Foreign Investment and Disparities in Economic Development andPoverty Reduction

A Comparative-Historical Analysis of the Buddhist Countries of Southeast Asia

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ABSTRACT

To remain economically competitive in the 21st century a nation must be able to secure resources beyond its borders and protect itself from other nations trying to do the same. While the situation has been shown to be more complex, the original assumption among world system researchers remains that multinational corporate penetration in the periphery can have negative effects on their prospects for economic development. But we now know that these negative effects upon long-term economic development can be prevented. The existence of a strong development state can be critical for this protection. In addition to supplying 'good governance' (as the World Bank now calls it), a strong development state can provide protection in the global economy so that multinational corporate penetration is beneficial rather than harmful to less developed nations. But given the importance of a strong development state it is surprising that little research has been directed to the question of how a nation acquires a development state and 'good governance.' To begin answering this question, this article focuses on the countries of Southeast Asia. After examination of the wide contrast among Southeast Asian nations with respect to economic development and poverty reduction, a comparative-historical analysis is employed to develop a model which helps us explain these contrasts. Previous research on economic development in East and Southeast Asia only recognized the impact of 'Asian values' on unity, respect for authority, and a work ethic among the masses. Beginning with the impact of ancient civilizations and the potential for nation-building, this research also suggests the *importance of a sense of national identity and responsibility among elites. The model then turns to how this potential for a strong development state can be affected by different aspects of colonialism. Finally, the article considers the model's potential application to Africa and Latin America in helping us understand differing rates of economic success for other periphery and semiperiphery nations in the modern world system.*

Estimates from agencies such as the United Nations and World Bank indicate that the gap between the rich and poor of this world are at unprecedented levels and growing. Recalculations of original data on world income inequalities using the new PPP estimates, in fact, show that global inequality between 1950 and 1998 has grown even more than indicated through the old estimates (Wilterdink and Potharst, 2001). The trend in more recent decades has been growing global inequality not because of a gap between rich and poor nations as much as a growing gap between the rich and poor within nations. A primary factor in this new trend is a growing gap between the rich and poor within many less developed nations which are experiencing fairly rapid GNP growth rates (Firebaugh, 1999, 2003; Goesling, 2001). Poverty, in fact, is increasing in the world's 47 poorest countries (World Bank, 2004). The World Bank estimates that 1.3 billion people in the world existed on less than US$1 per day, and almost half of the world's population (2.8 billion people) live on less than US$2 per day.[1]

There is again the charge from social movement activists that the world's poor are being exploited by rich multinational corporations. Leaders of the rich nations and international capitalist organizations such as the World Bank and International Monetary Fund, in contrast, call for more 'open markets' and 'free trade,' along with *more* investments from rich multinationals, as a remedy for world poverty. But when we examine the actual record of economic development in Latin American, African, and Asian countries in recent decades, we find a very mixed picture. Some countries with rather ‘open markets’ and foreign direct investment (FDI) inflows have strong GNP growth while others do not. Further, among the nations in Latin America, Africa, and Asia that are experiencing significant GNP growth, some are doing so with no or only small levels of increasing inequality, while in others inequality is growing rapidly and the poor are being left behind (Kerbo, forthcoming). Obviously, the situation is much more complicated than that recognized by anti-globalization protesters or the World Bank and IMF.

In what follows, this article presents a model of historical forces in an attempt to explain why some less developed nations are able to achieve significant GNP growth with extensive FDI while others are not. Further, it attempts to explain why significant GNP growth brings less income inequality and more poverty reduction in some less developed nations compared to others. The model is focused on the nature of the state (responding to the new ‘fad’ of citing ‘good governance’ started by the World Bank). But this article attempts an explanation of where ‘good governance’ comes from, why some less developed nations have it and others do not. Further, rather than considering only the efficiency of government institutions as some recent studies have done (for example, P. Evans, 1995; Chibber, 2002), the model offered here suggests the nature of elites, their identity with national economic interests for all in the nation rather than only a privileged sector within the nation, is also important. Finally, the model suggests that old historical forces shaping the potential for elite responsibility and an efficient development state can be drastically altered by the more recent effects of colonialism. The political and economic strength of the less developed nation before colonialism arrived, who colonized the country, what was done or not done in the country by the colonial powers, and how the colonial powers left have the potential for disrupting or delaying a country's chances for strong economic development with poverty reduction. It is also important to note that the model outlined below argues that 'cultural' arguments of economic development which are returning to vogue are inadequate and misleading (for example, see Harrison, 2000; Harrison and Huntington, 2000).

To demonstrate the utility of the model presented in this article, a brief comparative-historical analysis focusing on some key countries in Southeast Asia is offered. Four of these nations are key to the model because they are four nations with similar religious-cultural heritages, but with very different economic situations in today's global economy. Thailand, Laos, Cambodia, and Burma (Myanmar) have centuries old Theravada Buddhist cultures which are in contrast to the other nations of Southeast Asia. But Thailand is the second richest country in Southeast Asia (excluding the small city-state of Singapore), while Laos, Cambodia, and Burma are among the world's poorest countries with very little or no economic development in recent decades. Further, in big contrast to these other Theravada Buddhist countries, Thailand has been cited as one of the most successful in the world in reducing poverty per increment of GNP growth (World Bank, 2000). Vietnam will be briefly included in the following comparative-historical analysis because it too has been recently cited as having one of the world's best records of economic development with poverty reduction (Gwatkin, 2000; World Bank, 2002). However, while Thailand has a high democracy rating, the communist party in Vietnam retains strong political control over the nation and its people (Kerbo, forthcoming). The increasing rhetoric among western political leaders suggesting democracy is a necessary condition for economic development is obviously inaccurate. Good governance and state efficiency are important for economic development, but these conditions are not found exclusively in nations with democratic political systems (Evans and Rauch, 1999; Kerbo, forthcoming). Before turning to this analysis, however, a review of what modern world system theory and research has suggested about foreign investment and economic development in less developed countries is necessary.

Modern World System Theory and Research on Economic Development

While it was Marx who provided the first detailed criticism of capitalist societies and what he believed would be rapidly growing inequalities, he had relatively little to say about how dominant capitalist societies would affect poorer countries of the world. It was V.I. Lenin who expanded upon Marx's ideas with his theory of imperialism, though Lenin too had it wrong when he assumed that capitalist nations would go after cheap profits in poor countries only when economic crisis in the rich capitalist countries required it for their continued prosperity (Lenin, 1939). Earlier versions of dependency theories existed in the mid-20th century, but the most detailed explanation of how rich nations and their capitalists impact economic development and world poverty has come primarily since the early 1970s with the modern world system theory (Frank, 1967, 1975, 1978, 1998; Wallerstein, 1974, 1977, 1980, 1989; Chirot, 1977, 1986; Bornschier and Chase-Dunn, 1985; Chase-Dunn, 1989).

Soon after the utility of modern world system theory became recognized in the 1970s it generated an impressive amount of quite sophisticated empirical research, most at first showing consistent results. One of the most important research questions, of course, is whether or not less developed countries have less long-term economic growth when they become extensively tied to multinational corporations from rich nations. While there is some variance among periphery nations, several studies have shown that periphery nations with extensive aid and investment from the core are likely to have *less long-term economic development* (Chase-Dunn, 1975, 1989; Bornschier et al., 1978; Snyder and Kick, 1979; Stokes and Jaffee, 1982; Nolan, 1983a, 1983b;

Bornschier and Chase-Dunn, 1985). Other studies of the effects of multinational investment in non-core nations have focused on the suggested relationship between this outside investment and income inequality. The historical pattern for those nations who are now among the rich core of the modern world system was for income inequality to be reduced as economic development proceeded (Jackman, 1975; Hewitt, 1977; Stack, 1978a, 1978b; Weede, 1980).[2] In the case of less developed nations today, however, the early research has suggested that more outside multinational corporate investment actually produces more income inequality; the rich get richer while the poor tend to get poorer, or are at least no better-off (Chase-Dunn, 1975; Rubinson 1976; Bornschier et al., 1978; Stack, 1978b; Bornschier and Ballmer-Cao, 1979).

