East Meets West

Civilizational Encounters
and the Spirit of Capitalism
in East Asia

Edited by

Kyong-Dong Kim
and Hyun-Chin Lim

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Social Sciences in Asia

Edited by

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BRILL

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INTRODUCTION

Kyong-Dong Kim and Hyun-Chin Lim

East Asia is one of the most dynamic regions in the world. Japan is the first non-Western country to have modernized; South Korea, Taiwan, Singapore and Hong Kong comprise the Four Dragons of thriving late development; Thailand, Malaysia, Indonesia, the Philippines and Vietnam are the Five Tigers of newly industrializing economies; and China and India have the potential to become world economic powers with a continent-size market. Although some countries in the region faced economic crisis in the 1990s, they have succeeded in recovering from it.

Over the past few decades, East Asia has shown remarkable developmental dynamism, as compared to Latin America, Eastern Europe and Africa. In fact, any region would be hard-pressed to match East Asia in economic growth and structural change. East Asia has grown in population, production and trade to become the world's biggest regional economy. It contains almost half of the world population and produces well over half of the total manufactured goods in the world. Trade in the Asia-Pacific surpasses that of the Atlantic region. When compared to the European Union, North America, and MERCOSUR (Common Market of the South), APEC (Asia-Pacific Economic Cooperation forum) has the possibility of becoming the largest economic bloc.

East Asia stands at the cutting edge of the world. In the past, only Western countries were "developed," but since then East Asia has industrialized and is rapidly moving toward an information-based, knowledge-intensive economy. No doubt East Asia is what is called a "high-growth system," to quote Charmers Johnson. This noticeable development has led some scholars to consider East Asia as entering modernity, following the Western prototype (Berger, 1988; Tiryakian, 1990). There is even a "left-liberal consensus" on the success story of East Asian development (Hart-Landsberg and Burkett, 1996). Voices can be heard discussing "Asian Values," "Neo-Asianism," the "Asian View," and the "Pacific Way" as East Asia moves toward a united identity.

Yet it is important to point out that the experiences of East Asian countries have been too different to categorize into a single model of

development. East Asia is a compact region that nonetheless contains considerable diversity. There are distinct religious traditions ranging from Confucianism (China, Japan, South Korea, North Korea, Taiwan, Singapore and Vietnam), Buddhism (Thailand), and Catholicism (the Philippines) to Islam (Indonesia and Malaysia) and Hinduism (India) The region includes contrasting economic traditions such as socialism (China, North Korea and Vietnam) and capitalism (the rest of the region). Within the capitalist model are at least three different systems: government-interventionist economies (Japan, South Korea, Taiwan and Malaysia), laissez-faire economies (Singapore and Hong Kong) and mixed economies (Indonesia, Thailand and the Philippines). Historically speaking, however, a significant cultural and institutional connection has endured among the East Asian countries. If East Asia has any unifying trait that sets it apart from the outside world, it is this cultural and institutional interconnection that defines East Asia as a distinct region. East Asia has demonstrated that its countries have followed one another in a development trajectory in which the latecomers try to replicate the success of the early developers.

How, then can we characterize the East Asian development experience? Do the commonalities outweigh the differences? In what ways does the East Asian development experience diverge from the Western development experience? What is the role of social science in dealing with civilizational encounters? How can we learn from each other in synthesizing Western and Eastern theories? These are some of the major questions addressed in the present book.

This book has had a long gestation period. It is the culmination of two studies: a research project initiated in 1999 and an international conference held in 2002. Both were collaborative efforts among American, Singaporean, Japanese, Polish and Korean scholars. The research project, which was supported by the Korea Research Foundation, was designed to examine the underlying nature of the capitalist spirit in East Asia. The international conference, which was organized in honor of Professor Kyong-Dong Kim, looked at the possibility of civilizational convergence between the East and the West. The papers were originally published in academic journals, namely, *Asian Perspective*, Vol. 24, No. 3 (2000) and *Development and Society*, Vol. 31, No. 2 (2002). Since then, we have received many requests for the publication of a single volume. The present book is our response.

Old Debates and New Issues

More than a quarter-century ago, Norman Macrae (1975), who was then the deputy editor of the Economist, talked about the coming of the "Pacific Century." According to Macrae, the world had gone through the "British Century" (1775–1875), the "American Century" (1875–1975), and now was entering the "Pacific Century" (1975–2075?). East Asia was seen as a newly rising leader in the international political and economic system. By all accounts East Asia has made exceptional industrial progress in the world economy, despite the financial crisis it suffered after decades of economic success.

