

The Political Economy of Inequality in Singapore: An Introduction

Why has inequality increased? A large part of the answer lies with the liberal economic policies adopted in many parts of the world during the past 15 years. Many governments have cut tax rates for the rich and restrained spending on benefits for the poor. More important than the direct effects of such policies, however, has been an indirect effect of economic liberalisation. In recent years the economic forces of international competition and (above all) new technology have gathered strength. In relatively unregulated economies, they have driven down the incomes of the losers and driven up the incomes of winners.

The Economist, 5 November 1994, p. 13.

I

Capitalism and inequality

The capitalist system is founded upon the principle of competition. It follows, therefore, that capitalism will produce ‘winners’ and ‘losers’. Indeed, this is the only logical outcome for any competitive process left completely to its own devices. In other words, the very essence of capitalism is that it produces unequal outcomes. However, this is not something that is exclusive to the capitalist system. Unequal outcomes have figured prominently in other forms of societal organisation; slavery and feudalism being prime examples.

Interestingly, the conventional wisdom in these pre-capitalist eras was such that the inequality of master and slave was viewed as just and non-exploitative, as was the inequality between lord and serf in feudal society.¹ These days, of course, the reverse is true and most commentators operating within the mainstream would consider these relationships as exploitative without question. Few of these same commentators, however, would be quite so unequivocal in

¹ For views on inequality in Western economic thought, see Spiegel 1991, pp. 25, 54-58).

their assessment of capitalist society. Only socialists and anarchists are convinced that the inequality of capitalist relations is exploitative.

Mainstream economists may be described as those who subscribe to the neo-classical school and its variants. Neo-classical thought constitutes the orthodox view within the profession and may be defined as the school of thought which conceives of economics as a system of theoretical and positive knowledge (Fraser 1937, p. 30).² A great many of these economists have expended a considerable amount of intellectual effort over the last forty years or so, in an attempt to prove that economies based on capitalism only produce ‘winners’; that is, the rich become richer and the poor become richer.³ While statistical evidence may support this to be true in an absolute sense, the same studies invariably show steady growth in inequality. This would appear to indicate that unequal outcomes are, indeed, one of capitalism’s defining features, yet these academic economists remain undeterred, and a number of studies attempt to show that the causal link between capitalist development and growing inequality is, if it truly exists, only tenuous.

Some scholars have put forward the case that the degree of inequality fluctuates according to the stage in a nation’s economic development; others have argued that inequality is a function of regime-type (whether a nation tends towards authoritarianism or democracy); while more recently, a growing number of commentators have concentrated on the ‘model’ of capitalist development as a determining factor, and the extent to which the chosen model is shaped by the cultural norms of a society.

² In other words, economics is looked upon as a method rather than a doctrine, where value-judgements are excluded. Those outside of the orthodoxy, however, see neo-classical economics a little differently. According to Hunt and Sherman (1978, p. 126) it performs the role of ‘principal purveyor of the classical liberal ideology of capitalism’. This is something explored in Chapter 1.

³ See Adelman and Robinson (1989) for a survey of this hotly debated issue.

These perspectives (which are not mutually exclusive) will be reviewed in detail during the course of the thesis which will reflect on the nature of capitalist development in the East Asian newly-industrialised countries (NICs) — and Singapore in particular — where, according to orthodox economists, capitalism has produced relatively equal outcomes. This thesis challenges this claim and contends that capitalist development in East Asia is not a special case. In so doing, it focuses on the deficiencies of the neo-classical paradigm and considers alternative approaches to the analysis of economic development.

II

The East Asian Miracle report

The economic development of East Asia has been the focal point of a considerable amount of research in recent years. It is no coincidence that academic interest has increased at a time when the less developed countries (LDCs) in this region have been recording some quite remarkable growth rates, while their counterparts in other parts of the world have experienced slow or negative growth. There has been much speculation as to the reason for the spectacular economic performance of these nations, and a number of researchers have suggested that East Asia has experienced a special kind of capitalist development. Indeed, it has become quite fashionable to make reference to the 'East Asian model'. To date, there is no clear concept of this model, but it is a notion that has grown sufficiently popular for it to enter the lexicon of some influential individuals and organisations. Not least of these is the World Bank which, in 1993, published the *magnum opus* on the subject, a 389-page report entitled *The East Asian Miracle*.

While this report states at the outset that there is no single, easily defined East Asian model of development (given the very different combinations of policies pursued by the economies in question), its authors conclude that there are some

common threads among the high-performing East Asian nations (World Bank 1993, p. vi). The 'essence of the miracle', they say, is that private investment has been unusually high, with rates exceeding 20 per cent of GDP on average between 1960 and 1990, 'combined with high and rising endowments of human capital due to universal primary and secondary education'. These factors account for approximately two thirds of the rapid economic growth, according to the Bank's researchers, while the remainder can be attributed to improved productivity (World Bank 1993, p. 8). The truly unique aspect of East Asian development, however, is that rapid and sustained growth has been achieved with reduced inequality. These two outcomes, says the Bank, 'are the defining characteristics of what has come to be known as the East Asian economic miracle' (World Bank 1993, p. 27).

The *Miracle* report provides a major impetus for this work. It is not the accuracy of calculation in the statistical analyses found interspersed throughout the text that is called into question, but their validity. There are three reasons for this.

First of all, as it will be explained later, this thesis rejects the Bank's cross-country analysis of inequality and the inferences it draws. Second, even if no cross-country analysis had been undertaken, it is very difficult to see how the Bank's researchers can claim that levels of inequality in individual countries were declining in the period they are considering.⁴ To this end, a number of studies are examined which show inequality to have increased quite dramatically in the so-called 'tiger economies' of East Asia (Hong Kong, the Republic of Korea, Taiwan and Singapore).⁵ In particular, close attention is

⁴ The report concentrates on the 1960s, 1970s and 1980s.

⁵ The *Miracle* report examines what it calls the 'high-performing Asian economies' (HPAEs). There are eight HPAs which, in addition to the four tiger economies, include Japan, Indonesia, Malaysia and Thailand. The narrower focus in this study can be justified owing to the fact the report claims that, along with Japan, 'the Four Tigers are the most equal' (World Bank 1993, p. 4). Evidence is presented later which suggests that the

given to the case of Singapore, where worsening inequality is not a recent phenomenon. Indeed, using the Bank's preferred method for measuring inequality, there is considerable evidence to suggest that it has been steadily increasing since the beginning of the 1980s, a fact the *Miracle* report appears to overlook.

Third, the World Bank's measures are predicated on a narrow definition of inequality. This thesis defines inequality more broadly and, referring specifically to the case of Singapore, it will be shown that while rapid economic growth has provided many benefits, the distribution of these benefits has not been very equal. This broader definition will be discussed in more detail later, but in brief, it encompasses a notion of inequality which goes beyond the simple calculations connected with income distribution, to consider the effects of income inequalities in terms of access to such services as education, health care, and housing, and how this, in turn, affects an individual's future opportunities.

III

Historical background and the focus of this study

When Stamford Raffles founded Singapore in 1819,⁶ it was no more than a small fishing village with less than 200 inhabitants. With the arrival of the British, the social and economic structures of this small tropical island were destined to change. Geographically located at the cross-roads of the East and West, Singapore was deemed an ideal port for the East India Company's India-China trade route, and full advantage was taken of its strategic location to promote trade (Turnbull 1992, pp. 12-13).

unbounded optimism of the Bank's researchers is ill-founded, and that if more caution is to be exercised in any assessment of equality in the tiger economies, then it will certainly be necessary in the other HPAEs.

According to Huff (1994, p. 7), the ‘basis for the economic development of Singapore was — and for most of its history has remained — geography’. Challenging the views of some quite distinguished economists (most notably John Kenneth Galbraith and David Morawetz) Huff disputes the claim that Singapore is resource poor. He identifies location as a particularly valuable natural resource, and cites three reasons for Singapore’s emergence. First, positioned at the southernmost tip of continental Asia and the narrow southern entrance to the Straits of Malacca, Singapore controlled the main gateway between the Indian Ocean and the South China Sea. Second, the island was a natural point for regional and international transport to converge. Third, Singapore possessed a natural harbour providing ample port facilities at a minimal cost (Huff 1994, p. 8).⁷

Declared a free port, entrepôt trade flourished to such an extent that Singapore was labelled, by Raffles, ‘the emporium of the seven seas’.⁸ It developed first as an entrepôt for the Malayan region, and by the 1870s the settlement had a population of around 65,000. With the opening of the Suez Canal in 1869, and the rapid increase in demand for the staple products of the region (namely tin, and later rubber and petroleum) Singapore became the main port of call for European steamships. The ready availability of shipping drew regional exports to the port, and this served to attract even more vessels as cargo could be

⁶ That is, in the same sense that Arthur Phillip ‘founded’ Australia.

⁷ Huff (1994) is one of the few writers who concentrates on the earlier phases in Singapore’s economic development. He represents a departure from the bulk of the literature on Singaporean economic development which concentrates on the period after 1959. Huff contends that it is important to examine Singapore’s long term growth, as failure to do so leaves the impression that economic development ‘has arisen from unlikely circumstances and altogether departs from earlier patterns’ (Huff 1994, p. 1).

⁸ It is believed that Singapore might have been an important trading centre as early as the 7th century which subsequently lost its economic significance in the surrounding region after it was conquered by the Javanese. Turnbull (1992, p. 4) is not persuaded by this view, arguing that a great trading city in ancient times is ‘probably a myth’. According to Turnbull (1992, p. 2), the first indisputable evidence of a settlement at

picked up with the minimum of difficulty. Meanwhile, the growth of Singapore as a staple port saw the development of major processing industries. By the turn of the century, Singapore had the world's largest and most technologically advanced tin smelting enterprise, for example. This was a pattern that was to continue during the twentieth century, Singapore becoming the main centre for remilling smallholder rubber during the inter-war years, and a major oil distribution centre by the 1950s (Huff 1994, pp. 8-31).

During the early years — 1819-1869 — economic prosperity on the island was a direct reflection of the expanding port of Singapore. In 1823/24, Singapore was handling S\$11 million worth of trade. By 1868/69, the value of trade had grown to S\$58 million — an increase of more than 500 per cent in the space of 45 years (Fang 1993, p. 28). Although this trend slackened for a time due to competition from other free ports, a constant stream of traffic continues to pass through Singapore to this day, and it remains the world's second busiest port (Peebles and Wilson 1996, p. 3).

However, although Singapore is still regarded as an efficient agent and distributor,⁹ entrepôt trade ceased to be the economic lifeline of Singapore in the early 1960s. The main reason for the relative decline in entrepôt trade was the fact that Singapore was becoming too dependent upon the capacity of neighbouring states to produce crude materials.¹⁰ Furthermore, there was a great deal of concern over the fragility of the demand for these products as synthetic alternatives became more readily available. So began Singapore's industrialisation programme which started in 1961, but was carried out more

Singapore dates from the 14th century.

⁹ Re-export trade continues to grow in value, and still accounts for between 30-40 per cent of total merchandise exports (Republic of Singapore 1996, pp. 72-73).

¹⁰ Also around this time, Singapore was in conflict with Indonesia over its membership of the Federation of Malaysia. The government of Indonesia feared that the outer provinces might breakaway to join Malaysia where, because of Singapore, many of their economic interests lay (Huff 1994, p. 30). This state of affairs naturally had

vigorously following the country's separation from the Federation of Malaysia in 1965.