After the first wave of empirical research on the effects of multinational corporate investments in non-core nations, however, more recent research has shown less consistent and even contradictory results. One new piece of research, using a larger and more recent dataset of poor nations, has found extensive multinational corporate investment does tend to produce more positive economic growth in the long-term, while another using recalculations of older data also finds outside investment results in more long-term economic growth (Firebaugh, 1992, 1996; de Soysa and Oneal, 1999). Some authors of original research show that multinational corporate investment harms poorer nations. Herkenrath and Bornschier (2003), for example, have conducted research using data from the 1990s to conclude their original research was correct but that the negative effects on poor countries tend to be fewer today. Other research has shown that outside corporate investment in poor countries per se does not lead to less economic development when consideration is taken for the types of goods imported or exported to and from the poor nations (Bollen and Appold, 1993). More recently, Kentor and Boswell (2003) have examined the impact of FDI on 37 less developed nations between 1970 and 1995 to find that the overall level of FDI is less important than the concentration of FDI from one or a few nations. Their conclusion is that less FDI concentration from a particular nation allows for more competition between foreign firms which results in more longterm benefits to the less developed nation. Still other studies have questioned other negative effects of multinational investments in poor nations, such as increases in income inequality and a lower standard of living among the poor masses of people in many of these countries (Firebaugh and Beck, 1994; Alderson and Nielsen, 1999).

Several factors may be producing these conflicting research results. First, the newer research uses more recent data on poor nations, mostly from the 1980s to 1990s, or combines data from a longer period as in the case of Kentor and Boswell (2003), compared to the original datasets using 1960s and 1970s data. Thus far, attempts to explain the conflicting research findings have been surprisingly ahistorical considering these social scientists are examining an historically grounded theory. It is quite possible, even likely, that new forces in the global economy have produced some change in the relationship or balance of power between rich core nations and poor developing nations.

A major theme of the present article, however, is that none of these studies have so far considered that multinational corporate investments can have different effects in different parts of the world. For example, more multinational corporate investment has been flowing to Asian countries since the 1980s which means that more recent research showing slightly significantcorrelations between more outside corporate investment and long-term economic development could have been tipped by more investment flowing intoAsia compared to previous decades (World Bank, 2000). The logical question, therefore, seems to be, is there something different about many East and Southeast Asian nations trying to achieve economic development compared to less developed nations in Latin America and/or Africa? Following Kentor and Boswell's (2003) findings that FDI is more harmful when concentrated from one or a few nations, examination of their 37 cases in the dataset suggest that East and Southeast Asian nations are less likely to have FDI concentrations from one or a few nations. Could it be the Asian nations have been aware of the danger and the development state has been able to protect its nation's interests by preventing FDI concentration from one or a few nations?[3] If this is the case, why are some Asian nations more successful in controlling this outside investment and their long-term economic interests? Little attention has been given to the question of how and why Asian nations have been more successful from a modern world system perspective.

FDI and Economic Development in East and Southeast Asia

Using data from the 1970s and earlier, Barrett and Whyte (1984) have shown that Taiwan was an exception to the harmful effects of extensive outside multinational corporate investment. But this study did not attempt to make generalizations for other Asian nations. Critiques of this study claimed that Taiwan had just recently started its attempt at economic development, and thus in the long run Taiwan would be no different in experiencing negative effects, a claim we now know is certainly incorrect.[4] Research from the modern world system perspective is yet to consider that East and Southeast Asian countries more generally are somehow different from Latin American and African nations when it comes to important aspects of political economy that might interact with the effects of outside multinational corporate investment. In the last 20 years few social scientists have attempted to follow up on Barrett and Whyte's research to suggest there are other exceptions. A brief glance at growth figures around the world in the last 30 to 40 years, however, suggests there are surely other exceptions, particularly in East and Southeast Asia. More than half of FDI now goes to East and Southeast Asian nations, but in contrast to what modern world system theory and previous research would predict, this is the most rapidly developing region in the world. Only recently has research on FDI and economic growth considered differing effects in different world regions; Jalilian and Weiss (2003) have shown that FDI is much more likely to lead to future economic development in East and Southeast Asia than in Latin America and Africa. Jalilian and Weiss (2003), however, offer *no explanation for why* FDI produces more economic development in Southeast Asia but note that thequestion is of critical importance and needs further research.

Equally important, it is not just that the rich are getting richer because *the poor are becoming less poor* in most of these Asian nations experiencing rapid economic growth (Jomo, 2001). Some estimates by the World Bank, in fact, suggest that Thailand has had the best record of reducing poverty per increase in GNP of any country in the world. But as Table 1 suggests, using the World Bank's new indicator of poverty (percent of people living on US$1 a day or less at PPP), Thailand is not so exceptional in East and Southeast Asia.[5] A recent Asian Development Bank report notes that East and Southeast Asia have been one of the world's brighter spots in recent decades; absolute poverty is now onethird of the total population in this region compared to approximately one-half of the population in 1970. The average life expectancy is now 65 years compared to only 48 years in 1970. Some 70 percent of adults are literate compared to only40 percent in 1970.[6]

Figures such as these, of course, lump together countries within each region which have varied success in GNP growth and poverty reduction. East Asia and the Pacific contains countries which have been among the world's most successful in promoting economic growth and poverty reduction (such as Taiwan, South Korea,Thailand,Vietnam, and Malaysia) as well as countries that are among the least successful (such as Laos, Burma, Cambodia, and the

Philippines which is falling further and further behind several other countries in Southeast Asia). However, a key point is worth restating: there is obviously something, or some things, about most of the countries in East and Southeast Asia that have made their prospects for economic development, and economic development with more poverty reduction, greater than for poorer nations in other parts of the world. International development agencies are learning new techniques that seem to create better prospects for sustained development all over the world, techniques that help the poor and not just the rich as many large development projects of the past were more likely to do (such as 'micro-loans'). But questions remain: why are some poor nations, and especially elites in these nations, more willing and motivated to call for the use of these new methods of promoting sustained and more evenly distributed economic development? Why are more of the poorer nations which are motivated and able to use many methods for sustained and more evenly distributed economic development located in East and Southeast Asia? Finally, why is there also significant variation among countries in Southeast Asia with respect to economic development? We find, for example, that neighboring countries who share common cultures have very different prospects for economic development and poverty reduction today. Before suggesting answers to these questions, however, we must examine the *reasons* modern world system theory gives for why transnational corporate investment flowing from the core to periphery nations canresult in economic stagnation and continued poverty.

Modern World System Explanations of Economic Stagnation in Less Developed Nations

For many years economists had assumed that nations would follow a similar pattern of economic development. With initial industrial investment, it was believed, nations could proceed on a path from pre-industrial agrarian societies to industrialization as described in Rostow's 'stages of economic growth' (Rostow, 1960). We now know that these theories of economic development are highly misleading when applied to less developed nations today (Chase-Dunn, 1975; Portes, 1976; Johnson, 1982; Vogel, 1991). The realities faced by today's less developed countries in the periphery and semiperiphery of the modern world system are far different from those faced by the already developed (core) nations when they were in the process of economic development. Among these new realities, as Gunnar Myrdal noted years ago, are often fewer natural resources, larger populations, and poorer climate (Myrdal, 1970). But most importantly, the nations that are now developed economically did not have other already developed nations to contend with in their early process of development – outside nations influencing world commodity prices, interest rates, terms of trade and investment, and other economic forces restricting the opportunities and independence of poorer nations today. The result is that the non-core nations now find it much more difficult to achieve economic development. And when they do achieve some economic development it is likely to be uneven development enriching a small percentage of the population while leaving a large percentage of the population in poverty.