It is worthwhile to start by placing the East Asian development experience into the broader context of development theories. Three lines of analysis have been used to explain the dynamics and contradictions of capitalist development in East Asia. (1) The market approach (World Bank, 1993) emphasizes the rules of the game made by government. Such institutional rules contribute to the enhancement of markets rather than the rejection of markets. Government's intervention is limited, however, to sponsoring the manufacture of exportable goods. (2) The state approach (Johnson, 1982; Amsden, 1989; Wade, 1990) focuses on government's careful development strategy, which is instrumental to economic development. According to this perspective, government designs industrial and financial policies in order to lead markets toward the goal of effective capital accumulation. (3) The culture approach (Morishima, 1981; Tu, 1984) stresses the role of traditional Confucian ethics, which emphasize achievement, self-discipline, education, strong family ties, loyalty to the organization, and communitarian values. These Confucian principles act as institutionalized cultural arrangements for economic development.

Each of these approaches has merits and demerits. While the market approach gives priority to the increasing importance of the market mechanism in the overall development process, it does not take into account the government's central role in the process of capital accumulation. The state approach touches on the significance of discretionary policies in promoting economic development, but fails to consider the negative outcomes that can be produced by state intervention into economic activities. By solely focusing on Confucian ethics as the functional requisite of economic development, the culture approach leaves the workings of institutions, such as the state or the market, unexplained in the accumulation process.

The Asian economic crisis in the late 1990s has given social science scholarship a valuable opportunity to test the validity and reliability of these three approaches. Some mistakes in East Asian development are manifested by the Asian crisis: excessive government intervention, the lack of a market mechanism, collusion between government and business, a precarious financial system, moral hazards, pervasive corruption, and so on. These problems point to weaknesses inherent in each approach. The market approach overlooks the foundation of the financial system as a basis for corporate transparency, efficiency and accountability. The state approach neglects the requirement of free and competitive markets that prevent the rent-seeking behavior that results from government-business collusion. The culture approach does not take into account the importance of a development strategy that provides industrial and financial policies geared towards spurring economic growth.

Before the 1997 crisis, Krugman (1994) had already pointed out the illusory nature of economic success in East Asia. According to him, rapid economic growth in East Asia can be attributed mostly to high rates of capital formation and labor mobilization in the accumulation process. It is not high rates of technology innovation that led to economic growth in the region. Japan is the only exception among East Asian countries, where skill has multiplied the output produced by capital and labor.

Krugman's criticism of East Asian economic success is not entirely appropriate. History has shown that every country experiencing economic development has moved from extensive growth to intensive growth in the process. For instance, not only Japan as an early developer but Taiwan, South Korea, Singapore and Hong Kong as the latecomers have undergone continuous economic growth by way of labor-intensive industrialization followed by technology-intensive industrialization later. Thailand, Malaysia, Indonesia, the Philippines and Vietnam as the latest developers are also considered to be in transition from extensive to intensive growth.

When it comes to the Asian crisis in 1997, two conflicting arguments emerge regarding the main causes of economic meltdown. Krugman (1998) blames internal weaknesses of East Asian development, whereas Wade and Veneroso (1998) underscore the external threats faced by East Asian countries. Crony capitalism is a good example of the internal weaknesses favored by Krugman. Policy loans and "soft" credit are moral hazards in financial and corporate sectors. Corruption is rampant

in this government-business nexus. In contrast, explanations focusing on external threats hold that speculative international investments brought about the economic crisis. The opening of domestic capital markets to foreign economies without adequate protective safeguards allowed risky foreign investments to move about freely in East Asian countries.

While the old debates concern the factors responsible for successful East Asian development, newer issues surround the vulnerabilities, such as those that led to the economic crisis of the late 1990s. In fact, East Asia is an ideal case for demonstrating the dynamics and contradictions of capitalist development. Even though it has undergone rapid industrialization and steady democratization, considerable ruptures and tensions have hindered the development of these two ideals. In a sense, East Asia's economic development has taken place under the guidance of authoritarian leadership and in the context of illiberal democracy. The state has dominated civil society, and has also governed the market. For these reasons the states in East Asia have been described as merely "developmental" (see Evans, 1995). The developmental state usually creates "growth coalitions" between the state and the capital, excluding labor. East Asia now stands at the critical juncture in changing this pattern and establishing a new partnership that incorporates state, capital, and labor in order to survive in an era of globalization.