In September 1963, Singapore joined with Malaya, Sarawak and Sabah to form the Federation of Malaysia. This was considered a necessity by the ruling People's Action Party (PAP) of the self-governing State of Singapore, and as an official document stated in 1960, 'nobody in his senses believes that Singapore alone, in isolation, can be independent'.¹¹ But as Huff notes features that made Singapore unique before World War II kept it so afterwards. In 1948, the British administrators had included the other Straits Settlements of Penang and Malacca in the Malayan Union, but omitted Singapore because of the incompatibility of an international, Chinese port with a primary-producing Malay hinterland. Singapore was subsequently left out of the independent Federation of Malaya in 1957. The new state of Malaysia was a compromise which recognised Singapore's special economic position, the predominance of its Chinese population (more than 76 per cent of the island's 1.8 million population),¹² and their economic role. But for the indigenous, elected leaders of the Federation of Malaysia, 'the problems of over a century of divergent development proved as intractable as they had for the British civil servants'. Within two years, 'Malaysia and Singapore were divorced amid the glare of world publicity' (Huff 1994, pp. 28-30).

Following the divorce, Singapore has been transformed from a post-colonial swamp to a super city-state, with a GDP per capita higher than that of the United Kingdom, low levels of unemployment and inflation, and foreign

a bearing on the decision not to rely on entrepôt trade for economic survival.

¹¹ Singapore Ministry of Culture, *The Socialist Solution: An Analysis of Current Political Forces in Singapore* (Turnbull 1992, p. 267).

¹² According to Huff (1994, pp. 24-25), this demographic peculiarity arose out of the lack of Malay migration from the surrounding hinterland, and the large number of Chinese immigrants attracted by the growth of the staple industries in the region. Most passed through, but others settled in Singapore. By 1936, more than three

exchange reserves sufficient to pay off Australia's national debt (see Table I).¹³ In attaining this status, it has achieved growth rates virtually unrivalled in Southeast Asia. Between 1960-64 the growth rate in GDP was 7.2 per cent, rising to 12 per cent in the period 1965-69, and 14 per cent in 1970-74 before world growth rates began to slow in the late 1970s. Between 1980-88 the growth rate in GDP was 5.7 per cent, a figure surpassed by only seven other nations, despite the fact the Singapore economy went through recession in 1985-86.¹⁴

During the 1990s, strong growth continued at a rate of 8.3 per cent in 1990, and in 1991 growth was recorded at a healthy 6.7 per cent. Then, just when it seemed that single-digit growth had become the norm, the economy registered double-digit growth in both 1993 and 1994,¹⁵ although the growth rate appears to have settled once again at around 6 to 8 per cent (see Figure I).

It is not surprising, therefore, that over the last twenty years or so, a stream of superlatives has been used by the economics community to describe the performance of this dynamic mini-state.¹⁶ Most of the accolades have centred upon that all encompassing measure of economic welfare, the annual GDP growth figure, and the outward-looking economic policies of the Singapore Government that have made it all possible. Indeed, Singapore is treated as something of a lodestar as far as capitalist development is concerned, and it has

quarters of the inhabitants of Singapore were Chinese.

¹³ Taken from <<http://asiarisk.com/sing.html>>, Political and Economic Risk Consultancy Ltd., PERC Country Risk Report: Singapore (last updated: 12 April 1997), and *Yearbook of Statistics, Singapore*, (various years).

¹⁴ These figures are drawn from the *World Development Report* (various issues).

¹⁵ Economic growth for the twelve months ending the first quarter of 1994 was 11 per cent (*Straits Times Weekly Edition*, 21 May 1994, p. 1).

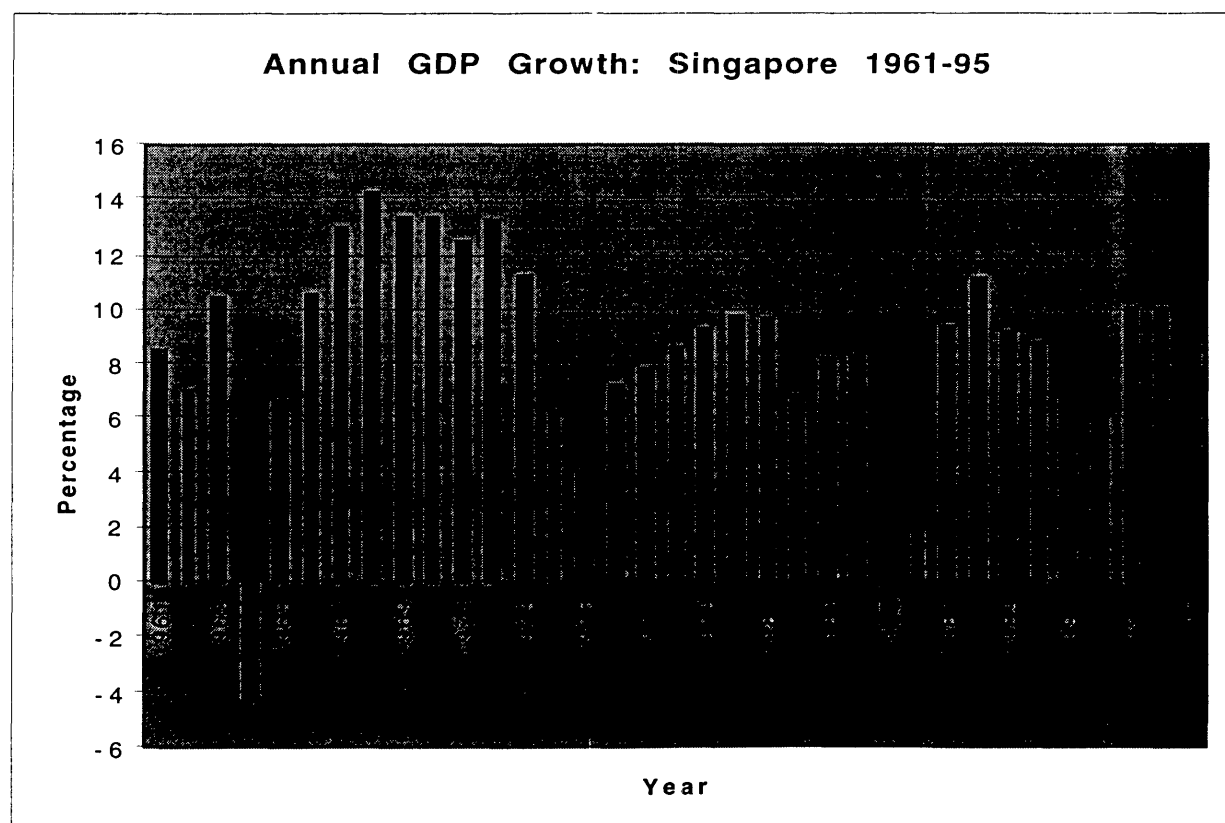
¹⁶ Huff (1994, pp. 31-34) is a little more reserved. While acknowledging Singapore's 'remarkable' economic success, he rejects the economic 'miracle' tag. This is inappropriate, he argues, because 'Singapore started from a very high base', and it capitalised on 'favourable economic circumstances', namely, the growth in international capital flows resulting from the activities of multinational corporations (MNCs).

Table I

Major Economic Indicators: Singapore						
	1991	1992	1993	1994	1995	1996f
Real GDP Growth (%)	6.72	6.04	10.10	10.10	8.80	6.50
Total Exports (US\$ bil)	59.20	63.40	74.22	96.27	117.95	125.4
Total Imports (US\$ bil)	68.50	77.10	85.50	102.22	124.15	128.78
Current Account Balance (US\$ bil)	4.23	6.10	5.17	11.27	15.10	12.90
Foreign Exchange Reserves (US\$ bil)	33.93	39.66	48.10	57.80	68.30	72.20
Total External Debt (US\$ bil)	0.70	Neg	Neg	Neg	Neg	Neg
Debt Servicing (US\$ bil)	0.40	Neg	Neg	Neg	Neg	Neg
Exchange Rate vs US\$ (year-end)	1.63	1.64	1.60	1.46	1.42	1.41
Unemployment (%)	1.9	2.7	2.7	2.6	2.7	n.a.
Inflation (CPI %)	3.40	2.30	2.40	3.10	1.70	1.40

f ... PERC forecast; Neg ... negligible; n.a. ... not available

Figure I



regularly been singled out for special mention by a number of leading exponents of the free-market. Milton Friedman and Margaret Thatcher, for example, both of whom have praised the Singapore economy at one time or another (Lim 1983, pp. 752-53), would point to the fact that Singapore is a free port with few protective tariffs, that it has a liberalised financial sector, that there are no foreign exchange controls or price controls, that private enterprise and investment is subject to minimal control, that there is no anti-monopoly legislation and that there is no limitation on profit and capital repatriation.

There is, indeed, an overwhelming body of literature that echoes the sentiment of the eminent free-marketeters mentioned above (see Chapter 1), but typically, an implicit assumption for the orthodoxy is that economic development takes place within an environment of political neutrality where policy formation is essentially a question of 'pulling the right fiscal and monetary levers', and the macroeconomic variables will all fall into place. In other words, historical or political factors are considered to be largely irrelevant to the outcome. It is argued in this thesis that such an approach is seriously deficient. In Singapore, historical or political factors were, and continue to be, of central importance to the so-called 'capitalist success story'. These same factors also have a major determining influence on the degree of societal inequality.¹⁷

IV

How this thesis will proceed

The primary aim of this thesis is to take issue with claims that capitalist development in Singapore has produced egalitarian outcomes. To this end, one of the principal associated themes is to challenge the orthodox analyses of

¹⁷ This is not to imply that Singapore is a special case, of course. The point is that it is inappropriate to explain Singapore's development purely in terms of a commitment to an economic doctrine.

‘successful’ capitalist development in East Asia, and Singapore in particular. This goal will be accomplished by focusing on the social and political aspects of rapid economic growth. In the process, far more attention is devoted to the economic history of Singapore to explain crucial aspects of its development, and an analysis of class relations reveals dimensions of inequality that orthodox economics neglects.

A second associated theme, of equal importance, is the analysis of an ideological formulation, devised by the PAP, to manage this inequality. The PAP has been quite insistent that it will not be adopting what it considers to be the morally and financially bankrupt policies of the Western welfare state. Instead, it has opted for a ‘self-help’ approach built around the ‘Asian values’ of Singaporean society. In other words, the PAP is arguing that there is a cultural solution to inequality. To date, this perspective has not been seriously challenged.

In developing these themes, the chapter format will be as follows. Chapter 1 discusses the deficiencies of mainstream economics in general, and its approach to the issue of inequality. This chapter also surveys other theoretical perspectives with respect to capitalist development, particularly those that focus on East Asian development and Singapore, and it provides justification for the broad political economy approach that is embraced in this thesis. Chapter 2 is crucial to this approach, documenting the historical and political origins of the so-called ‘capitalist success story’ of Singapore. This chapter provides the reader with a thorough understanding of the context of this study but more importantly, it provides an insight into the development of the inegalitarian values of the ruling PAP. Chapter 3 at first digresses from the case study of Singapore to expose the shortcomings of *The East Asian Miracle* report. It critiques the assumptions underlying the report and its associated background papers, and comments on the politics surrounding the publication of the report. The chapter concludes with an analysis of the report and other

published work relating to inequality in Singapore, before identifying what it is this thesis contributes which these other studies do not. This leads into Chapter 4, which defines the notion of inequality for the purposes of this thesis. An important theoretical chapter that deals with the concept of class, this chapter develops the conceptual framework outlined at the end of Chapter 1, and it prepares the ground for an examination of inequality with specific reference to Singapore in the chapters that follow. Chapter 5 provides the major empirical focus for the study and evidence is presented that shows, contrary to conventional wisdom, rapid economic growth has not produced equal outcomes in Singapore. Chapter 6 focuses on the politics of the management of inequality in Singapore and assessing the impact of inequality, asks the question whether inequality really matters in Singapore, given the PAP leadership maintains that it is not about to change a 'winning formula',¹⁸ and refers with pride to Singapore's impressive macroeconomic statistics and its international competitiveness rating.¹⁹ This chapter is followed by the Conclusion.