While there are many reasons for these harmful economic effects of outside dominance by core nations, three seem most important. The first involves a problem of structural distortion in the economy. In an 'undistorted' economic process, for example, some natural resource, human or non-human, leads to a chain of economic activity creating jobs and profits within the nation. When the chain of economic activity is broken and the value added from the original resources goes to economic actors in core nations, only a small elite in the poorer nation derives significant benefits from the economic activity. The additional jobs and profits from the chain of economic activities, in other words, are lost to the periphery nation – they go to the core (Chase-

Dunn, 1975). A second negative effect on the economy of periphery nations is related to agricultural disruption. Export agriculture often becomes an important economic activity of a periphery nation brought into the modern world system. Before becoming tied to world markets, traditional agriculture is more directed toward local consumption and there is little incentive to introduce capital-intensive methods of farming. Typical results of traditional agricultural methods are more land in the hands of small peasants, cheaper food for local consumption, and more agricultural jobs with labor intensive farming methods. Penetration by world agricultural markets reverses much of this, as well as an exaggerated urbanization as peasants lose jobs and land, thus moving to cities in hopes of finding work there (Kentor, 1981).

The third effect involves a more serious problem of internal class conflict within poor nations. Political and economic elites in non-core nations often become more allied with, and accommodating to, corporate elites from the rich nations who have investments in the country. Non-core political and economic elites receive handsome profits because multinational corporations have investments in the country, and multinational corporations are making investments in the poor nation because labor costs are low, unions are weak to non-existent, taxes are low, and other things, such as lax environmental controls, are favorable to multinational corporate short-term interests. Thus, to maintain their profitable ties to core multinationals, local elites may decide that it is in their interests to keep multinationals in the country by maintaining these conditions of poverty (Chase-Dunn, 1975, 1989; Bornschier et al., 1978; Snyder and Kick, 1979; Bornschier and Chase-Dunn, 1985). This creates a direct conflict between local elites and the masses of people in the poor nation.

The first two barriers to economic development for non-core nations in today’s global economy require states with the ability to protect long-term national interests in the face of these outside forces. The third problem requires elites who are concerned about overall national economic interests instead of primarily short-term interests of the wealthy. Among the elites in non-core nations it is often the 'will' to overcome these problems of poverty which produces uneven economic development, and in many cases no economic development at all. Put another way, a nation may have a relatively efficient government that can and has promoted some economic development, but if elites in the nation have less identification with the needs of all people in the nation, the benefits of economic development are more likely to go mostly or only to the more wealthy. It is important to note that this condition of 'elite responsibility' and a sense of identification with the nation's citizens as a whole is not a 'cultural explanation.' Rather, the argument is no matter what the cultural traditions of a nation (Hindu, Buddhist, Christian, individualistic, collectivist, etc.), there can be more or less national identity and more or less concern for the nation and its people as a whole. I will consider the works of several historical sociologists whose reviews of history in Asia and Europe show *how historical forces have shaped a 'moral economy,' or 'norms of responsibility' and 'reciprocity' between elites and masses over many centuries of conflicts between elites and masses* (for example, Myrdal, 1968; Bendix, 1978; Moore, 1978).

Cultural Explanations and Sample Selection

Cultural explanations of economic development and poverty from the old 'modernization' perspective of 1950s functionalism (such as Parsons, 1966) have made a comeback in recent years.[7] Other cultural explanations of the 'Asian economic miracles' have been around since Japan and then the 'Asian Tigers' experienced rapid economic development during the last decades of the 20th century.[8] Modern world system theory, of course, rejects such cultural explanations in favor of explanations focused upon economic exploitation based on a global capitalist economy. In order to test for the importance of global and internal political and economic forces favored by dependency and modern world system theory, the present research attempts to ‘control’ for any effects of culture with a focus on Southeast Asian nations which share common Theravada Buddhist cultural traditions. To validate this selection of nations for qualitative historical analysis a brief historical excursion into the spread of Theravada Buddhism in the region is necessary.

Theravada Buddhism first arrived in Southeast Asia from Sri Lanka sometime during the seventh century and first took root in what is now the city of Nakorn Pathom in southwestern Thailand. It was Theravada Buddhism which carried the particular Buddhist culture that came to dominate the mainland of Southeast Asia, down to the Muslim areas just above Malaysia and over to the modern Vietnamese border (De Casparis and Mabbett, 1999). During the seventh century, Nakorn Pathom was part of the Davaravati kingdom that was destroyed in the early 11th century by the Khmer king, Suryavarman I, during the Angkor (Cambodian) dominance in the region. A Hindu Brahman prang was then built over the original (and much smaller) Phra Pathom Chedi constructed by the first Theravada Buddhists in Southeast Asia. A few years later (1057 AD) the Pagan king (Burma) destroyed the city again and the religious monument lay in ruins until the famous King Mongkut of Thailand built the towering Chedi on top of the original structures in 1860. By this time Thailand had been the dominant country in most of Southeast Asia (with the exception of Vietnam) for almost a century. The once powerful kingdoms of what are Burma (Pagan) and Cambodia (Angkor) today had long been in decline. But even before the sharp decline of these other kingdoms, Theravada Buddhism had become the dominant religion for the ruling elites and the common people alike. Elements of Hinduism were embedded in the practice of Theravada Buddhism, as is still the case today. Elements of animism and spirit worship are also mixed with the Theravada Buddhism practiced by the less educated and rural people of Thailand, Laos, Cambodia, and Burma today. But again, the main tenets of the religion followed by the vast majority of people in these Southeast Asian nations for the past several centuries are found in Theravada Buddhism.[9]

Vietnam, on the other hand, is the only Southeast Asian country to be heavily dominated by Confucian culture and a Buddhism different from the Theravada Buddhism practiced in the countries to the west of Vietnam. In essence, Vietnam can be described as an East Asian nation located in Southeast Asia. Vietnam's unique position among Southeast Asian nations is due to some 2000 years of Chinese influence as the Chinese moved south along the eastern coast of Southeast Asia to take advantage of important seaports and trade routes. The consensus today is that Vietnam shares more cultural orientations related to the Confucianism which spread through the East Asian countries of China, Korea, and to a lesser degree Japan, than the Theravada Buddhism of Vietnam's closest Southeast Asian neighbors (Hall, 1999; Taylor, 1999). The historical and comparative analysis reported below, therefore, will focus primarily upon the Theravada Buddhist countries of Southeast Asia. Vietnam will be included because of its recent success with economic development and poverty reduction with a different political system compared to Thailand.

Asian Traditions and Forms of Social Organization: Some Commonalities

In contrast to the image held by many people in the rest of the world, Asian nations are not 'all alike.' In fact, one could argue that while moving from, say, Japan to Korea, from Korea to China, and then from China into Southeast Asian nations, one encounters more variety and contrast of cultures than if one were to travel through modern Europe. Having said this, among the variety of Asian cultures, forms of social organization, and other historical traditions, we can identify some characteristics of Asian societies that are relatively common and in contrast to most less developed countries outside of Asia. But one should caution that when making such an analysis it is useful to think in terms of degrees rather than neat, simple categories. Asian nations, for example, tend to have collectivist rather than individualistic value orientations. Not all Asian nations, however, equally value the suppression of the individual, nor do western nations equally value individualism. But when looking at a continuum of nations ranked on their scores for individualism versus collectivism, for example, we find that western nations are clustered toward the individualism end (with the US, UK, Canada, and Australia close together) and Asian nations clustered toward the collectivism end of this continuum.[10]

With these cautions in mind, we can consider some broad similarities that exist among many Asian nations for what these broad similarities may help us understand about why East and Southeast Asian nations tend to be ‘deviant cases’ with respect to predictions made by modern world system theory about economic development. A comparative analysis of Asian economic development suggests four characteristics are important in understanding the contrasts of Latin America and Africa. These four characteristics can be described before considering how all four also interact with the varied legacy of colonialism among Southeast Asian nations.