Viewed this way, it is evident that East Asia exhibits the possibilities and limitations of capitalist development for other parts of the world. At the threshold of the 21st century, the future of East Asia depends on its ability to benefit from civilizational encounters between East and West.

A Civilizational Perspective

At the turn of the century and at the dawn of the new millennium, the issue of civilizations has come to gain renewed attention. On the surface, the tragic incidence of September 11, 2001, was the immediate cause of warnings that the clash of civilizations might be imminent. Beneath the surface, however, it was mainly due to the tremendous pace and substance of change humanity has been exposed to in the past generation or so. Such change has largely been due to the rapid development and adoption of information-communication technologies all around the world, and it is no longer possible for people to take this change lightly, for their impact has been so enormous that it might

now have to be looked upon as a matter of civilizational dimension. The predominance of capitalist mode of production and accumulation happens to be in the center stage of the global transformations.

Earlier in the past century, intellectuals of the Western world began to raise the issue of civilization in a more light-hearted manner predicting that the epicenter of possibly newly emerging civilization(s) may move across the Pacific from North America to East Asia in the new century or new millennium which was fast approaching. As a matter of fact, with Japan leading the way, East Asia has demonstrated unusual dynamism in the economic arena pleasantly surprising the world community of observers, many of whom earlier used to hold a rather negative view of the region in this respect due to its cultural tradition supposedly being inimical to capitalist development. Now, the civilizational root of this region, Confucian heritage, for instance, came to be hailed as the hero of the drama. Toward the end of the last century, however, East Asia has come to the world's attention once again by their blunder in the management of financial affairs in their road to capitalist development. The chief villain this time was to be Confucian culture, again raising the civilization debate.

Modern capitalism as aptly characterized by such greats as Max Weber and the like was a uniquely cultural invention of the West in its pursuit of modernization. In this sense, as Weber himself indicated, the creation of modern capitalism must be viewed as a civilizational phenomenon. After the global process of modernization has intro-duced capitalism to the non-Western world equipped with different civilizations, it has been viewed at most as an effort at emulation on the part of receiving societies. Observing the ups and downs of adaptive change by a region like East Asia, and perhaps more interestingly by the nations of the Eastern and Central Europe with their unique historical context, the civilizational implications of East Asian capitalist development seem to take on renewed significance. It was from such a purview that we wanted to look into this matter seriously, bringing together the apparently unique experience of capitalist development in East Asia and the significance of the meeting of East and West on the civilizational level.

Certainly, we are curious about the possible future trajectory of capitalist development of East Asia and its plausible role in providing a ground for the emergence of new civilizations in this new century and new millennium. In this spirit, we invite colleagues from both West and East to actively take part in the sincere and genuine dialogue among

civilizations in the days to come. This could be a critical approach for humanity to avoid the real threat of the clash of civilizations, which may call forth the violent destruction of the tower of human civilizations.

What This Book Is About

This book brings together the thoughts of sociologists from the West and the East. The question it addresses is of necessity comparative in nature. The book consists of ten chapters in two parts. The selection of chapters is designed to be provocative rather than comprehensive.

Part I discusses a collection of attempts to overcome the problem of Eurocentrism and develop a more universal paradigm by utilizing Eastern experiences. Social science originated in Western Europe and North America and has so far served as a major paradigm for those in East Asia to copy. Although many attempts have been made to overcome "Orientalism" in teaching and research in the Asian social science community, few have been successful in developing unique concepts and theories based on the Eastern experience. So we need more concrete methodological strategies to cope with this dilemma.

Part II focuses on the specific characteristics of capitalist development in East Asia in relation to its many cultures. East Asia's capitalist development can be viewed as the result of internal adaptive changes in response to international acculturation. In this process of capitalist development, Japan, China and Korea have created their own capitalist spirits. "Asian values," despite the controversy surrounding the concept, is a good manifestation of what East Asia as a whole has achieved through the light of a cultural prism—specifically, late capitalist development. Japan is well known for establishing the "Japanese style of management." In China's transition from planned economy to market economy, "capitalism with Chinese characteristics" (see Chapter 9) has emerged. Since the economic crisis, Korea has moved somewhat toward innovative management of entrepreneurs and increasing self-consciousness by engineers.