V

Researching in Singapore

A number of scholars have commented on the lack of qualitative analysis with respect to inequality in Singapore. The material presented in this thesis represents an attempt to fill the void. Collecting data for such an exercise is a delicate and time-consuming operation in a country where, generally speaking,

¹⁸ See, for example, 'BG Lee: If our formula works, why must we change it?', *Straits Times Weekly Edition*, 25 November 1995, p. 13.

¹⁹ The 1995 *World Competitiveness Report* compiled by the International Institute for Management Development and the World Economic Forum ranked Singapore the second most competitive economy in the world behind the United States. The report rates 48 countries in the areas of government, people, finance,

foreign academics are treated with suspicion by the officialdom.²⁰ However, this wariness notwithstanding, it is possible to acquire information from numerous sources.

It is true that Singapore has something of a reputation for its censorship laws,²¹ but by and large, this legislation does not restrict academic research. Cotton (1993, p. 12) has commented that one can only hypothesise about Singaporean society in 'the absence of thorough and objective social science research', and it is true, as Clammer (1993, p. 46) has pointed out, that 'the Singapore social scene is in urgent need of deeper theorising, of making sense of it in ways that transcend the pervasive positivism of the local social science tradition'. But the paucity of rigorous social science research in Singapore has more to do with the ideological rule of the PAP than it does a shortage of information sources. The Government has expanded and strengthened the social science disciplines in the universities, but as it will be documented later in this thesis, academic commentary perceived to be at odds with the PAP's vision of society (a study on inequality, for example!) is not conducive to one's career development. Scholarly enterprise is further discouraged by the fact many important political, social and educational policy decisions are often made without any reference to the need for research into their background, their implementation or their effects. In other words, the decisions are made on ideological grounds

domestic economic strength, internationalisation, infrastructure, and science and technology (*Singapore* [Singapore International Foundation], November-December 1995, p. 5).

²⁰ There are a number of explanations for this. Not least of these is the fact that Singaporean academics tend to steer clear of any issue that might be construed as 'politically-sensitive'. Add to this the PAP leadership's public condemnation of 'outsiders' meddling in internal affairs, and arranging interviews can be a little problematic. Minchin (1990, p. ix) makes reference to a statement made by the Senior Minister which makes it quite clear what he thinks of academic research on Singaporean society: 'I do not believe in telling university researchers where they go wrong. They write all kinds spurious silly articles and books. They get MAs and PhDs for them ... I laugh away. But I never tell them why they are wrong. Because I am an Asian. I am not a Westerner. This is an Asian situation and do not be clever ... be modest. Just keep quiet. If they want to be wrong headed, wish them luck'. (Lee Kuan Yew, Parliament, 23 February 1977.)

(Clammer 1985, pp. 154-55).²² Thus, a paradoxical situation exists in Singapore where printed data, research assistance and other resources are in plentiful supply but they remain under-utilised.²³

Many Singapore-based academics privately bemoan the fact that they are not afforded the intellectual space to ply their trade, but sufficiently compensated by high salaries and annual bonuses, the vast majority appear content to operate within the parameters defined by the PAP. In this sense, they can, according to Derek da Cunha (1994a, p. 4), be justifiably criticised for being 'idle academics' and a group which 'has not contributed enough to the intellectual climate' in Singapore. Da Cunha draws attention to the fact that 'in a small, Asian society, people's sensitivities are far more acute and reactive', and as a consequence they are 'quick to take umbrage when their work and policies are challenged and criticised by intellectuals'. For this reason, he argues, 'the fault may not entirely lie with the academics themselves'. A similar point was made by Chan Heng Chee when, remarking on the role of intellectuals in Singapore politics, she noted that 'the views of independent intellectuals receive no favour' and if these views are critical of governmental power, they are not recognised as legitimate. The reason, according to Chan, is that the ruling authorities claim the right of criticism to be 'an alien tradition borne of Western liberal thought'. This view she roundly rejects, saying:

... I find it hard to believe that the urge to speak up and to criticise ruling power is only a Western tradition. I cannot think of a Chinese philosopher, an Indian, Malay or Japanese philosopher who said to posterity, "Don't tell the truth, be afraid to

²¹ See, for example, the Newspaper and Printing Presses Act.

²² This is an issue discussed at length in Chapter 6.

²³ To illustrate the point, this researcher visited several different libraries and resource centres belonging to academic institutions, Government ministries and voluntary welfare organisations (VWOs). Getting permission from the respective authorities to access the library facilities proved to be a time-consuming process. However, once entry had been approved, the quality of assistance on offer was of a very high standard for the simple reason that these facilities were largely occupied by librarians and no-one else.

“speak up against injustices and wrongdoings” ... The intellectual, if he is a real intellectual, may have no role accorded to him by those in power but he still has a role if he keeps his integrity for by his example he may infuse into society a moral and spiritual quality without which no state becomes a nation.

(Chan 1975, p. 64.)

Da Cunha also makes reference to the moral and spiritual dimensions and how, with the arrival of ‘real intellectuals’ (to use Chan’s words), it may be possible for Singaporean society to advance beyond the point where ‘every issue and argument’ is reduced to either ‘a sense of fear or to purely economic terms’ (da Cunha 1994a, p. 5).

Although writing nearly twenty years apart, it is clear that Chan and da Cunha describe the same phenomenon. Little has changed in the intervening years and the Singaporean social science community continues to exercise self-censorship.²⁴ As a consequence, the issue of inequality in Singapore will (beyond the standard aggregative analyses) continue to be an under-researched field for some time yet. In the meantime, it represents fertile ground for foreign researchers who do not operate within the same constraints as their Singaporean counterparts.

As it will be explained in Chapter 1, a broad political economy approach is favoured in this thesis. Hypotheses were constructed on the basis of secondary sources and on primary data in the form of official statistics, government reports, Parliamentary debates, the annual reports of various non-government

²⁴ Ironically, the self-censorship also extends to Chan Heng Chee and Derek da Cunha. Chan, former Director of the Institute of Southeast Asian Studies (ISEAS), and now Singapore’s Ambassador to the United States, while not making a complete *volte-face*, appears quite happy to work within the PAP’s so-called ‘out-of-bounds’ (OB) markers. Da Cunha, meanwhile, currently editor of ISEAS’s *Trends* publication refused an article written by the author on the findings of the Government’s Cost Review Committee, without even reading it, on the grounds it would be ‘too sensitive’.

organisations (NGOs), newspaper and magazine articles.²⁵ The hypotheses were then tested and modified over a two-month period in 1995 while the author was Visiting Associate at the Institute of Southeast Asian Studies (ISEAS).²⁶ To this end, 50 broadly structured interviews²⁷ were conducted with individuals drawn from among academics, the business sector, the media, the bureaucracy, women's groups, students,²⁸ religious groups, voluntary welfare organisations (VWOs) and family service centres.

The field notes collected during these interviews are used on occasion for the purposes of illustration, but they do not form the primary basis of this study. With very few exceptions the interviewees expressed their desire to remain anonymous and their wishes have been respected. In such circumstances, much of the evidence collected becomes anecdotal. Nevertheless, this does not detract from the main point of the exercise which was to allow the researcher to examine inequality in Singapore from a variety of different perspectives. In the process, novel and fresh slants on certain issues were presented, intricate details were uncovered which the quantitative methods tend to gloss over and, perhaps most importantly, it was a process that allowed the researcher to develop an empathy for the study. Without this, it is difficult to defend one's hypotheses with great conviction.

²⁵ One could argue, of course, that newspaper and magazine articles constitute secondary data. These items are treated as primary data in this thesis on the grounds they require significant reinterpretation owing to the inherent bias of a government controlled media.

²⁶ ISEAS was established in 1968. This autonomous organisation is located in Singapore and serves as a regional research centre for scholars concerned with Southeast Asia.

²⁷ As the interviewees were drawn from such diverse groups there was no set structure for any of the interviews. Questions were deliberately open-ended to allow the interviewee to drive the discussion (see the method preferred by Strauss 1987). Students, for example, naturally had more to say about the education system, while those in the welfare sector spoke more about the provision of social services. A wide spectrum of issues was covered, but the common thread in all the interviews was the interviewee's perception of inequality in Singapore. Typically, each interview lasted for one hour.

²⁸ In addition to the students interviewed in Singapore, 14 Singaporean students residing in Australia were interviewed during 1993-94.

Chapter 1:

Analysing Capitalist Development: The Rationale for a Political Economy Approach

... it is extraordinary to find large numbers of economists who make policy prescriptions that are doomed to failure from the beginning because they are not consistent with the pattern of class dominance. The fundamental thrust towards industrial growth and development grows out of the impersonal and largely uncontrollable social forces that make up history. ...[T]he state can help to create the classes that will carry out industrialisation, [b]ut this leaves us with the questions of the sort of state that will be interested in such acts of creation, why they are interested, and whether they can be successful.

Clive Hamilton (1992, p. 428).

1.1 The evolution of neo-classical economic thought

For the practitioners of classical political economy, as it is now called, the sociological and power background of economic events was an integral part of analysis. It was concerned not only with matters economic but with the social structure within which economic activities take place. In short, the classical writers looked upon economic and political relations as being bound together in a social system. By the end of the nineteenth century, however, the views of mainstream economists became narrower, and classical political economy gave way to neo-classical economics.

When Adam Smith wrote *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776, it became the basis for the new academic field of political economy. In this truly remarkable work comprising five books, the first three of its books were devoted to an analysis of the market economy and its historical development, while the last two focused on policy analysis and the fundamentals of public finance. In other words, the *Wealth of Nations* gave as

much attention to sociological and political considerations as it did the economic. Its analysis was firmly rooted in reality and it addressed questions of great practical import.

Indeed, the process of capitalist development was a source of immense fascination for the great scholars of this era. Apart from Adam Smith, it was also the central theme of various works produced by the likes of Thomas Robert Malthus, David Ricardo, Karl Marx and John Stuart Mill as they attempted to explain the rapid economic growth that was occurring around them. To better understand these economic developments, they introduced the concept of theoretical models to simplify reality and assist them with their analysis. Importantly, the level of abstraction was never so great that they lost sight of reality. Their overriding concern was to come to terms with the social system in which they lived. Some of the analysis has not stood up to the test of time, but this is not to detract from their respective contributions. Few would deny that great steps were made in the field of economic science as a result of their work.

Adam Smith is frequently portrayed as the intellectual father of orthodox economics owing, in no small part, to his belief in the harmonious order of the market system. However, what modern day economists seldom acknowledge is that Smith, a professor of moral philosophy at the University of Glasgow, was one of the first to document the ill effects of the division of labour. He also favoured higher wages because he believed it encouraged good work, and he reserved his harshest criticism for those entrepreneurs who combined to restrain trade and force up prices. Thus, contrary to popular perception, the *Wealth of Nations* is not an apology for free market economics. Individual self-interest was portrayed as the driving force of a successful economy, but this had to be pursued within certain moral bounds. For Smith, it was the responsibility of the state to install this moral framework through the provision of a sufficient level of education to raise the overall intellectual level

of the population. By contrast, neo-classical economics views the economy in isolation. The historical context, the social and institutional setting, and the notion of a moral framework do not feature in modern economic theory.