Ancient Civilizations Latin America and Africa, of course, are regions which contained ancient civilizations; but the key word is ‘contained.’ About all that exists of the ancient civilizations in South and Central America are old structures such as stone pyramids. Just a few hundred years ago Europeans began carving out new national boundaries with colonialism so that the nations of South and Central America today are nominally only 400 years or so old, at the oldest. These are infant nations by world standards, with very few of the traditions of the old lost civilizations

(Harrison, 2000). In Africa, of course, we also find ancient civilizations and the cradle of human evolution. But again, except for a few cases in northern Africa and the horn of Africa, these old civilizations were mostly destroyed, and finally erased in one sense by the European colonialists. With the Berlin Conference of 1884–5 the European nations partitioned Africa into what would become nations that made no sense socially, culturally, or ethnically (Mazrui, 1978, 1986; Pakenham, 1991).

In contrast to Latin America and Africa, we find throughout most of Asia countries that come from or were once central parts of ancient civilizations. Ancient Chinese and Indian civilizations first come to mind, but there were many others (Frank, 1969; Fairbank et al., 1970; Sardesai, 1989; Osborne, 1995). None of these were as dominant as the Chinese or Indian civilizations, but most Asian nations today have strong roots in ancient civilizations of which they were members hundreds if not thousands of years ago. In a similar vein, in contrast to Latin America and Africa, colonialism in Asia was less likely to result in new countries with boundaries cutting across old dominant civilizations. Asian nations today are therefore more likely to make 'sociological sense' with respect to rather natural societal boundaries (Myrdal, 1970). There are nations in Asia today that do not fit this general rule, but as we will see below, these are, in most cases, precisely the Asian nations with most instability and least economic development today.

Traditions of Authority and Elite Responsibility

In addition to a greater sense of national identity among the population, because they are more likely ancient civilizations, Asian nations are more likely to have retained ancient traditions of authority, national identity, and elite responsibility. There was the existence of something like a ‘moral economy’ in which elites felt a sense of responsibility toward peasants, even to the point of enforcing a relatively equitable distribution of land among the population (Osborne, 1995). And in Myrdal’s description, in East and Southeast Asia, European colonialism was less likely to harm ‘the indigenous system of rights and obligations among the population’ (Myrdal, 1970: 212). As stressed by world system theory, outside intervention by rich multinational corporations often presents a situation today in which wealthy and powerful domestic elites can enrich themselves, often at the expense of long-term economic development and the continued poverty of the people in their country. With these traditions of rights and obligations in place, when faced with the dilemma of pleasing outside multinationals or pushing for some protection and benefits for their nation and the common people, elites in countries with these ancient traditions of obligations will more likely temper their more narrow selfinterests to protect the nation and people.

This is not to say that throughout history, and even today, East and Southeast Asian elites sometimes ignore these traditions of elite responsibility, but it must be said, elites ignore these traditions at their own peril. As Barrington Moore (1978) has demonstrated, when these elite obligations are violated, throughout history various types of protest or even revolution were likely forthcoming. The three obligations most important for elites to uphold, Moore’s historical works suggest, are 1) protection from outside forces, 2) internal peace and order, and 3) material security. Much the same is described in the historical analysis of political violence and rebellion in European feudal societies by Charles Tilly (1978, 1981; Tilly et al., 1975). As European nations moved from old feudal societies to industrial societies, Tilly shows that rebellion was most often related to state-building and changes (such as taxation) that violated the old elite obligations. Finally, Gerhard Lenski’s (1966) historical examination of elite rule suggests that elite sponsored ideologies to some extent can modify what the people think about the specifics of such obligations. But over the long run, more or less blatant violation of these obligations will eventually bring political violence directed toward these elites.

Much the same can be found in the ancient civilizations in Asia. In his comparative history of ‘the mandate to rule’ and modernization in Europe and Asia, Reinhard Bendix (1978) notes that from at least 2000 BC there was the idea of a ‘heavenly mandate’ for emperors in China. But emperors were obligated to take care of the nation and ‘perform,’ in a sense, or the mandate would be lost. The earlier emperors were believed to deserve their rule because they alone had the power to control ancestor spirits for the good of the nation. Later, around 500 BC, Confucius worked out his philosophy of rights and obligations between rulers and subjects in response to almost 200 years of social disorder. These old traditions of rights and obligations in China held the nation more or less together and maintained emperor rule for centuries until the emperors began to have greater difficulty meeting their obligations with social change and European colonialism beginning around 1800. These were the changes which led eventually to massive revolutions in China during the 20th century (Fairbank, 1986).

In Japan, though rule by an emperor or a military clan called a *shogun* evolved more recently, there is a similar story of obligations and rights established through years of social evolution. There is a myth today of Japan as a nation of harmony and obedience to authority. In reality, Japanese history is full of rebellion by subjects when they felt the obligations of ruling elites were not fulfilled (Bowen, 1980; Hane, 1982; Gluck, 1985; Eisenstadt, 1996).

Most kingdoms in Southeast Asia are relatively more recent when compared to those of India and China. Some of the first were founded in Cambodia (Angkor), Sumatra (Srivijaya), and

Burma (Pagan) around 800 AD. But like other Asian empires, these ‘Buddhist kingdoms,’ along with Vietnam’s Confucian model inherited from China almost 2000 years ago, had strong traditions of obligations and rights developed and amended over the centuries. Most of these traditions of elite obligations survived European colonialism, though there are some relative exceptions, such as the Philippines which lacked a strong ancient civilization and was more dominated and changed by Spanish rule (Osborne, 1995).

Development State

In Volume II of his famous work, *Asian Drama: An Inquiry into the Poverty of Nations*, Gunnar Myrdal (1968: 896) wrote with reference to South Asia:

> . . . throughout the region, national governments require extraordinarily little of their citizens. There are few obligations either to do things in the interest of the community or to avoid actions opposed to that interest. Even those obligations that do exist are enforced inadequately if at all.

Myrdal, of course, was referring to the problem of ‘soft states’ primarily in India, Pakistan, and Sri Lanka (Ceylon) soon after independence from British colonialism. He was not yet aware of how multinational corporations, becoming more widespread in poor countries in the early 1960s, could be harmful to the long-term development interests of these poor nations. But his idea of the need for ‘hard states’ has become one of the most important aspects of his massive work on the problems of poor nations and predates the current interest in ‘development states’ or ‘good governance.’

What has been given more recognition since Myrdal’s time is that late developing nations, or nations that have achieved economic development since the nations in Europe and North America, have often required extensive state intervention, planning, and even state ownership of many industries (Thurow, 1991; Fallows, 1994). Nations trying to develop in the second half of the 20th century Vogel (1991) calls ‘late, late developers’ and are even more in need of state assistance in overcoming obstacles created for them by the new global economy. The four ‘Asian Tigers’ (Taiwan, South Korea, Hong Kong, and Singapore) achieved rapid economic growth in the 1980s,Vogel shows, with extensive state intervention. And as many scholars have shown, it was Japan that led the way as an Asian late developing nation with extensive state intervention from the late 1800s to become the second largest economic power in the world after the United States. It was Japan who more or less perfected what is now known as the ‘Asian development model’ that is being copied in one form or another by Asian nations that have recently achieved at least some success with economic development (Johnson, 1982).

Specifically, what is meant by a ‘development state’ or ‘hard state’ is a government with sufficient rational organization and power to achieve its development goals. There must be a state with the ability to provide consistent economic guidance, rational organization to efficiently achieve its goals, and the power to back up its long-range economic policies. All of this is needed because the state must be able to resist external demands from outside corporations to do things for their short-term gain, overcome internal resistance from strong groups trying to protect short-term narrow interests, reduce corruption, and control infighting within the nation over who will most benefit from development projects (fights which often render a nation immobile when local districts fight over who will benefit from development projects). What this hard state comes down to primarily is leadership and bureaucracy; bureaucracy that is relatively honest, efficient, and has the power to back up policy decisions.