In search of possible solutions for the clash of civilizations after 9/11, Kim Kyong-Dong (Chapter 1), in "Reflections upon the Dilemmas of Civilization: the Wisdom of *Yin-Yang* Dialectics," attempts to exploit the East Asian classical thoughts of *Yin-Yang*. According to Kim, the principles of change derived from *Yin-Yang* may be applied to the typical dilemmas of human civilizations, such as those between man

and nature, man and society, different cultures, and the triad of state, market, and civil society.

Nan Lin (Chapter 2) addresses the problems and promises brought about by the coming together of East and the West. In "How the East and the West Shall Meet", he concludes that the two can make meaningful contributions to sociological theory if several conditions are met, such as collecting consistent and persistent evidence, a critical mass of scholars who are interested in cooperation between the East and West, and the demonstration that alternative theories may supplement or supersede existing theory.

Andrzej Flis (Chapter 3), in "What the West Has Learned from the East in the Twentieth Century," examines a case in which Eastern ideas changed Western ones. He shows that the birth and rapid development of pacifism and the evolution of "cosmo-vital" ideas in Western civilization could be traced to the cultural traditions of India. The Asian respect for life, condemning industrialization and the devastation of the natural environment and destruction of species, complements an emerging ecological sensitivity.

In "Modernization: Westernization vs. Nationalism: A Historical Overview of the Japanese Case," Akihiro Ishikawa (Chapter 4) reviews the changing pattern of both past and present Japanese modernization, focusing on "modernization" as an ideological and political orientation.

In "The Role of Human Sciences in the Dialogue among Civilizations," Syed Farid Alatas (Chapter 5) suggests that human sciences should facilitate the dialogue among civilizations in public discourse and formal education. By so doing, human sciences can go beyond Eurocentrism in social science education and escape from the perversions which all belief systems may be drawn into under certain social and historical conditions.

Jonghoe Yang and Hyun-Chin Lim (Chapter 6), in "Asian Values in Capitalist Development Revisited," point out a key drawback to the culturalist approach to East Asian development. The term "Asian values" usually denotes the Confucian value system that has supposedly contributed to state-led, export-oriented economic growth in East Asia. However, some elements of Confucianism can be regarded as having a detrimental impact on economic development in East Asia. Thus, they suggest as an alternative to this approach, a multi-factor historical model.

Pil-Dong Kim's "Beyond the 'Japanese Style of Management'? Transformation of the Capitalist Spirit in Japan Today" (Chapter 7)

examines the current state of the "Japanese Style of Management" (JSM) and discusses the transformation of the capitalist spirit of Japan. It shows that the JSM's culture-bound core elements are changing very slowly, though Japanese entrepreneurs are trying to adjust to the changing environment in an era of globalization. Kim concludes that the JSM will not be replaced by a new model in the near future.

In "The New Trend of Capitalist Culture in Korea: The Spirit of Entrepreneurs and Engineers," Yi-Jong Suh (Chapter 8) analyzes changes in the capitalist spirit in Korea after the economic crisis in 1997. Using Max Weber's theories and methodologies, his analysis finds notable changes both in the spirit of capital-owners and top-managers and in the spirit of engineers. The capitalist spirit exhibited by investors and top managers transited through the following stages: stakeholder capitalism to shareholder capitalism with a reform of the *chaebol* system and the actualization of M&A; from quantitative management of mass products to qualitative management of knowledge and information assets to reform the social innovation system; and from export-oriented home-based management to global management. At the same time, the spirit of engineers shows new characteristics, such as industrial effectiveness orientation, self-consciousness as technical specialists with some management knowledge, and cooperative social consciousness.

In "The Emerging Capitalist Spirit of Private Enterprises in China: Capitalism with Chinese Characteristics," Seong-Wook Baek (Chapter 9) demonstrates three specific characteristics of China's new private enterprises: (1) its origin in the public ownership system; (2) its operation by family members of the owners; and (3) its survival strategy within bureaucratic capitalism. These three characteristics contribute to the development of "capitalism with Chinese characteristics," which shows little interest by the Chinese in developing advanced technology on their own.

In "The Culture of Capitalist Development in East Asia," Kyong-Dong Kim (Chapter 10) explores the capitalist development of East Asia through a new interpretation of modernization that specifically emphasizes the validity and relevance of culture. He illustrates the cultural dynamics of capitalist development in Korea and briefly compares it to that of China and Japan. He concludes that the true significance of capitalist development in East Asia can be captured by a culturalist approach.