A holistic approach was a feature of the work of other classical economists. When David Ricardo wrote the *Principles of Political Economy and Taxation* in 1817, for example, he addressed economic and social issues of great practical importance to Britain in the early nineteenth century, while the full title of John Stuart Mill's major treatise in 1848 was *Principles of Political Economy with some of their Applications to Social Philosophy*. Having said this, while Smith's political economy was primarily concerned with providing advice to statesmen as to how they might maximise prosperity through an understanding of economic behaviour, the political economy of those who followed — especially Ricardo — started to concentrate more on a systematic theory of market exchange.

However, it was not until the closing decades of the nineteenth century with the work of William Stanley Jevons, Karl Menger, and Léon Walras that the broader objectives of classical thought are more thoroughly displaced. These authors are the individuals most readily associated with the so-called 'marginalist revolution' in economic thought, whereupon the structure and methodology of economics became more theoretically refined and less socio-political in content compared to the political economy of the classicalists.

The concept of marginality provided a new unifying principle that brought about the integration of the theories of the consumer and the firm, as well as the theories of value and distribution.²⁹ The transition to marginalist analysis also pointed the way towards the establishment of theoretically optimum positions (or equilibria), at which consumers and producers could maximise

²⁹ These theories had been only loosely connected in classical thought.

their returns. The search for these optimum positions opened the door to mathematical modes of argumentation, and in this sense, the marginalist period marks the beginning of neo-classical analysis.

The work of Walras has proved to be particularly influential. Indeed, his general equilibrium approach continues to figure prominently in university economics courses all around the world. At the heart of this model is the issue of how a given quantity of resources can be allocated more efficiently between households and firms. This was something that interested the classicalists as well, but it did not take centre-stage. Whereas scholars like Smith took full account of historical, social, political and institutional factors and how they impacted on the development of an economy, these factors simply disappeared in the Walrasian model. In short, economic growth is taken for granted and the causes and consequences of capitalist development are no longer of analytical importance.

As the nineteenth century drew to a close, this redirection of economic thought was further cemented with the work of Alfred Marshall, who in 1885 acceded to the chair of political economy at Cambridge University. Above all, it was Marshall who was responsible for the emergence of economics as distinct from political economy:

The nation used to be called the 'Body Politic'. So long as this word was in common use, men thought of the interests of the whole nation when they used the word 'Political'; and then Political Economy served well enough as a name for the science. But now 'political interests' generally mean the interest of only some parts of the nation; so that it seems best to drop the name Political Economy and to speak simply of the 'Economic Science' or more shortly 'Economics' ... Economics is a science ... it cannot claim to be a guide in life. That is the task of the Art of Politics. (Marshall 1879, p. 2)

From this time, both economics and politics become defined in a certain way by mainstream economists: economics becomes a 'positive' science concerned with reconciling means, politics becomes a 'normative' science concerned with reconciling ends. The political scientists concern themselves with institutions for reconciling differences about ends, while the economists devote themselves to perfecting techniques for the analysis of the means to those ends. Divorced from one another, what eventuates is a special kind of politics and a special kind of economics where social structure is not part of the analysis (Barratt-Brown 1970, p. 16). Thus, as far as the majority of modern economic scientists are concerned, political factors are considered to be outside their realm of study. Although these economists will concede that there are some quite spectacular political interventions, they are likely to argue that these are of a transient nature, and can be disregarded in the long run.

1.2 The stagnation of economic science

Almost without exception, modern practitioners of the science of economics analyse economic activity as though it were taking place in a power vacuum. This is despite the fact that 'economic agents' (households, firms and governments) will invariably use whatever power they have at their disposal to influence the outcome of economic activity in order to improve their standard of living. Putting it another way, individuals and groups will be anything but indifferent to the factors which could install them to a position of power, whereupon their ability to compete for resources will be enhanced and their life chances improved.

Indeed, it is a great mystery to many social scientists (with the notable exception of scholars of the history of economic thought) as to why power is not a recurrent theme in theoretical and applied economics. One explanation is that, in the pursuit of the advancement of their science, it would appear as

implicit level. The economic ‘laws’ they define may give the impression of neutrality, but in the final analysis, these laws have the effect of obfuscating existing social structures.

Second, there is the quite systematic way in which the main body of economists has immunised ‘normal’ economic science against incursions from ‘outsiders’. Those theorists who have paid close attention to social structures in economic science (who, by and large, belong to the Marxist, the institutionalist, or the historical schools of thought) have not made any serious advances into mainstream economic thought because their contribution is effectively disallowed by orthodox academic economists. In the conceptual parlance of Kuhn (1962), they are deemed outsiders because they do not practise ‘normal science’; that is, their theorising falls outside of the ‘paradigm’ (the set of ideas, models, values and attitudes) accepted by members of the ‘scientific community’ (the producers and validators of scientific knowledge).

The paradigm enables members to distinguish themselves from competing communities who adhere to different paradigms, and it sets the research direction of that community. Those who adhere to one paradigm will only accept innovation within the context of that paradigm, and they strongly resist changes that threaten its fundamentals by placing intellectual and financial obstacles in the way of new paradigms. For example, those who are in a position to influence the appointment of staff in teaching and research institutions will tend to appoint new staff who share the same paradigm, and to exclude any known dissidents, while applications for research funds that lead to the promotion of competing paradigms, or tend to undermine their own paradigm, will not be supported. In short, the forces of the paradigm act as unofficial censors. They become a reactionary, conservative force, which tends to sanitise the science, and to insulate it from any emerging real world

structures of orthodox economics. Myrdal (1953) continues with this theme.

problems. In many cases, these new and important problems are ‘defined away’; that is, the issues are declared to be outside the realm of interest of the scientific community.

Following Kuhn, Benjamin Ward presents a persuasive account of the role played by censorship in determining the content of modern economics. As Ward (1972, p. 250) puts it: ‘the ideologically unconventional are made to appear to appointment committees as scientifically incompetent’. He points out (pp. 29-30) that:

... the discipline’s censors occupy leading posts in economics departments at the major institutions, and their students and lesser colleagues occupy similar posts at nearly all the universities that train new Ph.Ds. The lion’s share of appointment and dismissal power has been vested in the departments themselves at these institutions. Any economist with serious hopes of obtaining a tenured position in one of these departments will soon be made aware of the criteria by which he is to be judged. In a word, he is expected to become a normal economics scientist.

The approach to be used in this thesis falls outside of ‘normal economics science’. The fact that so few economists are prepared to do this is testimony to the strength of the censors.³¹ As Ward goes on to say, this censorship role does not usually have to be explicitly exercised, because a self-selection process weeds out the undesirables. Economics students who resist the process of indoctrination to which they have been subjected, and who react against the abstract and unrealistic nature of economics as it is taught to them, will not bother to apply. As Ward says, they have become ‘turned off’ and their most common complaint is lack of relevance, not difficulty.

³¹ In my case, as a junior academic in the Department of Economics at the University of New England, Armidale, I was positively dissuaded from pursuing my nominated PhD topic by two senior members within the Department, and was urged to do something more in line with conventional thinking. It was only after the intervention of another senior colleague that I continued with my preferred topic by enrolling for my PhD outside of the Department, in the Departments of Economic History and Politics.

Ward also discusses the ‘formalist revolution’ in economics, by which he means the change in the methodology of economics from verbal and historical analysis to mathematical and econometric analysis. He argues that this formalist (or positivist) revolution held out great promise for human welfare, but that it has been a substantial failure despite some very commendable inputs.

The noble aim of the positivists to turn economics into a hard science has proved, he says, to be nothing more than a dream. He emphasises that econometric methods are still unable to distinguish between correlations and causes, or between sequences and consequences, and are thus unable to give a good causal picture of reality. He argues that much of growth theory, for example, is devoid of real world relevance because it is ‘based on more theorem-seeking assumptions than on truth-seeking ones’ (Ward 1972, p. 252).

Evan Jones is even more critical of the way the discipline has developed, and believes that the deductive reasoning employed by the dominant paradigm has rendered economics conceptually incoherent. As a consequence, Jones (1994, p. 61) concludes that the subject matter is on the verge of appropriation by superior analyses within competing social disciplines:

As a consequence of an apriorist straight-jacket, economists now know less about economic activity than do scholars outside the discipline. Historians know more about the comparative evolution of capitalist economies. Industrial relations scholars know more about the nature of work. Sociologists know more about the comparative culture of managerial practices across capitalist countries. Political sociologists know more about the capitalist state. Political scientists know more about the details of governmental structural policies which have contributed to differential capitalist success. Scholars in the discipline of international political economy know more about the symbiotic relations between nation state and business trade rivalry; and so on.

In summary, after more than a century, while economic and social problems have multiplied, as far as the economic orthodoxy is concerned, there has been very little progress. The only serious challenge to the dominant paradigm during this time was that presented by John Maynard Keynes in the 1930s, who argued that orthodox economic theory was so unrepresentative of reality as to be disastrous to use it as a guide for the formulation of economic policy. Unfortunately for Keynes, his *General Theory of Employment, Interest and Money* (1936) used many of the postulates of neo-classical economics. This was a useful strategy in the sense that it increased the prospects of his work being accepted by the scientific community, but it also made it easier for his ideas to be absorbed into the neo-classical paradigm. This is precisely what happened soon after his death with the so-called neo-classical-Keynesian synthesis, for which Paul Samuelson's *Principles of Economics* generally receives most credit.³² Thus, if ever there was a window of opportunity for the economics of Keynes, it was very short-lived.

1.3 Neo-classical theory on inequality and the revival of political economy

Given the way orthodox economic theory has evolved, it is not altogether surprising that it has comparatively little to say about the important socio-economic question of inequality. Unlike the classics, neo-classical economists do not theorise about a social system. Instead, they theorise about markets and their interdependence. Thus, households and firms are only ever treated as market agents and not parts of a social structure. Importantly, these agents' initial endowments of wealth, property and human capital are treated as given. In short, economic power and social class are non-issues, and the notion of class conflict ruled out by assumption. Instead, the position taken by the orthodoxy is quite simple; namely, that distribution of wealth, income and

³² In the 1967 edition of his famous text, Samuelson referred to the 'grand neo-classical synthesis' (pp. 351-52).

power are moral questions, involving value judgements that should be distinguished from matters economic.³³ In other words, neo-classical economics does not acknowledge that income, wealth and power have important effects on workers' motivations and behaviour in the work place. As a consequence, the theory it uses to explain income distribution, marginal productivity theory, is typically rather limited.

According to this theory, the owners of the factors of production receive an income from firms that use these factors in their production process. These incomes are wages to owners of labour, interest to owners of capital and rent to owners of land. The prices of factors are determined in the factor markets according to the forces of supply and demand. Ultimately, it does not matter whether one is considering workers, shareholders or landlords, income is determined by two variables: the quantity of factor services sold and the price of that factor service. The theory goes that the higher the productivity of a factor, the greater is the demand because of the value that factor can add in the production process. The greater the value added by that factor service, the higher its price will be, and the more income it can expect to earn.