This view of the need for a ‘hard state’ going back to Myrdal’s early work, of course, is suggestive of the current state autonomy perspective which argues that the state has become such an important and vital institution for the health, competitiveness, and survival of advanced capitalist societies that it has come to have extensive autonomy from competing interest groups in modern societies (for example, Althusser, 1967, 1977; Poulantzas, 1973, 1975; Skocpol, 1979, 1992; Quadagno, 1984; Skocpol and Amenta, 1985). In short, their view is that modern societies must have states and state elites able to rise above competing interest group conflicts to look to the common interests of the nation, as well as to take the long view so as to prevent short-sighted and narrow group interests that can harm national survival. A difference with those who call for a hard state and the Asian development model, however, is in the degree to which the state is viewed as supporting primarily the interests of the capitalists over others in the nation: supporters of the Asian development model would reject the argument that only more narrow interests are always served.

In a recent piece of research, Evans and Rauch (1999) created what they called a 'Weberianness Scale.' Evans and Rauch first designed a questionnaire which measured key aspects of efficient bureaucracy outlined by Weber, and then asked several experts on each of 37 developing nations in their dataset to rate the government of that nation in terms of the questions indicating bureaucratic efficiency. Of the 37 nations in the sample, seven were Asian, with all ranked above average on their 'Weberianness Scale' (with the exception of the Philippines), while the four 'Tigers' were clustered at the top four positions (Taiwan, South Korea, Hong Kong, Singapore). Also of importance, they found this 'Weberianness Scale' positively related to economic development. Unfortunately, as is typical in western sociological research, the interesting fact that the four Asian Tigers are at the top was mentioned, but no consideration was given as to why the Asian nations tend to rank so well on this scale.

Employing some of Evans and Rauch's (1999) 'Weberianness' indicators, Weder (1999) examined the impact of government on economic development in South Korea, Hong Kong, Malaysia, Thailand, and Singapore. Weder's research suggests that close cooperation between governments and economic elites has not been strongly related to economic development in these Asian nations. Rather, law and order, security of property rights and contract rights seem important for economic development. But most important according to Weder (1999) is an efficient and motivated bureaucracy. Thailand, for example, has had a good record of economic development and poverty reduction in recent decades. However, Thailand does not rate very high in several of the measures of good government, though it rates well in terms of the efficiency, talent, and motivation of its government bureaucrats, key factors in the 'Weberianness scale.'

Chibber (2002) followed this theme of the importance of efficient bureaucracy with examination of bureaucratic organization in India versus South Korea. A main point of Chibber's research is that the new interest in a Weberian style development state is certainly correct, but in addition to the legal/rational rules there must also be inter-agency cohesion. His comparative analysis indicates that India's problem is not a lack of rational bureaucracy but inter-agency fighting which has tended to hamper development policies. But again there are many unanswered questions: *how does a country achieve this inter-agency cooperation for the greater good,much less how can a country obtain a rational bureaucracy in the first place?* Chibber describes how Park, who took power in South Korea in 1961, put a superordinate government agency in place to coordinate development policies which overcame the type of inter-agency infighting found in India. But was it just one person? What if Park never gained power? Were there preconditions in South Korea which made bureaucratic organization more efficient when compared to India.

Despite all the evidence of the importance of an efficient development state or 'hard state' first described by Myrdal almost 40 years ago, some international aid agencies are just now publicly recognizing the fact. The United Nations Development Project, for example, published a report in April 2000, ‘Overcoming Human Poverty: UNDP Poverty Report, 2000’, which focuses on ‘good governance’ in poor countries as a key to economic development and overcoming the selfish interests of wealthy elites often behind state actions in developing nations. The report concludes that: ‘Without good governance, reliance on trickle-down economic development and a host of other strategies will not work.’[11]

However, despite the increased recognition of the importance of ‘good governance’ and an efficient and rational development state, *there has been little attempt to explain why some countries have it and others do not*. International aid agencies seem to assume that now we have discovered a key to sustainable and even economic development we can simply step in and impose ‘good governance’ and an efficient development state. And while recent social science research has established the importance for such a state and efficient bureaucracy for economic development, there has been no attempt to explain where these state structures and responsible elites come from.

Part of the effect can be seen in Figure 1. Unpublished data from a team of sociologists and anthropologists in Zurich has demonstrated the impact of long civilizations and early state-building on current state efficiency in less developed countries.[12] As shown in Figure 1, the scatter plots indicate a rather strong relationship between pre-colonial state-building and efficiency of state functioning today. The level of state-building before the impact of colonialism in less developed nations was measured by the number of levels of government that existed a couple of hundred years ago. In other words, to what extent were there city governments, district level governments, state or prefectural level governments along with national governments *before* colonial powers took over the country. The scatter plot below shows a strong tendency for countries to have more efficient governments today that had more levels of government in their past. The high rankings shown for Asian countries on both scales *clearly indicate the importance of ancient civilizations in many Asian countries*, especially countries such as China, Thailand, and Vietnam.

It is my argument, however, that ancient civilizations and traditions of elite responsibility have set the stage for efficient government or ‘good governance,’ which also implies a sense of elite responsibility or ‘moral economy.’ But in many cases, the preconditions for efficient states and responsible elites can be disrupted or delayed (as we will see with Vietnam) by the impact of colonialism.

The Impact of Colonialism

Another apparent commonality for almost all nations of East and Southeast Asia was European colonialism. The region as a whole was drastically affected, and in some ways was a quite different place compared to the age before colonialism. One of the most obvious changes in Southeast Asia was that the 40 ‘nation-states’ which existed before colonialism in the 18th century were reduced to 10 by the 20th century. The nations of Southeast Asia, historically the most dominant, however, continued to exist, and some without significant alteration, though all had at least some alterations in their traditional national boundaries (Osborne, 1995).

Most importantly, the historical comparison below shows that colonialism had a significantly different impact on the social structures of each Southeast Asian nation. The primary colonial actors on the mainland of Southeast Asia were the French and British. The Dutch had the large chain of southern islands that make up Indonesia today. And, of course, the Spanish took the Philippines during the early stages of colonialism, with the United States taking the Philippines away from Spain after the Spanish-American War at the end of the 19th century.

Thailand was the only nation in the region to remain independent through the colonial years, though even there the British influence was extensive and national borders were affected (van der Cruysse, 2002). The British arrived to the west and south of Thailand, in Burma and Malaysia, after they had secured India for their empire, the ‘jewel in the crown’ and their most important prize in the colonial land grab. The French were to focus on what was called Indochina – Vietnam, Laos, and Cambodia, to the east of Thailand. It was the luck of the Thais to have favorable geography and astute leadership able to manipulate the fears that the French and British had about each others’ intentions in the region to negotiate for themselves a pledge of independence from both western powers (Girling, 1981; Wyatt, 1984).

However, it was more than just the fact that Burma, Laos, Cambodia, and Vietnam, as well as Malaysia and Indonesia, were colonized and Thailand was not. One must consider differences in 1) *how these countries were colonized*, 2) *what was done during colonization*, and 3) *how the colonial powers left the scene* in the second half of the 20th century. Further, 4) *we must consider the level of economic and political development in the nation before the European colonials arrived in Asia*. Previous research has indicated that the level of agricultural technology in the country before multinational corporations came to dominate the country had an impact on long-term economic development (Lenski and Nolan, 1984, 1986). In the case of Southeast Asian nations, moreover, history indicates that the nations which were stronger before colonialism arrived were better able to overcome the negative affects of colonization after the Second World War. Table 2 is an attempt to summarize the thesis thus far by suggesting the impact of Asian characteristics on the potential for economic development and how the varied impact of colonialism in Asia influenced the ability of these Asian characteristics to bring about economic development. A brief country by country analysis of the Buddhist nations in Southeast Asia can now proceed with each of these points.