It is our hope that this book will contribute to a deeper understanding of the underlying nature of East Asia and its capitalist development. East Asian development experiences are rich enough to show us the convergences and divergences within and outside the region's boundaries from a comparative civilizational perspective. The present book is such an endeavor to reflect upon the civilizational encounters between East and West and the spirit of capitalism in East Asia.

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PART ONE

CIVILIZATIONAL ENCOUNTERS

REFLECTIONS UPON THE DILEMMAS OF CIVILIZATION:
THE WISDOM OF *YIN-YANG* DIALECTICS

Kyong-Dong Kim

WHY CIVILIZATIONS MATTER

On September 11, 2001, the world was shocked by the horrendous act of terror committed by a few religious fanatics against what is represented by the United States. Individuals on both sides of this incident may hold completely opposite views on the meaning of the action itself from their own vantage points, while there are other people around the globe who may not exactly share either view. Many have thus far been rather cautious in openly expressing their opinions, but debates have flared up. One such discourse has to do with what is generally known as the clash of civilizations.

Our immediate interest does not lie in determining whether or not this incident in itself reflects a clash of civilizations. Rather, we are more inclined to look into the significance of the notion of civilizations at this particular moment of human history, when such an unimaginable act is actually undertaken by some individuals and groups inhabiting this planet, under the broad umbrella of civilizations. When we do that, we cannot but ponder upon the very nature of civilizations that shape the life of humanity today.

Take, for instance, the technological tools and knowledge that were effectively utilized by those individuals in this particular act of violence. Technically speaking, that kind of dramatic behavior was entirely irrelevant one hundred years ago when the Wright brothers flew their very first airplane in 1903. Moreover, it would have been extremely difficult to organize and manage such a global team of activists with that much efficiency and accuracy, if we had not had the sort of technological tools, technical knowledge, and easy access to them, that are only available in this information age. These are actually part and parcel of the material element of contemporary civilization widely shared by a large bulk of the human population. Few, however, have raised the

question of how technology was involved in the incident and where
it all originated. However, this is clearly a matter of civilization, and
especially its modern form that originated in the West.

When the question now shifts to who and why, or identity and motive,
the issue of civilizational affiliation becomes somewhat controversial.
The fact that the individual culprits were Muslim, and their purpose
was allegedly to wage a war of revenge against the United States and
what it symbolically represents, does not necessarily reflect the civili-
zational conflict that may or may not exist. Even if these individuals
truly believed that they were Muslim martyrs involved in a form of
religious war to condemn Christian adversaries, that kind of act based
on religious conviction does not necessarily constitute the clash of
civilizations as such. Nonetheless, one could hardly deny that some
element of civilizations is involved in the scheme. This is about how
people form their world-views, in this case under the influence of some
form of fundamentalist teachings of a certain religion adhered to by
true believers, or some individuals and groups with fanatical inclina-
tions. From this tragic incident, though, we have come to realize that
our world-views are apparently different from others. This, in fact, is
a simple reflection of civilizational diversity.

Needless to say, world-view is only part of a civilization. However,
humanity has been awakened to the realization that there is something
terribly wrong with the way people have conceived the world we live
in, and their behavior which is based on that conception. It hap-
pens to be only a small instance of the numerous problems humans
have been exposed to in the past century, and still are affected by in
the new millennium. There are all sorts of other problems that are
intricately interwoven with these, and this requires us to look at them
from a much broader purview, that is, a civilizational perspective. The
problems plaguing humanity today are not isolated ones; approaching
them individually and separately would only result in further complica-
tions rather than fundamental solutions. It is about time we started to
approach them by looking at the entire forest first, and then narrowing
our focus to the individual trees. A search for solutions in the present
context requires an approach that is civilizational in its scope.

Moreover, the tremendous pace with which changes occur in our
life today, in almost all spheres, has put us in a position where we now
may need an entirely different paradigm with which to approach the
problem. No doubt, technological innovations have led the way and
humans have experienced a severe lag in many other fields of social
and cultural life. Due to this disarray, unnecessary confusion and even

sufferings has ensued. This indicates the need for new paradigms with which to view the world and tackle such problems. When it comes to the question of civilization, the usual dichotomy is between the East and West. In reality, this division is misleading and may be ill conceived. And yet, it provides a convenient starting point. It is true that the worldwide influence of Euro-American culture or civilization has been preponderant in the modern era, and we are used to calling it Western civilization. It is also a fact that the West has embarked on various forms of self-reflection on the misgivings of Western civilization. In this context, the input from the East may serve as a catalyst in the quest for new forms of civilization that may dialectically overcome the shortcomings of both those of the East and West. It is in this spirit that I am presenting a frame of reference from sources specific to Eastern civilization that may aid in understanding the predicaments of humanity. These may present possible solutions in addressing the dilemmas of human civilization under the dominant influence of Western culture. I shall first furnish a scheme of analysis drawing upon the ancient thought of *Yin-Yang* dialectics, and then single out the most notable dilemmas of contemporary civilization in an effort to search for possible solutions.