In the case of labour, productivity (and therefore income) is said to be a function of natural ability, character traits, the choices people make, education and job training. However, the structure of the labour market also has an important determining influence on wage outcomes. If there is a large number of firms competing to purchase labour services from a large union, then the wage level will be higher than in a competitive situation, while a monopoly purchasing the services of unorganised labour will pay less than would be the case in a competitive situation. In short, the structure of labour markets has an influence on the relative distribution of income between employers and employees.

³³ Indeed, some prefer to talk of 'income differences' rather than 'income inequality' on the grounds the latter term

In recent years, undergraduate economics texts have begun to incorporate discrimination into their analysis of the workings of the labour market and how this presents itself as a source of inequality. In the case of McTaggart *et al* (1996, pp. 334-35), discussion of the topic is prefaced with a warning that the reader may become angry as a consequence of studying this ‘controversial and emotionally charged issue’. The chances of this happening are quite remote, however, given that prejudice is assumed as given, and predictions are made about outcomes using the same supply and demand model used to explain differences in earnings according to human capital.³⁴ This highlights the inherent weakness in the neo-classical paradigm; namely, that it is predicated on a system of exchange, where value equivalent harmoniously trades for value equivalent. There is no exploitation.

This is an extraordinary assumption to make for the very simple reason that marginal productivity becomes the primary factor determining one’s income. The point is that while marginal productivity may have an influence, it is not the decisive factor neo-classical economics would have us believe. Social structures and the exercise of power, on the other hand, are decisive but these are factors ignored by the orthodoxy.³⁵

is too value-laden.

³⁴ Even then, the authors are careful to point out that ‘... economists disagree about whether or not prejudice actually causes wage differentials [because] you cannot easily test it’. They go on to say that the model they depict ‘does not mean that such a real situation is either desirable or inevitable. Economic theory makes predictions about the way things will be, not moral statements about the way things ought to be’ (McTaggart *et al* 1996, p. 335).

³⁵ Orthodox economic theorists might respond to this criticism by pointing to the abundant literature on the theory of monopoly and monopoly power. It is worth noting, however, that this discourse usually takes place within the narrow parameters of the competitive model. Thus, while power over price and demand is fully acknowledged, there is no attempt to extend the analysis beyond that of the market mechanism.

The question of inequality is not treated so simplistically in modern political economy.³⁶ Social structures have too significant an impact on market relations to be ‘assumed away’, and modern political economists are cognisant of this. A key difference, it would seem, is the treatment of capital. For modern political economists the term ‘capital’ has two meanings; what they would prefer to call ‘capital goods’ — tools, machines, materials, plant and machinery used by labour in the production process, and capital which takes the form of a ‘non-specific fund’ which has no bearing on production. Capital goods, while relevant to the study of production, have no bearing on the distribution of income, as earnings (profit, interest) are paid according to the *value* of the capital invested. The *form* of capital is of no consequence. Capital goods can be converted into capital on the basis of a given set of prices for these goods, but to know these prices, one has to have some notion of the general rate of profit.³⁷ Hence, the neo-classical theory that the contribution of capital determines the demand for capital, which, together with the supply of capital determines the rate of profit, is internally inconsistent.

³⁶ Modern political economy emerged in the late 1960s-early 1970s, and is defined here as the science of social management. It is concerned with social structure and the interrelationship of political and economic processes. Its practitioners aim to resurrect both the practical and theoretical aspects of the classical tradition. This is a tradition that Marxists have never abandoned. Dobb (1937, p. vii), for example, argued in favour of the term ‘political economy’ over ‘economics’ on the grounds its controversies have ‘meaning as answers to certain questions of an essentially practical kind’, associated with the ‘nature and behaviour of the capitalist system’. Similarly, Paul Baran wrote in 1957 about the *Political Economy of Growth* because in his view orthodox economics did not possess the tools to theorise about the ‘factors responsible for the size and the mode of utilisation of the social surplus’ (Baran 1973, p. 131). Modern political economy is not to be confused with the form of analysis advocated by the libertarian public choice theorists. This group, referred to later in this chapter, also use the term political economy to describe their approach.

³⁷ This is the essence of the so-called ‘Cambridge capital controversy’, so-called because of the debate between the ‘Post Keynesians’ at Cambridge University in the UK (led by Joan Robinson) and the neoclassicalists at Cambridge, Massachusetts, in the US.

By eliminating the contribution of capital in production as a factor affecting distribution, this opens the door to a theory of distribution which focuses on economic power. At the heart of this alternative theory of distribution is the notion of property and its relation to social class. Ownership of property (capital) confers advantages in the market place whether one is considering the setting of price, bargaining over money wages, decisions over executive salaries, or any number of things affecting one's life chances. The theoretical aspects of this issue are explored more fully in Chapter 4. At this point, it is sufficient to note that compared to neo-classical economics, modern political economy has a very different vision of society. In brief, it rejects the idea that the income share accruing to a factor is in some way an indication of its productive power at the margin. It may have a bearing, but it is not decisive. Instead, modern political economy aims to demonstrate that markets distribute income, not according to relative efficiency, but according to relative power.³⁸

The approach to be used in this thesis is one based on explicit economic theories, but their relevance to practical issues is emphasised by providing empirical evidence in the form of actual or historical accounts. Furthermore, in consonance with the basic tenets of political economy, analysis will not be confined solely to the economic dimension at the exclusion of social and political factors. An interdisciplinary inquiry is total anathema to many academic economists and they will cling to the security blanket of theoretical economics and 'the faceless general variables of the Walrasian paradigm' (Bowles and Gintis, 1993, p. 100). However, political economy is not about the abandonment of scientific inquiry because, dependent though it is upon explicit conditions, embodied in its methodology is the search for trends and the elaboration of systems. Without this, there is no model to work from, no

³⁸ Efficiency will certainly enhance power, but the two are quite distinct.

organising principles to examine the mass of facts at one's disposal, and no means for testing the theories and hypotheses used to classify these facts.

In summary, it is argued here that if the social scientist or policy maker chooses to ignore the social system, then they will be ignoring many of the interdependent relationships that exist between economic and non-economic factors, and they will have a less than complete understanding of the environment in which they operate. For this reason, in addition to reviewing the standard interpretations of inequality, this work will, *inter alia*, consider bureaucratic and administrative structures, the authority and integrity of governmental agencies, and the flexibility or rigidity of social classes. Thus, the thesis will take account of power — how it is derived, how it is wielded, and how it is applied in order to influence one's economic conditions.

1.4 Theoretical perspectives on East Asian development

Having commented on the nature of capitalist development, the relative weaknesses of the analytical power of mainstream economics, and the relative strengths of a broad political economy approach in very general terms, it is appropriate at this stage to take a step closer towards the definition of the context of this study. The ultimate aim of this chapter is to settle on a framework for analysing the Singapore political economy. To this end, it is useful, first of all, to survey the field of vision of others in the social science community. Identifying the shortcomings of these approaches to the analysis of capitalist development in East Asia will serve as useful introduction to the framework preferred in this study. With this framework in place, it will then be possible to examine, more meaningfully, the history behind Singapore's development (Chapter 2), and the misrepresentation of Singapore's development by the likes of the World Bank (Chapter 3).

Over the last two decades or so, the East Asian NICs have received numerous accolades for their annual GDP growth rates and the outward-looking economic policies that have been implemented to produce these growth rates. However, not everyone in the social science community has been bedazzled by the East Asian success story. Indeed, there are a number of commentators (mainly political scientists and sociologists, and not too many economists), who have been quite sceptical of the developmental process favoured by these nations. As a consequence, there now exists a multiplicity of interpretations and explanations for the rapid development of the East Asian economies.

The next section of the chapter will deal with those explanations that take a predominantly economic perspective, the following section will concentrate on those explanations with a strong political perspective, while the penultimate section will examine those works that embrace both perspectives in a broad political economy approach. The final section will make some critical evaluation of the different approaches.³⁹ It should be noted, however, that an in-depth analysis of the nature of Singapore's economic development is reserved for later in the thesis. The main aim of this chapter is to critically examine the theoretical bases of the various analyses of Singaporean development in the light of the approaches used to explain East Asian development.

³⁹ To separate theoretical approaches according to subject discipline may not be entirely appropriate given that there will inevitably be a degree of overlap in the analyses of those who profess to be economists and those who claim to be political scientists. Nevertheless, without such a taxonomy, a systematic examination of the bases of the various theoretical approaches might prove difficult.

1.4.1 *The story according to the economists*

Neo-classical economics received something of a fillip following the emergence of the East Asian NICs because they were portrayed as shining examples of free market economics in action. Throughout the 1960s, mainstream development economics had been promoting a strategy of inward-looking import substitution, protectionism and a self-sufficient pattern of development on the grounds that, freed from the pressures of international competition, this provided the best opportunity for the people populating LDCs to improve their living standards. Consequently, the rapid development of East Asia came as rather a shock. As Hicks (1989, p. 37) points out, ‘the heavyweights in the economic development field — Myrdal, Lewis, Higgins, Prebisch — appeared completely unaware of the high-performing little Dragons ...’.⁴⁰ The widely used text by Higgins (Higgins 1968) for example, made no reference to Singapore, Hong Kong or Taiwan in all its 900 pages, while in Myrdal’s *Asian Drama* (Myrdal 1968), there is not a single mention in the whole 2284 pages of Hong Kong, Taiwan or Korea, while Singapore managed only a couple of lines.

The so-called ‘neo-classical counter-revolution’ that began in earnest during the 1970s gained in momentum from the early 1980s with the work of Little (1981), Balassa (1981 and 1982) and Krueger (1983). As far as these commentators were concerned, the formula for success was very simple, and common to the East Asian NICs. All one had to do was ‘get the economic fundamentals right’, and the benefits would start to flow.

The work of Singapore economist Lim Chong Yah supports this viewpoint with respect to the Singapore case. The key to Singapore’s economic success

⁴⁰ Singapore, Hong Kong, the Republic of Korea and Taiwan have attracted a number of other tags besides the

according to Lim (1989, p. 206) is that it ‘adopted a free-enterprise system with an outward-looking orientation supported by an able and honest government that gave the highest priority to economic efficiency and achievement’. Indeed, Lim is quite emphatic in his endorsement of free-enterprise:

Without external orientation and an export-oriented policy, international specialisation would not have been possible and economic activities in Singapore would have sunk into a morass of inefficiency. Without a free-enterprise system, private initiative and drive, including that of foreign entrepreneurs, could not have flourished. Without an able and honest government with proper economic orientation, the achievements, if any, would have been in other directions than economic advance. ... Without the pursuit of a free-enterprise system, the trading sector, which is the life-blood of the Singapore economy, would not have been able to expand by leaps and bounds. Without the free-enterprise system, the industrial sector, relying largely on private enterprise, particularly foreign enterprise, could not have been built and enlarged.

(Lim 1989, pp. 206-207).

This sentiment and that of other neo-classicalists is perhaps best encapsulated by the oft-quoted comment of Timmer (1973, p. 76) who maintained that: “Getting relative prices right” is not the end of economic development. But “getting prices wrong” frequently is’. Indeed, for many, the stage had been reached where the neo-classical paradigm reigned supreme and was beyond dispute. As Hicks (1989, p. 47) concludes:

The triumph of the four Dragons is also a triumph for mainstream economics and should mean — if logic counts for anything — the death of ‘development economics’ as a distinctive body of thought. Economics emerges as a unified body of principles quite adequate to the task of explaining successful or unsuccessful growth in the developed or developing world.

‘Tiger Economies’, including the ‘gang of four’ and the ‘four little dragons’.