Comparative Analysis of the Buddhist Nations of Southeast Asia: A Brief Summary

The primary focus on Buddhist Southeast Asia nations (Thailand, Burma, Laos, and Cambodia) allows us to emphasize non-cultural factors in contrast to the usual focus on ‘Asian values’ in attempting to explain ‘Asian economic miracles.’ Vietnam will be included in the analysis after examination of the other Buddhist nations because the Buddhism historically practiced in Vietnam was not, and still is not, the Theravada Buddhism of the other Southeast Asian nations; Vietnam is also considered the only Confucian nation of Southeast Asia. We will see that not all Southeast Asian nations equally possess the Asian characteristics outlined above, or there have been other factors blocking the influences of these Asian characteristics, particularly the affects of colonialism. One result of these influences is the varied standards of living in Southeast Asia indicated in Table 3.

Space considerations preclude a detailed narrative analysis of the historical forces shaping Southeast Asian nations which fit the key points outlined in the model presented in Table 2. However, Table 4 provides a summary of relevant historical forces for Thailand, Burma, Laos, Cambodia, and Vietnam. With the exception of Laos, which was created by the French from several small kingdoms, the other countries have ancient civilizations and a sense of nationhood among both elites and masses forged over many centuries. However, the impact of colonialism has been extremely varied among these nations. Thailand was the only country in the region not to be colonized by European powers, and like Vietnam was a nation of dominance in the region when the European colonials arrived. Vietnam was colonized by the French, of course, but possessed the national identity and unity to throw off this colonial dominance after a long struggle through much of the 20th century. Both Thailand and Vietnam, therefore, were able to assert their ancient national unity with effective state-building and protection in the new global economy. Burma and Cambodia, on the other hand, were old regional powers in long decline when the European colonials arrived. In the case of Burma, in striking contrast to Malaysia, the British put little into infrastructure development, then redrew Burmese boundaries that almost assured continued civil war when the British left at the end of the Second World War. In contrast to Vietnam, neither did the French put any effort into infrastructure development in Cambodia. Vietnamese officials were also brought into Cambodia to run the country for the French. Finally, at the end of the Indochina Wars, Cambodia was unable to regain national unity and fell into civil war which ended (it seems) only at the beginning of the 21st century. Unlike Laos and Burma, which now have national boundaries that preclude extensive national unity, however, there is more hope for Cambodia as the sense of national unity seems to be returning to ‘reactivate’ the impact of an ancient civilization and national identity once held by Cambodians.

While space considerations also preclude including an extensive analysis of the other nations of Southeast Asia a brief summary of the relevant historical forces will be helpful. We can begin with the Philippines by noting there is consensus among Southeast Asian historians that the Philippines has become the most westernized country in East and Southeast Asia (Karnow, 1989; Osborne, 1995; Cheong, 1999). First the Spanish and then the Americans remade the Philippines in their image to a far greater extent than found anywhere else in Asia. One reason for the westernization of the Philippines was the absence of an ancient civilization and, therefore, a lack of traditions from strong ancient civilizations found elsewhere in Southeast Asia. Further, though to a lesser degree when compared to Burma or Indonesia, the colonial powers created a nation-state with boundaries that make little social and cultural sense. This is especially the case with the ongoing conflicts between the Christian north and the Islamic south of the Philippines. Finally of importance is the political structure created primarily by the American colonial power which precludes the presence of a hard state and bureaucracy to carry out the Asia development model which all other Southeast Asian nations have the reality or potential to use (Fallows, 1994). As Ferdinand Marcos discovered, a dictator in the Philippines could drain the country's wealth and potential much like dictators in some Latin American nations had done over the years. The revolution deposing Marcos, and other corrupt politicians more recently, showed the increasing levels of democracy in the Philippines. In the early stages of economic development, however, the record shows that 'late, late developing nations' in the modern world system need a hard state and Asian development model to achieve solid and even economic development, something the Philippines has been unable to achieve.

In contrast to the Philippines, both Malaysia and Indonesia have the legacies of ancient civilizations which were sea-trading powers more than 1500 years ago (Reid, 1988, 1993, 1999; Bellwood, 1999; Hall, 1999). And while it is certain the coming of Islam had an impact upon these old civilizations and their values, Southeast Asia scholars agree that the influence of Islam came quite recently in their history and has had less impact on the traditions of these ancient civilization than one might think (De Casparis and Mabbett, 1999). Figures in Table 3 above, as well as recent events, however, show quite different economic levels of development between Malaysia and Indonesia today. More than anything else, it can be argued, following the model in Table 2, it was the impact of colonialism that created different situations for Malaysia and Indonesia. In the case of Malaysia, there was an extreme contrast to how the British dealt with Burma. Instead of helping to create the certainty of political instability and then quickly withdrawing from the country after the Second World War, the British saw more at stake for themselves and stayed in Malaysia though the 1950s and into the 1960s, helping Malaysia make the transition to independence, building political and economic structures to assure the country's prosperity and stability (Pye, 1985; Osborne, 1995; Cheong, 1999; Stockwell, 1999; Andaya and Andaya, 2001). In contrast to the British in Malaysia, the Dutch treated Indonesia very differently. To begin with, over the decades of colonialism, the Dutch created an Indonesia which made no cultural or sociological sense. Much like the western colonials in Africa, many different tribal, religious, and ethnic groups were put together by the Dutch to form what is now considered Indonesia. Political violence between these competing groups has burdened Indonesia to this day. Second, much like the French in Indochina, the Dutch created rebellion and instability in Indonesia when they retook their old colonial possession after the Second World War. The Dutch were unable to stay as long as the French in Indochina, but the seeds of political factions and political violence were no less stimulated further by the return of the Dutch after the war (Ricklefs, 1993; Schwarz, 1994; Stockwell, 1999). Political instability has continued through to the 21st century, with Indonesia unable to mount a recovery from the Asian economic crisis of 1997 compared to Thailand and Malaysia to the north.

Conclusion

In the past 30 years, modern world system theory and research has reshaped the way we think about world poverty and the relationship between rich and poor nations. The dynamics of why some nations are able to develop and reduce poverty among their people while other nations are not has become more clear. Still, much is to be learned. The historical and comparative analysis of economic development and poverty in Southeast Asia reported here has involved an attempt to build a model of development which adds to world system theory by including some aspects of the history of Asian political economies and their varied experiences with colonialism. After years of neglect by world system theorists there is now more recognition that the impact of core penetration of periphery and semiperiphery economies does not have consistent outcomes for economic development. Indeed, we have cited new research which confirms that FDI tends to have more beneficial affects in East and Southeast Asia compared to Latin America and Africa. There is also increasing evidence that a strong state, or development state is more likely found in East and Southeast Asia. Certainly not all Southeast Asian nations have a strong development state promoting ‘good governance,’ but it seems clear that the greater preponderance of development states in East and Southeast Asia is responsible for the differing impacts of FDI in East and Southeast Asia compared to other world regions with concentrations of less developed countries.

Given all of the above, the next important question becomes, why are some less developed nations able to achieve an efficient development state and others are not. Evidence shows that many techniques for sustainable and more evenly spread economic development can succeed. Consistent policies of import substitution, then a focus on exports have been successful in bringing about economic development in the East and Southeast Asian nations with development states. Further, many other development strategies, from land reform to micro-loans, have been effective in promoting sustainable and more evenly distributed economic development. But a prior question is where does the will and motivation come from to successfully engage this range of techniques for bringing about sustained economic development.