The Wisdom of *Yin-Yang* Dialectics

The Essentials of Yin-Yang *Dialectics*

The notion of *Yin* and *Yang* constitutes an essential element of the ancient Chinese world-view. Originally, *Yin* stands for shade and *Yang*, for sunshine. *Yin* and *Yang* later came to be identified as representing opposite phenomena in the world, some very concrete and others more abstract, some natural and others social, and so forth. Typical examples include sun and moon, day and night, light and darkness, heat and cold, high and low, above and beneath, long and short, hard and soft, strong and weak, male and female, father and son, senior and junior, superior and subordinate, before and after, and so on. As such, it already implies a dialectic.[1]

First, this ancient thought divides the world into two opposing categories. Dichotomy is the basic element of the dialectical world-view

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[1] For the ideas summarized in this section on Yin-Yang dialectics, see Chan (1973) and Fung (1948). I have earlier adopted these ideas to my own theoretical discussion (Kim, 1991).

and the logic of dynamic change. This does not mean that everything in the world can and should be divided into two types or categories, and that they must all be opposite to each other. It is the dichotomous world-view and logic of dynamic process that matters here. Using this frame of reference, I will attempt to understand and explain the nature and relationships of certain phenomena.

Second, the relativity of relationships between the two elements implies that one in a pair of phenomena may become *Yin* or *Yang* depending on the position in the relationship. For example, a father may be a *Yang* element in a relationship with his son. Relative to his father or mother, however, the father suddenly is put in the position of *Yin*. Or, a mother may be a *Yin* to her husband or senior in-laws, but her status with regard to her offspring attains a *Yang* standing. This can be extended almost indefinitely to any dyad in natural, mechanical, or social relationships. In other words, they work like the dummy variables of zero (0) and one (1) in the digital system. In short, *Yin-Yang* dialectic is a logical system for dynamic shifts of relationships in any phenomena under analysis.

Third, these two are conceived to be basically opposite to each other. In the Western dialectic, thesis and anti-thesis are in a contradictory relationship. In principle, one has to overcome the other in order to reach some synthesis, or *Aufheben*. However, in *Yin-Yang* dialectic, they are at once contradictory and complementary. To begin with, these apparently opposing elements cannot exist without the other. Sunshine or light does not have any meaning if there is no shade, whereas shade cannot come into being without sunshine or light. Again, there are exceptions.

According to the ancient Chinese theory of the Five Basic Elements (*ohaeng*, 五行) that compose things under heaven, namely, metal, water, wood, fire, and earth, each pair may either be in contradictory and mutually harmful relations or in complementary and mutually beneficial relations. For instance, water helps grow trees but quells fire: water and wood are in a beneficial relationship, while water and fire are in an adversarial position with respect to each other. *Yin* and *Yang* are in such a position that depending on the situation and context, each may be helpful or injurious to the other.

Fourth, *Yin* and *Yang* are conceived to be two kinds of vital energy or material force Ki (*chi* in Chinese, 氣) that helps create and change things in the universe by their dynamic interaction. If they interact as mutually useful forces to each other, as characterized above, this

interaction causes the creation of things, whereas their interaction as mutually harmful forces causes change in things. In this process, *Yang* is understood as the positive energy or force that produces, while *Yin* is seen as the passive element that provides the ground for *Yang* to operate on for production. *Yang* is a force that starts things, and *Yin* completes things. Through their dynamic interaction, the world is created and altered.

Fifth, the nature of the dynamics of *Yin-Yang* interaction is described as the following: the movement of the universe yields *Yang*, but if the movement reaches the limit, it becomes stillness and the stillness yields *Yin*. When the stillness reaches the limit, it returns to the movement. When these two *Ki* forces meet, respond to and interact with each other, they create things and change them in such a way that things develop infinitely.