A dominant feature of the neo-classical approach, however, is that it does not analyse the social context in which economic development takes place. Subsequently, the prescribed policies typically pay scant attention to the generally unequal distributional outcomes, and concentrate instead on the GDP figure, and its rapid growth at all costs. Ostensibly, this is a highly laudable objective, but for the disproportionate burden endured by the poor. Economic development for these people means the enforcement of lower living standards. The privileged classes, meanwhile, are assured of their revenues and continued prosperity.

The key to success, according to the orthodox approach, is as follows. First, government expenditure (especially on the non-productive welfare sector) is minimised on the grounds that 'excessive' spending may contribute to macroeconomic instability which, in turn, discourages investment. Second, there has to be a redistribution of income; the owners of capital have to be provided with sufficient incentive to expand operations, so low taxes are required to afford them a greater return for their efforts. Meanwhile, wage earners must refrain from demanding pay increases which might cause their companies to become uncompetitive, so they accept low wages.⁴¹ Third, to ensure the smooth operation of the market mechanism, all potential 'bottle-necks' have to be removed. This means no price controls or subsidies and, most important of all, a smoothly functioning labour market; that is, a cheap, well-disciplined and non-striking work-force.

Another group of economists (specifically those of the Keynesian or institutional persuasion) are less sanguine about *laissez-faire* economics. Moreover, they maintain that rather than free markets, it is government intervention that has been the driving force behind East Asian industrialisation.

⁴¹ Pion-Berlin (1983, p. 63) thought it somewhat ironical that the commitment to free market principles did not extend to the labour market. In this instance it is quite common for the orthodoxy to approve of government-

This 'revisionist' school of thought argues that East Asia has succeeded 'precisely because of the "distortions" that governments deliberately introduced: if other countries (rich or poor) want to grow as quickly, they should stop praising market forces and put their bureaucrats (the really clever ones) in charge' (Anon. 1993b).

A number of authors have championed this particular line of argument in recent years, each with their own different emphasis, including, for example, White (1988), Amsden (1989 and 1991), Lee and Naya (1988) and, most notably, Robert Wade (1988, 1990 and 1992). Wade argues that the impressive economic record of East Asian nations is attributable to a well developed capacity for selective intervention,⁴² 'and that this capacity rests upon (a) a powerful set of policy instruments ... (b) a certain kind of organisation of the state, and its links with other major economic institutions', and '(c) superior economic performance — notably with respect to rapid restructuring of the economy towards higher technology production' (Wade 1988, pp. 130-31). What concerns Wade, however, is the question of the causal connection between (a), (b) and (c). 'The short answer' he says 'is that we do not know. There is a dramatic paucity of empirical evidence on this question' (Wade 1988, p. 130).

In the Singapore context, the work of Lim (1983) is worthy of special attention in that it does shed some light on Wade's mystery causal relationship. Lim, like Wade, puzzles over the preoccupation with the free market:

imposed freezes.

⁴² Specifically Taiwan, Korea and Japan in this article, but as Hicks (1989) points out, Wade might also have included Singapore.

Government intervention in the economy is frowned upon as inefficient, costly, and a threat to personal liberties of the individual and the community — worse still, as “creeping socialism” ... Governments of both developed and developing countries which have recently embraced this ideology look for models both to emulate and to point to as justification for their so-called return-to-the-marketplace policies. Singapore is a popular model for this purpose. Margaret Thatcher has cited it as an exemplar of free market economic success ... My contention ... is that, contrary to popular belief, this success is *not* due to free market policies which can be emulated by other countries. While Singapore *is* a success story of *capitalist* development, this is not the same as a success story of *free market* development.

(Lim 1983, pp. 752-753).

Lim then goes on to reveal the irony of the situation where Singapore is admired by Milton Friedman, the arch advocate of the free market, while John Kenneth Galbraith, ‘a man often seen as his polar opposite’ on issues economic, ‘held Singapore up as an ideal in his television series, *The Age of Uncertainty* (Lim 1983, p. 754). As Lim goes on to point out:

... policies and actions have influenced resource allocation by changing relative prices. ... Tax concessions, efficient infrastructure, wages kept low by government subsidies on low-income housing and other social services, by many years of low National Wages Council wage increases, by easy access to foreign labour, and by docile unions, and by political stability and labour peace — all these have made investment in Singapore very attractive, especially to multinational corporations engaged in labour-intensive manufacturing for export ... In other words, state interventions have given Singapore a comparative advantage in export manufacturing which it would not have if free market forces alone prevailed.

(Lim 1983, p. 757).

Then, in the concluding section to her article, Lim gives her view as to why Singapore has (to use Wade’s words) such a well developed capacity for selective intervention. She talks about how ‘the Singapore Government is not rigidly doctrinaire in its ideology’ and that it is guided more than anything else by a sense of pragmatism (Lim 1983, p. 762). More interesting, though, is her

comment about members of the Government and the nature of the state bureaucracy in Singapore. In brief, she argues that it has evolved 'into a separate "class" with motivations and interests independent of, and more than simply intermediary between, those of capital and labour'. It is this group which ensures, quite unconsciously according to Lim, that the capacity of the state is preserved. Importantly, they are rewarded, not in the material sense, but in '... the power of control over the vast assets of the state itself, and indirectly of the private sector as well, and from the reflected glory of the very success the state has created in the economy' (Lim 1983, pp. 761-62).

This revisionist school of thought is less ingenuous than the orthodox school, but as the above quote from Lim indicates, social structural factors do not constitute part of the analysis. Lim acknowledges that the interests that make up the state have evolved as a separate class, but this is where she leaves it. This class is not considered exploitative, and apparently is motivated by status alone. Indeed, Lim's view is entirely consistent with Lim Chong Yah's notion of 'good government' referred to earlier in this section.

To the left of the revisionists on the political spectrum are the dependency theorists; a school of thought which argues that MNCs have been the engine of growth in East Asia. The neo-classical school will not necessarily disagree with this observation, but while the latter look upon this as a highly desirable phenomenon, the dependency school is a little more wary.

The early dependency theorists talked in terms of the 'core' and the 'periphery', whereupon the developed nation core of the world economic system would extract a surplus from the developing nation periphery through its trade and investment relations. This was possible, so it was argued, because of the monopoly power of capital located at the core and the subservience of domestic governments situated at the periphery. The problem, according to the dependency theorists, was that surplus transfers created and perpetuated

underdevelopment in LDCs; a phenomenon referred to as 'the development of underdevelopment' (Frank 1966).

With the rapid industrialisation of countries in Latin America and East Asia, this early version of dependency theory came under attack, coinciding with the neo-classical counter-revolution. But, in response, a new brand of dependency theory emerged, based upon a model of a 'triple alliance' between local, foreign and state capital (see, for example, Cardoso and Faletto 1979, Evans 1979). In brief, this latest variant posits that despite the possibility of conflict of interests between the members of this dominant coalition, a common objective of rapid industrialisation becomes the overriding factor. Typically, according to the neo-dependency theorists, this MNC-dominated import-substituting industrialisation involves increasing political authoritarianism, labour subordination and worsening inequality.

Much of the new dependency literature centred upon Latin America which might lead one to conclude that dependency theory is less applicable to the East Asian case.⁴³ This notwithstanding, there has been some concern over the level of technological dependence of some Southeast Asian countries. Steven (1988), for example, warns about the technological dominance of Japan in the ASEAN region, while Yoshihara (1988) emphasises the truncating effect that technological dependence will have on economic development in the region.

In the case of Singapore, Yoshihara argues that there has been industrialisation without development which is potentially destabilising. He points to the fact that although Singapore is frequently cited as a model of capitalism in Southeast Asia, it is in no way a model of industrial capitalism. The reason for this is that virtually all industrial capitalists with a capacity to export are foreign-owned (Yoshihara 1988, p. 115). Manufacturing is a long-lasting capitalist institution, he argues, but:

⁴³ With the notable exception of Long (1977).

Singapore cannot build dynamic industrial capitalism of its own. One reason is that foreign companies with superior technology compete with Singaporean companies for technicians and engineers. Another is that its service sector makes a much bigger demand on well-educated manpower than that of an ordinary country. ... [T]he small size of the country [also] limits its ability to finance government expenditure on science and technology; and it limits the scope for industrial diversity, which allows the cross-fertilisation and inter-industry co-operation that are essential for technological innovation. These considerations make it difficult to foresee the emergence of Singaporean industrial capitalists who will act as a locomotive of the economy. (Yoshihara 1988, pp. 116-117).

Yoshihara concludes that the fact foreign capital has set up offshore production in Singapore does give the nation some independence in the sense that it does not have to rely totally on its role as a service provider, but maintains that this 'sort of industrialisation is dependent rather than autonomous, as it is in the more genuine NICs of East Asia' (1988, p. 118).

Interestingly, Yoshihara does not, in this work, give too many details as to the consequences of the 'ersatz' capitalism that he describes, other than to say that it is a phenomenon that will hinder development. Nor does he allude to the course of action that a government may be forced to take if stability is to be maintained in an inherently unstable environment. He does not mention, for example, the political manoeuvring that the Singapore Government has undertaken to ensure the country remains an attractive proposition for foreign investors.⁴⁴

Before turning our attention to the work of the political scientists, there is one final group of economists that warrants consideration, not least because they represent one school of thought within the economics community which claims to take full account of the political dimension. The public choice theorists,

⁴⁴ Another criticism one might make is that Yoshihara has very little to say about the state enterprise system in Singapore. As Vennewald (1994) points out, this sector has a significant role to play within the economy.

following James Buchanan and Gordon Tullock (1962), are a group of political economists who attempt to apply the logic of neo-classical microeconomic theory to politics. *Inter alia*, these analysts generally find that whereas self-interest leads to benign results in the marketplace, it produces nothing but pathology in political decisions. These pathological patterns find expression in the 'free-riding' and 'rent-seeking' behaviour of voters, bureaucrats, and recipients of public funds.

It is the behaviour of public sector bureaucrats though, that lies at the heart of public choice theory. While they are supposed to work in the public interest, implementing the policies of the government as efficiently and as effectively as possible, public choice theorists see state officials as self-interested utility-maximisers, motivated by power and patronage, and the ease of managing the system. Given their discretionary power over a wide range of issues, bureaucrats are thus portrayed as regularly manipulating the agenda for legislative action to secure outcomes that are favourable to their own interests. As a result, budgets rise beyond plausible efficiency limits, which leads to government failure, and ultimately, a diminution of societal welfare.

For the public choice theorists, therefore, the fundamental challenge is to implement institutional procedures that minimise such government failure. To this end, it has been suggested that neo-classicalists generally favour authoritarianism (Shapiro and Taylor 1990). If this is so, there are certainly strong parallels between this group and their conservative counterparts within the political science community.

1.4.2 *The story according to the political scientists*

There is a widely held view that capitalist development goes hand in hand with democracy. In short, economic development is assumed to be a function of free competition among capitalists, which is structurally correspondent with political freedom and democratic participation in government. Indeed, capitalism and democracy are regularly perceived as being synonymous, especially in more recent times, with the demise of the state socialist regimes in Eastern Europe. Meanwhile, authoritarian regimes have tended to be dissociated from capitalist development, regarded as 'traditional political residues: patrimonial, despotic, particularist and corrupt, ...' (Robison 1990, p. 10).