Through examination of the forces resulting in economic development, or its lack, in Theravada Buddhist countries of Southeast Asia, our research has also attempted to support some of the basic tenets of modern world system theory by showing that levels of economic development and poverty can be understood without reverting to cultural explanations that have re-emerged in international agencies devoted to economic development. Our model seems to capture the contrast between most sub-Saharan and East and Southeast Asian nations without reverting to cultural explanations that are commonly used to distinguish Africa and Asia. In their recent critique and analysis of explanations for the lack of economic development in Africa, Chabal and Deloz (1999) argue that there are no development states in Africa, nor can there be when there is no independent professional civil service. They argue there is no notion of citizenship binding people to a nation and its wider interests: there is only kinship and community which strictly divide people within the borders of current African nations (Chabal and Deloz, 1999). The authors acknowledge the disruptive effects of European colonialism in Africa where national borders were drawn with no regard to traditional tribal groupings, but they further argue that colonialism did not eradicate pre-colonial political traditions because these were never strong to begin with. A result for sub-Saharan Africa has been 'clientislist' systems based on tribal unity with one tribe attempting to take control of the state for its particular interests against others in the nation as Wrong (2001) describes in Mobutu's Congo. Reviewing his and the World Bank's attempts to promote economic development in African states for decades, Easterly (2001: 111) writes, 'Only a change from a bad government to a good government will truly change policies,' meaning policies that will actually achieve economic development. Indeed. But where does good government come from, how is it to be achieved?

These descriptions of Africa fit well with our model of the historical forces and impact of colonialism on prospects for economic development. To the extent that any ancient civilizations existed in Africa, in sub-Saharan Africa they all disappeared long ago. There were no ancient civilizations creating a sense of nationhood or a sense of mutual rights and obligations between elites and masses that could promote social cooperation and a 'moral economy' where elites feel compelled to temper their corruption for policies benefiting the longterm interests of all within the nation. And to the extent any of this existed it was destroyed by European colonial powers who carved up Africa in a way that insured tribal conflicts would make it next to impossible to promote efficient development states, 'good governance,' or 'Weberianness' in the functioning of political institutions (Pakenham, 1991).

To state the obvious, much more research involving the key arguments presented in this article is needed. The existence of ancient civilizations is easy to ascertain. But no direct evidence has been offered that this has created a greater sense of elite responsibility in the nations examined in Southeast Asia, though there seems to be consensus among historians of Asia on this point. More research is also needed with different samples of less developed nations in today's global economy. Many observations from African specialists noted above suggest that most sub-Saharan African countries have greater problems of economic development and poverty reduction because of factors outlined in the model presented in this article. In all, therefore, it seems that the model

outlined here has enough evidence to at least suggest that these historical forces making economic development and poverty reduction more likely in some countries deserve attention and further research.

NOTES

1. United Nations (2000); United Nations Development Program (2000); World

Bank (2000).

2. More recent research has shown a new pattern of inequality increasing again in western industrial societies, especially following the pattern of the United States in recent decades (Nielsen and Alderson, 1997; Alderson and Nielsen, 1999). But this change in the pattern of income inequality for the most developed of North America, Europe, and Japan is primarily related to internal causes not found in the poorer countries today.

3. During research on relations between management and Thai employees in Japanese and American corporations in Thailand, for example, Kerbo and Slagter (2000a, 2000b; Slagter and Kerbo, 2000) found many complaints by the Japanese, and later the French, that the Bureau of Investment in Thailand was favoring American corporations in applications of investment laws. Interviews with officials of the Bureau of Investment confirmed that Thai officials were afraid the economy was becoming too dependent upon Japanese investment and made a decision to be more flexible with restrictions on outside investment coming from the United States.

4. Barrett and Whyte (1982); Hammer (1984). Another limited study by Tsai (1995) seems to be the only research which considers Asian effects separately. This research found FDI increases income inequality in Asia more than in other regions, but notes this is likely due to Asian inequality already being less than in other developing nations, and thus has more room to rise. The research does not consider this effect could be due to the fact that multinational corporate investment generates more growth in Asia.

5. See World Bank (2000).

6. See the *International Herald Tribune*, 7 January 2000.

7. To name just a few of the indicators of the resurgence of cultural explanations a book first published in 1985, *Underdevelopment is a State of Mind* by Lawrence Harrison, highly critical of dependency theory and Spanish Catholic values inherited by Latin American countries, was updated and reissued in 2000 (Harrison, 2000). The conservative Harvard political scientist, Samuel Huntington, then collaborated with Harrison on an edited volume entitled *Culture Matters: How Values Shape Human Progress*, also published in 2000 (Harrison and Huntington, 2000). At the same time, the World Bank suddenly started picking up the theme of cultural barriers to economic development, pouring millions of dollars into new books and international conferences on the subject, and aid projects in developing countries designed to change cultural values believed to be detrimental to economic development. All of these projects, as well as dozens of conference papers, can be found on the World Bank website [www.worldbank.org.]

8. See especially Pye (1985); Vogel (1991).

9. It is also recognized that the strength of Buddhism in the lives of people in Thailand, Burma, Laos, and Cambodia has survived colonialism (G. Evans, 1995, 1998, 1999; Smith, 1999; Stange, 1999). In Burma, Cambodia, and Laos, though communist governments or military dictatorships tried to eliminate or substantially reduce the hold of the *sangha* (religious hierarchy) over the hearts and minds of the people and government policies, Theravada Buddhism remains strong. For centuries, as today, Buddhist monks in Southeast Asia have been at the forefront of protest movements. Their resistance to military dictators, communism, and corrupt governments have continued to shape the history of countries such as Vietnam and Cambodia since the middle of the 20th century. The People's Democratic Republic of Laos, like their communist brothers and sisters in Vietnam, tried to eliminate the moral force of Buddhism as dictated by communist doctrine. By the 1990s, however, it was evident that they had failed completely. Taking the practical way out, the Laotian communist elite reversed their policies and revived Theravada Buddhism and the *sangha* as important symbols of the nation in an attempt to recoup their legitimacy (G. Evans, 1998). Important Buddhist monuments, especially the one next door to the communist party's odd 'socialist realist' building headquarters in Vientiane, became the sites of prominent party functions and national holidays. Monks in Laos continue to receive much more respect than communist leaders, and since the Laotian royalty has been ejected from the country, the people of Laos have increasingly adopted Thai royal figures as their own. Likewise, from the 1960s the Burmese military dictators, following their 'Burmese Way to Socialism' tried much the same, with much the same results. By the end of the 1990s, with their rule increasingly seen as illegitimate within the country and international community, the military dictators began a new campaign to restore the historic Buddhist monuments and seek support from the *sangha* (see the *International Herald Tribune*, 15 November 2000).

10. There are similar separate clusters of western and Asian nations on continua with nations ranked on such scales as 'avoidance of uncertainty,' 'powerdistance' (power and respect for authority), and a 'long-term orientation,' among others (Hofstede, 1991; Hampden-Turner and Trompenaars, 1993). When we think in terms of degrees of differences with respect to types of social organization and value orientations, therefore, we find clusters of western nations and Asian nations despite the fact that there are still differences of degree among western nations themselves and differences of degree among Asian nations.

11. United Nations (2000). Also see *International Herald Tribune*, 6 April 2000.

12. The dataset includes over 400 coded variables from the World Bank, United Nations, and other international organizations (Mueller et al., 2002; Mueller

and Ziltener, 2005; also see Kerbo, forthcoming). The unique parts of the dataset are indicators of social complexity of pre-colonial societies (Mueller et al., 1999). These indicators were constructed from several ethnographical sources to indicate the level of social, political, and cultural diversity before the impact of European colonialism took over much of the world. Regarding the concept of 'traditional level of state-building,' the index includes four indicators: 'mean size of local communities', 'jurisdictional hierarchy beyond local community', 'class stratification' and 'written language' of the ethnic groups on the territory of the post-colonial states. The national values are computed according to the ethnic composition of the population in 1960; for details of the index construction see the website [www.developmentsociology.ch] and Mueller and Ziltener (2005).

For 'Government Effectiveness' they combined into a single grouping responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies. The main focus of this index is on 'inputs' required for the government to be able to produce and implement good policies and deliver public goods. See Kaufmann et al. (2000).