Although this basically represents an idea of cyclical change, it also entails a notion of development. In fact, the central concept of change in ancient Chinese thought, "*I*" (易) of the *I-Ching*, the Book of Changes, essentially means opening things so that one achieves goals. Here, "opening" signifies, according to later philosophical interpretations, realizing potentials of things under heaven. One finds an almost identical interpretation of the term "developer" in French, which means opening the closed and expressing their potentials. The only and crucial difference, however, is that in Asian thought, this realization of potential is to be achieved by humans through relentless self-discipline and diligent learning. In essence, morals are involved.

Principles of Change Derived from Yin-Yang Dialectics

From *Yin-Yang* dialectics summarized above, I have derived four basic principles of social change (Kim, 1991). I summarize them here rather than repeating them in detail.

A. *The Principle of Limit and Return*
The first is the principle of limit and return. As introduced above, in the process of *Yin-Yang* interaction, each reaches the limit only to make way for the other. According to the Book of Changes, "As the sun sets, the moon rises; as the moon goes, the sun comes; as the sun and the moon push each other, light is yielded. As cold winter passes, hot summer arrives; as hot summer is gone, cold winter comes; cold and heat push each other, seasons come and go" (Yi, 1980: 469). Another

passage from the Book of Changes states: "when things reach the ultimate end, they begin to change; once change occurs, things move ahead; and once things go forth, they last for long" (Yi, 1980: 461).

This cyclical notion of limit and change was aptly applied to the history of political regimes by a prominent Confucian scholar of the Choson Dynasty, Yi Yulgok, who suggested three stages of cyclical change of regimes. First, one creates a new state, second, one tries to preserve the established, and third, one renews through revolutions, if one fails to preserve it. To create a new state, one establishes new order and provides rules and institutions. In the stage of preservation, one tries to realize and transmit the established order and institutions. However, as the period of stable maintenance of the established is prolonged, old customs and values become obsolete so that they no longer are effectively able to tackle the accumulated problems. To ameliorate the situation, waves of renewal surge to eventually transform everything by means of revolutionary change. If the problems are satisfactorily resolved through this renewal, the newly established order may survive. Otherwise, another revolution may be required to create another new state (Kim, 1991; Kum, 1984).

It is interesting to note that similar ideas of limit were actually espoused by Sorokin in his famous principle of limit (Lauer, 1973). According to Sorokin, when one type of culture flourishes to reach its limit, it inherently breeds seeds of demise within itself. Thus follows the cyclical shift from one type of culture to another, and so forth.

In the interpretation of one of the hexagrams of the *I-Ching*, it is said, "there is nothing plane that does not tilt, and there is nothing that goes which does not return. Such is the Way of things on earth under heaven" (Yi, 1980: 112). That everything returns to its original position or to the opposite pole is the principle of the Way (*tao*) of the *I*, or change. As was indicated above, whenever *Yang* completes its function, its force or energy is exhausted and comes to the limit, then it returns to *Yin*, and *vice versa*.

Taoist thought also touches upon this principle of return in its ontological discourse. For example, in the Book of Tao, *Laotze*, says, "to return to one's root is the law of movement of the Way (*tao*)... The full blown blossoms and leaves of the tree (or things in the world) each return to their root" (Kim, 1979: 115–6, 200–1).

As is always the case with East Asian thought of ancient origin, it never fails to imply or indicate the moral ramifications of certain principles of cosmological order and change. The *I-Ching,* for instance, was

initially conceived, designed, and utilized as a tool for divination. The ultimate significance of such a practice, nevertheless, was not merely to foresee the future affairs of one's life, but to caution and discipline oneself to be morally prepared and to live in an ethically decent manner. Likewise, the principle of limit and return is intended for humans to behave cautiously lest they may unreasonably overdo or tilt excessively in one direction, for excess can bring disaster.

B. *The Principle of Moderation or Equilibrium*
The principle of "golden mean" or *Chungyong* (中庸) is precisely the answer to the problem of excess. This is derived from the principle of limit and return implied in *Yin-Yang* dialectics, which suggests that extremity can breed calamity. It follows that moderation helps you behave correctly, and in order to do that, you may want to keep equilibrium in your mind and action.