However, not all developing countries have read the script, a phenomenon that first confounded modernisation theorists back in the 1960s,⁴⁵ when capitalist development, specifically in Latin America, appeared to be progressing under authoritarian regimes. It was Samuel Huntington (1968) who came to the rescue, when, according to Robison, he posited that in societies undergoing rapid social transformation, modernity could best find its expression in an authoritarian regime. In short, Huntington was arguing that rapid social change tended to produce political decay and social chaos and that, as a result, the institutionalisation of power, rather than its dispersal, was critical. In other words, Huntington gave the authoritarian state a function in the modernisation process, namely, creating political order and generating rapid economic growth (Robison 1990, p. 10).

Robison concludes, therefore, that:

⁴⁵ Modernisation theorists are political scientists, sociologists and economists who emphasise the benefits of the free market and its accompanying institutions in bringing long term socio-economic development.

Authoritarianism ... was seen, not as the political means whereby one class bludgeoned others into submission, but as a functional response to social disintegration and economic malaise. ... Strong authoritarian rule is appropriate at this stage to build political institutions capable of integrating civil society into the political process without destroying it and to provide the conditions necessary for investment and rapid industrialisation: concentration of wealth, low wages and long-term planning. In other words, Huntington saw the function of authoritarianism as creating the basis for industrial capitalism and, in the long term, for liberal democracy

(1990, p. 10).

It was once suggested by Hamilton (1983, p. 37), in a rather facetious remark aimed at the neo-classical economists, that maybe Singapore developed as rapidly as it did because Lee Kuan Yew had read Samuelson.⁴⁶ On reflection, given Mr Lee's publicly expressed views on the contentiousness and confusion of liberal political development, maybe Huntington was more of an influence than Samuelson. But Huntington was not the only one to provide a theoretical justification for Singaporean-style economic development. The early dependency theorists also make the connection between authoritarianism and economic development, albeit from a completely different perspective. In this case, authoritarianism is perceived, not as a necessary and inevitable phase on the road to liberal democracy, but as a prerequisite for the extraction of surplus by the core nations (see, for example, O'Donnell 1973, Collier 1979).

By the mid-1980s, the focus of debate had shifted somewhat, brought on by the so-called *Transitions* thesis. In brief, on the basis of extensive empirical observation of transitions from authoritarianism in Southern Europe and Latin America, O'Donnell and Schmitter (1986) and others concluded that authoritarian regimes were most successfully transformed through processes of compromise and negotiation, whereupon constitutional and institutional rights

⁴⁶ Samuelson (1948), an international best seller for undergraduate economists, has gone through numerous editions and is still in print today.

and safeguards were exchanged for the political immunity of former leaders and officials. The significance of this conclusion is that it represents a major departure from earlier views held by these authors that political outcomes are socially or economically determined. According to O'Donnell and Schmitter, while they acknowledge that social and economic structures play a part, short term political calculations are only loosely influenced by such factors. Instead, they argue that 'unexpected events, insufficient information, hurried and audacious choices, confusion about motives and interests, indefiniteness of political identities, [and] talents of specific individuals are all decisive in determining outcomes' (cited in Robison *et al* 1993, p. 21).⁴⁷

The relevance of the *Transitions* thesis to the issue of economic development in Singapore is that, conceivably, it lends credence to the notion that a regime can organise and reorganise itself for the exercise of power (a phenomenon apparently unrelated to prevailing social and economic power structures), to ensure that there is not a democratic transition (Robison *et al* 1993, p. 22). In Singapore, economic growth has been responsible for the development of a quite robust middle class. This might lead one to assume that pressure would be brought to bear on an authoritarian regime to liberalise,⁴⁸ and yet, if anything, the PAP has taken steps to increase the centralisation of power, claiming that the continuation of authoritarian rule is vital to the economic viability of the nation (see Rodan 1993c). The fact the PAP regime can do this and get away with it, might support the *Transitions* thesis that strategy, leadership and organisation are important factors in shaping a nation's political development, and subsequently, its economic development.

⁴⁷ A similar line of argument is advanced by Hans-Dieter Evers and his followers at the Sociology of Development Research Centre, University of Bielefeld, Germany. In brief, they argue that the 'sequence and timing of events' have an important bearing on the emergence of 'strategic groups' in society. The group that emerges first, then establishes a superstructure most suited to its interests (see, for example, Evers 1973 and 1982). Vennevald (1994) uses this framework in his analysis of Singaporean development.

⁴⁸ As the educated and affluent demand greater intellectual space (see Chapter 6).

Shortly before the emergence of the *Transitions* debate, the conservatives within the political science community also had cause to change their philosophy. In Huntington (1984), there is a reiteration of the logic employed by the same author sixteen years earlier to explain why an authoritarian regime will necessarily be superseded by a democratic one as the country grows in economic stature:

A wealthy economy, it is said, makes possible higher levels of literacy, education, and mass media exposure, all of which are conducive to democracy. A wealthy economy also moderates the tensions of political conflict; ... and greater economic resources generally facilitate accommodation and compromise. In addition, a highly developed, industrialised economy and the complex society it implies cannot be governed efficiently by authoritarian means. Decision-making is necessarily dispersed, and hence power is shared and rule must be based on consent. Finally, in a more highly developed economy, income and possibly wealth also tend to be more equally distributed than in a poorer economy. Since democracy means, in some measure, majority rule, democracy is only possible if the majority is a relatively satisfied middle class ...

(Huntington 1984, p. 199).

The interesting thing about this article, however, is that Huntington backs away from his earlier contention (Huntington 1968), that authoritarianism was a purely political, transitory phenomenon in the process of social and economic development. This change in thinking is attributable, in large part, to the experience of East Asian nations, where authoritarian regimes persisted despite the emergence of sizeable middle classes. What Huntington says in the later article is that while higher living standards and greater social equality are important preconditions, the shift to democracy ultimately hinges on a nation's political history, its cultural environment and the values of the ruling élite. In other words, as far as democratisation is concerned, culture becomes a determining factor, rendering authoritarianism compatible with any social or economic context (Robison 1990, pp. 12-14). As Huntington puts it, in the case of the East Asian NICs, the prospects for democratisation are considerably less

than in Latin America because, despite the fact that preconditions are in place that favour democratic development, 'on the other side, cultural traditions, social structure, and a general weakness of democratic norms among key élites all impede movement in a democratic direction' (Huntington 1984, p. 216).

Given the modification in his views, it is not altogether surprising that Huntington has contributed to the recent debate on Confucian values and the notion of 'Asian democracy'.⁴⁹ Indeed, Confucianism has experienced something of a resurgence of late if the volume of literature is anything to go (see, for example, Pye 1985, Tan 1989, Tai 1989, Lawson 1993). At the heart of the matter has been the desire to unfurl the secret to East Asian economic success and, in many cases, authors have lamented over the seeming non-transferability of the 'East Asian model' because of its cultural specificity (see Griffith 1988, for example). Meanwhile, neo-Confucianism has been embraced with great alacrity in Singapore — at least by the PAP party-leadership — which has sought to reassert 'Asian values' in Singaporean society in order to prevent it from becoming a pseudo-Western society.

Indeed, the nation's value system is considered by the Singaporean Government to be a major determinant of its economic success (see Fernandez 1994b, for example). Where Westerners extol the virtues of individual rights and the clash of ideas, Singaporeans, so it is argued, venerate the Asian (principally Confucian) values of order, the family and consensus. What the Government wishes to avoid is a situation where the majority of Singaporeans are no longer in touch with Asian ideals. If this were to happen, it says, then social stability and economic success would be undermined. So, just to make absolutely sure this state of affairs never arises, the PAP has actively promoted an Asian-style

⁴⁹ See Huntington (1993, p. 38) which reaffirms his 1984 stance even though he acknowledges the democratisation of the political systems in Taiwan and the Republic of Korea. For more on the notion of 'Asian democracy', see, for example, Keyfitz (1988), Harries (1989), Chan (1993), Sheridan (1993) Ching (1993), George (1993) and Neher (1994). This is an issue covered more fully in Chapter 6.

national ideology, instituted via its *Shared Values* White Paper (Republic of Singapore 1991a). These include the ideals of nation before community and society above self, family as the basic unit of society, regard and community support for the individual, consensus instead of contention and racial and religious harmony (Republic of Singapore 1991a, p. 10). Significantly, as Rahim points out, 'the shared values represent the institutionalisation of the PAP's preferred image of Singapore. It is particularly instructive that values such as democracy, social justice and the rule of law are not mentioned' (1994a, p. 22).⁵⁰

This, in fact, is an example of how the PAP has obscured the boundary between state and society, and an indication of the extent to which the party dominates the state apparatus. Indeed, its political supremacy has been such that the PAP leadership has been able to rationalise, discipline and re-educate the bureaucracy to the point where party and state have become one and the same thing (Williams 1992, p. 367). It is this factor, in large part, that has enabled the Government to pursue a systematic corporatist strategy where social interest is effectively subordinated in deference to 'the common good'. The party-state, of course, is promoted as being independent of class and interest group bias, as understanding and representing the common good, and having the legitimate right, therefore, to command the loyalty of its citizens. The end result is that the PAP defines morality and ideology for the masses. It also decrees what is and what is not in the national interest, which traditionally, is always defined in terms of what promotes and does not promote, economic growth.

⁵⁰ The connection between these 'Shared Values' and anti-liberalism is explored more fully in Chapter 6.

1.4.3 *The story according to the state theorists*

Whereas the modernisation theorists perceive the world in terms of systems, functions, structures and values, those theorists who focus on the relationships between state, regime and capitalist development are primarily concerned with identifying the issues and conflicts that exist between social forces and the elements that constitute the state (Robison 1990, p. 21).

The huge volume of literature on the role of the state and economic development in general is testimony, perhaps, to the complexity of the issue and the subsequent lack of consensus. The recent spate of state-focused work specifically on East Asia conforms to this pattern and, as a result, a truly cohesive theory of the state remains elusive. Generally speaking, however, it is possible to categorise approaches to the theory of the state in terms of those that are broadly Marxist,⁵¹ and those that broadly adhere to the Weberian tradition.⁵²

The framework provided by Crone (1988) provides a useful starting point to any survey of these approaches. What he suggests, is that the 'capacity' of a state will vary according to the structure of political support and the means of political control that is available to a state's élites (those who occupy office).⁵³ Crone points out that 'narrowly-based' authoritarian regimes will necessarily have to resort to coercion and, as a result, this detracts from the overall

⁵¹ See, for example, Miliband (1969), Gold *et al* (1975), Jessop (1982) and, more recently, Rueschemeyer *et al* (1992).

⁵² See, for example, Evans *et al* (1985), Haggard (1986), and most of the contributors to Deyo (1987), with the notable exception of Koo and Cumings.

⁵³ State capacity is taken to mean the potential that the state has with respect to economic management (the control of labour, the regulation of foreign capital, for example) and with respect to the management of social conflict (fostering particular ideological and institutional bases for nationalism, shaping patterns of ethnic

capacity of the state to promote economic and political goals. 'Moderately-based' regimes, on the other hand, provide the state with a greater degree of flexibility. In other words, the capacity of the state will depend on the extent to which the regime influences its relations with social groups (1988, p. 254).

Crone distinguishes between the capacity of the state and the 'autonomy' of the state. He points out that 'autonomy ... though necessary to capacity, is not sufficient to ensure that once goals are selected, they are accomplished' (1988, p. 256). In other words, capacity and autonomy should not be treated as being synonymous, as it is quite possible for a state to have a significant amount of autonomy, but very little capacity. As Crone puts it, while state autonomy is something that can be converted into state capacity, the two should not be directly equated (1988, p. 258).