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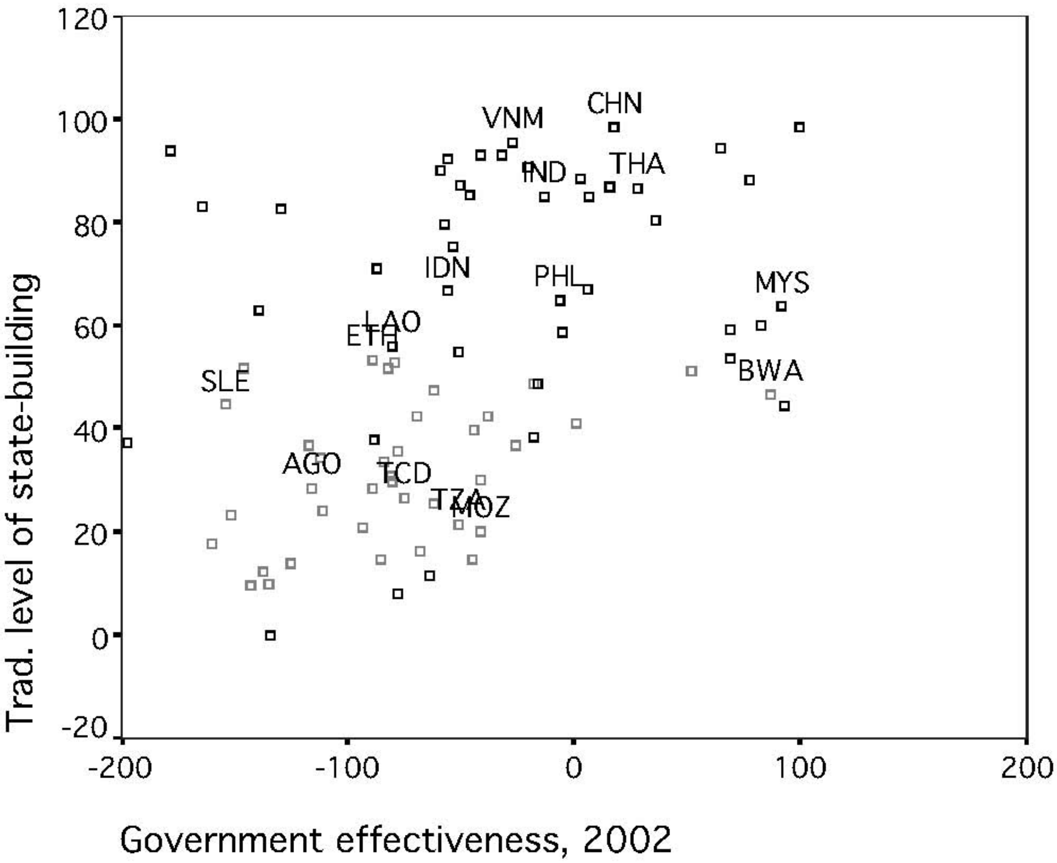
Table 1.
Percentage of population living on less than US$1 a day

	1987	1990	1993	1996	1998	Projected[a] % change 1998–2015
East Asia and Pacific	26.6	27.6	25.2	14.9	15.3	–61%
(excluding China)	23.9	18.5	15.9	10.0	11.3	–63%
Latin America and Caribbean	15.3	16.8	15.3	15.6	15.6	–5%
South Asia	44.9	44.0	42.2	42.3	40.0	–21%
Sub-Saharan Africa	46.6	47.7	49.7	48.5	46.3	+30%

Source: World Bank (2000: 23; 2001: 4).
[a] Projected figures are the least optimistic projections of several calculated by the World Bank.

Figure 1.
Traditional levels of government and government effectiveness, 2002



Source: Data from Mueller et al. (1999, 2002).

Table 2.
The East and Southeast Asian advantage

A path to economic development

Ancient civilizations
Which help promote a sense of nationhood, national identity;

Which can promote:

Traditions of elite responsibility
With norms of reciprocity and feelings of obligations toward non-elites often resulting in relatively equitable land distribution, all rooted in the development of ancient traditions codified in philosophies, religions;

Helping to make possible:

A development state or hard state
Or the development of a 'capitalist development state' with the motivation and power to enact and enforce development policies against domestic and international opposition;

When these characteristics have not been negated by the impact of:

The specific experiences of colonialism
Which are related to:

- the economic and political strength of the nation before it was colonized
- the presence or lack of infrastructure development during colonialism
- the construction of national boundaries by colonial powers (relative presence or absence of contested territory by smaller kingdoms or ethnic and tribal minorities)
- and how the colonial power left the country (such as the extent of planning and preparation for independence)

Table 3.
Standards of living and poverty in Southeast Asia, 2001

Country	UN Human Development Index Score[a]	Real GDP per capita[b]	Percent living on US$1 a day or less[b]
Malaysia	0.79	8750	under 2
Thailand	0.76	6400	under 2
Philippines	0.75	3840	20
Vietnam	0.69	2070	18
Indonesia	0.68	2940	7
Cambodia	0.56	1860	–
Burma	0.55	1027	–
Laos	0.53	1620	26

Source: United Nations, Human Development Report (2003: 238–9, 245–6).
[a] The United Nations Human Development Index is based upon life expectancy at birth, adult literacy, and adjusted per capita income in $PPP.
[b] Figures are calculated in Purchasing Power Parity (PPP).

Table 4.
Historical forces and development prospects in Buddhist Southeast Asia

Thailand
Ancient civilization
- Theravada Buddhism
- the Kingdom of Sukothai from 1253

Traditions of elite responsibility
- patriarch king evolving into divine king, both with traditions of national responsibilities

'Asian values'
- Theravada Buddhism and general 'Asian values'

Colonial experience
- ascending power as European colonialism reached Asia
- independence retained through diplomacy

State development
- 'semi-hard state' with relatively efficient and semi-autonomy of bureaucratic government ministry
- Asian development model generally employed
- sustained economic development and extensive poverty reduction

Burma
Ancient civilization
- Theravada Buddhism
- Pagan from 9 century, but rival kingdoms

Traditions of elite responsibility
- king with traditions of national responsibilities, but rival kingdoms

'Asian values'
- Theravada Buddhism and general 'Asian values'

Colonial experience
- descending power before European colonialism reached Asia
- contested national boundaries left by British rule
- little infrastructure development by British

State development
- weak state with political instability since the Second World War
- Asian development model not employed
- no economic development and one of the world's highest poverty rates

Cambodia
Ancient civilization
- Hindu then Theravada Buddhism
- unified Khmer Kingdom from late 6th century

Traditions of elite responsibility
- king with traditions of national responsibilities

'Asian values'
- Theravada Buddhism and general 'Asian values'

Colonial experience
- descending power as European colonialism reached Asia
- little infrastructure development by French
- disruption by Indochina Wars

State development
- weak state with political instability since the Second World War
- severe political and social disruption with Khmer Rouge control from 1975 to 1979
- emerging prospects for political stability by late 1990s
- Asian development model yet to be employed
- no sustained economic development and one of the world's poorest countries, though some prospects for development with recent political stability and UN intervention

Laos

Ancient civilization
- population divided between 'lowland' Theravada Buddhists and animist hill tribes
- small rival kingdoms with Burmese, Vietnamese, Thai, or Khmer dominance throughout history

Traditions of elite responsibility
- limited to small kingdoms in the area

'Asian values'
- Theravada Buddhism and general 'Asian values' among 'lowland' population

Colonial experience
- nation-state and national boundaries created with French colonialism
- little infrastructure development by French

State development
- weak state with communist government since 1975, Soviet collectivism attempted until 1990s
- Asian development model not employed
- no economic development and one of world's highest poverty rates

Vietnam

Ancient civilization
- civilization development through 1000 years of relative independence from China
- rival kingdoms gradually consolidated

Traditions of elite responsibility
- emerging sense of national identity and elite responsibility with 1000 years of nation-building

'Asian values'
- Buddhism and Confucianism imported from China

Colonial experience
- infrastructure development by French
- longer disruption from Indochina Wars

State development
- strong state but disruptive Soviet collectivism between 1975 and late 1980s
- '*doi moi*' reforms and Asian development state emerging from late 1980s
- strong economic development and poverty reduction by late 1990s