, see Gereffi and Korzeniewicz 1994) have done a lot to cover these long unduly neglected areas of research. First, our analysis needs to look at the mechanism of incorporation. Unlike Singapore, which relies on foreign direct investments for manufacturing development, Hong Kong is linked up with the global economy primarily through buyer-driven global commodity chains. Second, our analysis also needs to examine the domestic conditions which facilitate such a mode of incorporation. Again, in the case of Hong Kong, its long history as a trading port is pertinent. Without going into the details, my suggestion is that we need to see economic development as an instituted process.

By now more and more researchers of East Asian capitalism have come to realize the heterogeneity within the so-called East Asian model or system. It is reasonable to see that each of the popular models has its own specific reference. Statist theory refers primarily to Korea, Singapore, and Taiwan (1); the free-market thesis Hong Kong; and, global-economic analysis (especially regarding the dominance of multinational corporations) Singapore. No one model is intended to cover all four East Asian NIEs. But it is also true to say that none can fully address the specific development issues of the four NIEs. Each of these popular models has its own contributions as well as blind spots. To argue for a disaggregation is the first step toward a rigorous comparative analysis of East Asian capitalism. The disaggregation exercise also serves the purpose of alerting us to the inadequacies of different theoretical constructs for understanding the development experience of these fast growing economies and their derived recipes (or prescriptions promoted by some international organizations) for development in other developing economies.

The Emerging Middle Class

Earlier discussion of the state-centred approach and the free-market thesis points to the need of looking at state-society relations in the East Asian NIEs. This is so for the analysis of East Asian capitalism. This is also the case for our understanding of political development in the East Asian NIEs. Indeed, in the midst of the search of a winning formula for economic success, many researchers on East Asian development, being aware of the practice of authoritarian rule (in different forms though) in the NIEs, have turned their attention to the social and political consequences of rapid industrialization and economic development in the region. At the empirical level, it is to comprehend recent political development (for example, decolonization and political change in Hong Kong, and transition to democracy in Korea and Taiwan) in these East Asian NIEs. At the theoretical level, it is to examine the impact of economic change on political development. What were the effects of economic change and the concomitant restructuring of the social structure on the shaping of the political in these rapidly industrialized societies? It is interesting to observe that

the role of the middle class(es) comes up at both levels of discussion. Many observers recognize that the rise of the middle class is both constituted and constitutive of socio-economic development in these NIEs (Hsiao, 1993, Robinson and Goodman 1996). It is an outcome of economic success. At the same time, the middle class is also expected to direct the future course of development in these NIEs. Very often the middle class is conceived as a critical agent for promoting liberal and democratic values, embodying affluent and modern lifestyle, and supporting social and political changes. Simply put, the middle class is seen as the intervening agent linking economic growth and political development.

Many researchers of the East Asian NIEs observe that the political order behind economic success in these economies is one of authoritarian rule (see, for example, Haggard 1990). In general, the East Asian states are depicted as politically insulated from competing interests in their societies. A question that then follows from such analysis is: will the East Asian states be able to suppress the demands for more open government and retain their bureaucratic autonomy in the process of further economic development? Will the emerging middle class, itself a new social force groomed by economic development, in these economies become the champion of the causes of liberalization and democracy and bring about a change in the nature of authoritarian rule?

Any serious attempt to look at political development in the East Asian NIEs should not fail to recognize that each of these growing economies has its own special project of political restructuring. The special case of Hong Kong -- a case to 'decolonization without independence' (Lau, 1987) -- only serves as a reminder alerting us to different paths to liberalization and democratization in the NIEs. Each of these NIEs has its own political history. Furthermore, their political histories are shaped by very different kinds of international politics in the background. These historical factors have their marks on the current scenes of political change in these economies. In the case of Hong Kong, its subsequent return to China on 1st July 1997 has set the parameters for political change in the political transition period. Repeated emphases by the Chinese Government on the need of convergence (i.e. the progress of political reform in Hong Kong prior to 1997 must keep in step with the prescribed framework set out in the Basic Law) have significantly restricted the room to manoeuvre for political reform, and more specifically democratization in the process of decolonization. From the very beginning, political change in Hong Kong is not an autonomous project which can be determined by local social forces. It is always more of a contentious issue on the table of diplomacy talks between the British and Chinese governments than a matter that the local population can freely decide.

The limited scope of political change is an important factor influencing the response of the middle class to the 1997 question. Instead of assuming a more prominent role in the course of political change, the Hong Kong middle class has stayed aloof from politics (Lui 1993 and 1994). This is partly a matter of confidence. But, more important, the limited space for political maneuvering has

driven the middle class to political inaction instead of struggle for democracy, exit instead of voice. Their main coping strategy is to arrange emigration, very often in the form of acquiring some kind of 'political insurance' (by possessing a foreign passport) that would enable them to continue to develop their careers and to make money in Hong Kong without being bothered by political changes (in terms of freedom of speech, maintaining an affluent lifestyle, etc.) after 1997. This is a strategy of separating the economic from the political. Such a practice of 'quasi-exit' and the separation of personal career from the changing political environment best indicate how much more we need to know about the personal and political strategy of the middle class before we can say something more specific about the connection between economic development, middle class formation, and political liberalization and democratization.

The existence of a politically unorganized middle class in Hong Kong draws our attention to the important question concerning the formation and further development of civil societies in East Asia (2). In the case of Hong Kong, on the one hand, we see the institutionalization of a liberal public sphere, particularly in the areas of global cultural and social linkages, commercial popular culture, and mass media business. However, on the other side, Hong Kong remains a (politically) unincorporated society (Moore, 1974) with few political organizations which are capable of mass mobilization and can present a serious challenge to the power elite. Many people project their hopes of an autonomous Hong Kong after 1997 on the basis of a vibrant capitalist system and the concomitant bourgeois social order maintained by a mature middle class. But as we have seen from the above discussion, how the Hong Kong middle class will react to political changes after 1997 is uncertain. And so is the future development of the Hong Kong civil society.

My discussion in this section echoes my earlier comments on the study of East Asian capitalism. It is a call for more attention to historical and institutional analysis. Particularly, this is a call for rigorous analysis of the historical and institutional analysis of different paths of political development. Only such rigorous analysis will inform us about future political development and enable us to deconstruct ideological political models.

Concluding Remarks

The main emphasis of this paper is to deconstruct models. I call for a dis-aggregation of the so-called East Asian system and a more rigorous historical and institutional analysis of economic and political development trajectories of the East Asian NIEs. Such dis-aggregation and deconstruction are more than mere academic exercises. And the reasons for doing so are more than just a search of empirical precision. This is actually a call for sociological reflection. Sociologists need to be reflexive in order to keep their distance from the dominant ideologies. In the context of East Asian studies, we need such a sense of reflexivity to maintain our critical stands against the construction of (economic

and political development) models undergirding the ideologies of free market (and its related programmes for the developing world) and authoritarianism. In this regard, the rigor and toughness in sociology will serve to inform our practice in the fast changing East Asian region.

Notes

(1) Statist analysis of industrial development in Taiwan tends to ignore or downplay the contributions of small, local industries.

(2) While the activists in some pro-democracy political groups are of middle class background, such political groups in general fail to articulate a middle class political platform for their actions.

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