Crone then goes on to detail how the development of state capacity is influenced by the way in which power is 'aggregated and exercised'. State élites, he writes, 'pursue goals through a combination of techniques' which 'can be divided analytically into those that are essentially collaborative and those that are essentially coercive in form'. The coercive techniques may be as effective as the collaborative variety for establishing order, but the former are not as efficient because more resources are expended to produce any given desired outcome. Therefore, collaboration fosters more legitimacy for state policy than does coercion, which makes it more conducive to increasing capacity. However, the choice of social control strategies will be limited according to the composition of the dominant groups in society. 'Social élites representing broad groups provide channels to state élites for collaborative techniques such as coalition, bargaining, or co-opting ... A narrow élite structure with a shallow base precludes these techniques, forcing state élites to substitute more coercive means'. Finally, Crone notes that the structure of the

identity, for example) (Crone 1988, p. 253).

dominant groups also affects capacity. If the range of important social élites is small, 'the demands for special consideration may be impossible to resist, resulting in constrained policy options'. If, on the other hand, there is a broad range of socially important groups, it may be possible for the state to balance such elements against each other, insulating itself from particular interests, which, in the process, gives the state greater capacity (1988, pp. 256-57).

The essence of Crone's argument may be summarised thus: (i) the dominant means of social control will vary with the nature of a state's social support; (ii) forms of social control affect capacity; and (iii) state capacity will also vary in accordance with the structure of the dominant groups underlying the state.

So how has the PAP-state developed its capacity? According to Crone, despite its strongly paternalistic demeanour, it has developed broad-based coalitions through a generally collaborative means of social control. However, he does draw attention to the fact that the ruling élite did originally derive from a union base, control of which was captured from a more radical opposition through coercion and manoeuvring in the early 1960s. Since then, however, the state has incorporated and subordinated labour via a corporatist structure of collaborative but authoritarian management, as part of a strategy to attract foreign capital for industrialisation. The entry of foreign capital has added to the diversity of dominant groups, and with a wide coalitional base, the state has been provided with considerable capacity for paternalistic but generally non-coercive control (1988, pp. 259-60).

Ng *et al* (1992) use the Crone framework to arrive at similar conclusions. Referring to the East Asian nations in general, they claim that 'firm state capacity has allowed coherent economic management, and coherent economic management has legitimised political authority'. They also argue that the strongly paternalistic states have 'managed their domestic and international

environments toward increased competitiveness with similar policy mixes. The economic policy elements are not uniformly 'liberal', but select those aspects of most advantage to competitive growth. Similarly, political elements are not uniformly authoritarian, but selectively construct an order that allows the effective management of internal and external forces' (1992, p. 230).

But what are these 'internal and external forces' that these authors refer to? One can only assume they are the forces that are internal to, and external to the society in question, but this is where the neo-Weberian statist approach ends, a point that is not lost on those of a Marxist persuasion. As Cammack puts it:

... social classes are dissolved into 'society', then this undifferentiated 'society' is counterposed to the state. As a consequence, the idea that the state is differentially penetrated by conflicting classes, and incorporates, reflects and affects the struggle between them, becomes literally unthinkable. Clearly, the state has to be taken seriously. Clearly, too, an institutional and organisational perspective must be part of a coherent analysis. There are pertinent questions to be asked about 'state capacity' which may lead in fruitful directions. But a perspective which centres upon a supposed antithesis between state and society obscures the complex character of each and the relations between them.

(Cammack 1989, pp. 289-90)

In other words, while it is all well and good to theorise about the development of state capacity, it is important to make the distinction between the state's capacity to act, and the state's actual action, that is, what it *can* do and what it *does* do. To concentrate on the latter is far more instructive about the character of the state and how it is necessarily constrained by economic and social structural factors. To say that 'firm state capacity has allowed coherent economic management, and coherent economic management has legitimised political authority' and leave it at that (see Ng *et al* cited above), is to say very little about the 'strategic dimension of the East Asian developmental states' (the title of article). It takes no account of the structural dynamics at work within the national and international political economy which cause the balance of

social forces to constantly change, and which induce the state to modify its strategy.

1.5 A theoretical framework for analysis of the Singapore political economy

According to the neo-classical economists, rapid economic development in East Asia is all about free and open markets, and export-oriented production according to a nation's comparative advantage. Other economists who operate within the same paradigm emphasise the importance of intervention in the marketplace, and the facilitatory role of governments in providing the right environment for competitive growth. Thus, policies and institutional arrangements which the free-marketeers perceive to be distortionary, the revisionist school consider to be quite vital to the 'creation' of comparative advantage and successful market-oriented activity.

The major weakness of the orthodox approach and its revisionist variant, is that it is severely restricted by a narrow disciplinary framework. In short, the omission of social and political factors means that as a model, it is quite incapable of saying anything, for example, about the processes involved in producing a competitive export industry in Singapore. If we listen to the neo-classicalists, it is all down to 'coherent economic management'. There is no mention of the political role of the state and the strategy it has undertaken to neutralise the power and effectiveness of organised labour.

Those of neo-classical persuasion who do consider the political dimension — the public choice theorists — would argue that state involvement in the political economy produces less than efficient outcomes and that, implicitly, where the state is involved, this involvement is non-arbitrary. By contrast, dependency theorists would argue that while developing nation states are

notably inefficient in many respects, their involvement in the political economy is far from being non-arbitrary, because of their subservience to international capital. Both theoretical approaches have been confronted with serious problems given the nature of East Asian development. In short, the very heart of their analysis has been undermined by the robust capitalist development in these nations, aided and abetted by the state, and a locally developed bourgeoisie. Admittedly, there are studies which continue to suggest that dependent capitalism is a feature of development in Southeast Asia (Yoshihara, 1988), but the body of opinion would tend to suggest that the issue is a lot more complex (see, for example, Deyo 1987 and Vennewald 1994).

The political scientists, meanwhile, have focused on the link between capitalist development and political authoritarianism. The conservative ranks of the political science community argued at first that an authoritarian state had a functional role to play in the creation of a political order that would provide the conditions for rapid economic growth to occur. Once this growth had materialised, society would, in due course, become more democratic. However, when capitalist development in East Asia continued to progress along authoritarian lines, there was a change in thinking. Now, the conservatives place emphasis upon the cultural environment and the values and beliefs of the ruling élites. Indeed, the growth of the body of literature devoted exclusively to the economic development/neo-Confucianism issue is quite staggering.

However, while Confucian philosophy and Asian values may *describe* certain aspects of the developmental process in East Asia, they do not *explain* it. Indeed, as Hirono (1988, p. 243) has pointed out (with respect to Japan), ‘the relationships between government and private enterprise and between managers and employees ... are usually seen as important components of the ... industrialisation model. Superficially such relationships have often been explained in terms of Confucian striving for harmony’. But while ‘Confucian

forms of respect for elders and for the family certainly contributed ... it is now well established that there are many such opportunities within every ideology. The Confucian ethic parallels the Protestant ethic'.

Outside of orthodox circles, many neo-dependency theorists, in the aftermath of the *Transitions* debate, have emphasised a behaviouralist approach to the analysis of capitalist development. In other words, tactics, leadership qualities, accidents and co-incidences have been the major factors shaping political regimes and the mode of economic development (Hewison *et al* 1993, p. 4). This kind of analysis also sits quite nicely alongside the approach used by the strategic group theorists, and that of the state theorists who take a predominantly institutional and organisational perspective. It is argued here, however, that it is ill-advised to place random events or systemised organisation ahead of social structural factors. In the case of Singapore, for example, a truly in-depth analysis of the nature of Singaporean development demands research that focuses on the specific indigenous circumstances that influence the state. To be precise, the activity of the state requires some detailed class analysis.

The class structure in Singapore is not easily summarised in a few sentences, largely because class formation in Singapore has occurred along lines slightly different from those usually hypothesised. As Heng has commented, using a framework of 'state-class-capitalism' in Asia sometimes presents some contextual problems as it involves grafting a lexicon of terms (and associated assumptions) 'that have evolved over several centuries in Europe'; therefore, 'it should not be surprising if assessments derived entirely from a state-class-capitalism approach to European political history do not have any empirical resonance in contemporary Asia' (1994, pp. 1-2). This is not to imply that Singapore is any more, or any less of a class society, merely that economic history has seen to it that class relations have not evolved in a typical fashion.

The theory relating to capitalist development and class, and its applicability to the Singapore case is dealt with in some detail in Chapter 4. However, it is appropriate at this juncture to note that the Singaporean state ought not be viewed as an 'instrument' or 'executive committee' of a dominant class as it might in the classical Marxian tradition.⁵⁴ This is because the state has effectively created its own class; that is, a dominant political party, with a self-selected élite, has ensured that party and state have become so thoroughly integrated that the only vision of society belongs to that of the PAP. The people who really matter, therefore, are those who are connected with the state, a scenario that is fostered and facilitated by policies of meritocracy. Coincidentally, these policies have guaranteed the material well-being of the middle classes, which in turn, has been one of the reasons for the PAP's remarkable electoral success. However, as it has been noted earlier in the chapter, the maintenance of middle class support is becoming problematic for the present regime; a factor it will need to address, *inter alia*, if PAP power is to be preserved.

The framework favoured by Chua (1995) is of considerable assistance in the analysis of this phenomenon. In the Gramscian tradition, Chua describes how the legitimacy of a regime may be evaluated, not 'in terms of some pre-selected political philosophy', but within the ideological system that the regime is 'relentlessly attempting to institutionalise'. In short, legitimation is a function of the ideological hegemony.⁵⁵ However, as Chua points out, this hegemony is not something that just materialises, it must 'necessarily be supported by the

⁵⁴ See Dunleavy and O'Leary (1987, p. 6) for example.

⁵⁵ Miliband (1969, p. 162) refers to Williams (1960, p. 587) who defines the concept of hegemony as 'an order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society in all its institutional and private manifestations, informing with its spirit all taste, morality, customs,

ruling group's ability to improve the material life of the governed if the extant ideas and values are to retain ideological currency'. In other words, economic success is an important prerequisite for the validation and subsequent legitimation of the ideological concepts the ruling group is attempting to universalise. If this prerequisite is satisfied, then the ruling group is capable of exercising moral and political leadership, and obtaining the consent of the masses. When such a circumstance occurs, says Chua, there is a condition of 'ideological hegemony/value consensus, or to simplify, hegemony/consensus' (Chua 1995, p. 3).

It will be argued in this thesis that the PAP has been very successful in establishing and perpetuating hegemony/consensus in Singapore, but that in recent years, this hegemony/consensus has not evolved sufficiently to keep pace with the evolution of Singaporean society. To be more precise, the case will be presented that the ideological hegemony is being severely tested because of its failure to address growing inequality. The key question is whether the PAP leadership is creative enough to come up with some politically effective responses to deal with this problem. This will be given close attention in Chapter 6 of the thesis. First, however, the economic history of Singapore must be explored more fully as it is crucial to the political economy approach adopted in this thesis. This will be the substance of the discussion in the next chapter.

To summarise, the defining features of the approach taken in this thesis are as follows: (i) it is not confined by a narrow disciplinary framework — the historical, political and social dimensions are considered alongside the economic; (ii) inequality is interpreted as the expression of a social relation as well a pattern of distribution — to this end, the pattern of class relations in

religious and political principles, and all social relations, particularly in their intellectual and moral connotations'.

Singapore is an integral part of the analysis; and (iii) having identified these class relations, there is analysis of the non-class factors used by the ruling class in Singapore in its attempt to ensure that the conditions for inequality persist.