 Chung literally means middle or median. According to the Book of Golden Mean, *Chungyong*, it refers to a state of not tilting to one side and a state of neither extreme wanting nor over-abundance. The state of mind before any emotional feelings of joy, anger, sorrow or pleasure are actually expressed outward is also meant to be the state of *Chung*. This principle is especially emphasized in Confucian teachings for the sake of self-discipline for those who aspire to be sages or men of virtue and wisdom (Yi and Chang, 1980: 203). Even *Laotze*, the Taoist sage, imparts the teaching that sages should not overdo anything, nor indulge in luxury, nor take extreme measures. If one knows how to be content, one does not have to face shame, and if one knows how to stop, one does not have to face danger (Kim, 1979: 169, 212).

 This kind of moderation or cautiousness must come from a deep understanding of the principles of change of the universe, according to the Book of Changes. The following are some passages from the Book (Yi, 1980: 52, 469–70).

> If one only knows when to advance but does not know when to retreat, if one only knows one can survive but does not know to prepare oneself for demise, and if one only knows how to gain but does not know one can lose, how can you call this a sage?
> The sage does not forget danger when he is safe in his position, he does not forget ruin while he enjoys his survival, and he does not forget the confusion of disorder when order prevails and the state is well run. This is the way to keep oneself stable and preserve the state.

Two forms of moderation may be identified. One is the ideal-typical *Chung* which orients the diversity of all forms of change towards the legitimacy of goodness. The other is the situational *Chung* which secures the most appropriate method of adaptation in the given reality of the times. The former is called the righteous and correct *Chung* (*chongchung*, 正中), and the other, timely *Chung* (*shichung*, 時中). In other words, when one adheres to the principle of moderation and keeps equilibrium in one's mind, behavior, and social status, in accordance with the Way of heaven, this is the correct approach one follows (Kum, 1984: 87).

It should be noted at this point that even these two modes of *Chung* may be comprehended in the scheme of *Yin-Yang* dialectics. As Yi Yulgok suggested, there may be two approaches to social renewal, one a more fundamental approach and the other a more realistic one. Depending on the circumstances, one may have to tackle the problems from a more basic stance adhering to principle, or from a more practical vantage point of realistic judgment. In either case, one must not forget to take into account the essential elements of the other approach or viewpoint. For a more fundamental problem, one may also have to look into the practical questions of the immediate present, while solutions for a down-to-earth problem may require more basic considerations of the issue in accordance with principle (Kum, 1984: 90).

Here we encounter the concept of adaptability. Adaptability in the theories of social change is closely related to the notion of equilibrium. When equilibrium of the system is disturbed, change occurs. Change induces the system to attempt to restore equilibrium. This in turn is more feasible if the system has a greater capacity to adapt to the environment. Likewise, the idea of *Chung* in East Asian thoughts requires adaptability on the part of the individual and society. This adaptive capacity or tendency is closely linked to the capacity to attain moral discipline in order to maintain equilibrium in the individual's mind and action. And, in general, adaptability requires flexibility.

C. *The Principle of Flexibility or Adaptability*
Let us remain with the issue of adaptability for a moment. In general terms, either in society or in the case of individuals, once equilibrium is broken, change ensues. If something is slanted to one side, or is either too much or too little, then change is imminent. Under such circumstances, adaptability is required in order to avoid disaster. This adaptability is represented as timeliness in the Confucian teachings of *Chungyong*. In this connection, Yi Yulgok is quoted below (Cho, 1985).

Generally speaking, timeliness refers to saving the people by means of flexibility to amend and make laws at any time necessary. When Chongja was commenting on the I-Ching, he said that we study the Book in order to help grasp the trend of our times so that we may understand the meaning of our times. He also stated that to change and innovate at each opportune time is the most universal Way. Since laws are promulgated usually to meet the needs of the times, they may become out of date and out of context as times are changed.... All these were done by the sages of olden days not because they enjoyed change and innovation, but to meet the needs of the times.

So, when needed by the circumstances of the times, adaptability is required to make necessary change and innovation. The more flexible individual minds and societal structures are, the more likely they are to adapt to the changing environment. People with rigid consciousness and societies with stiff principles of organization and structural construct find it difficult to make necessary change and innovation when needed by the circumstantial changes.

No other classical text of East Asian thought expresses this emphasis on the importance of flexibility more symbolically and poetically than *Laotze*, when it says (Kim, 1989):

A live person is tender and weak, but a dead body is stiff and hard. Fresh plants and trees are soft and feeble, but they become hardened when dead. Therefore, the soft and weak represent life and the hard and strong represent death.

In reference to *Yin-Yang* dialectics, one could summarize these principles of change as follows: in an environment where the dynamism of *Yin-Yang* interaction constantly creates change, it would be most difficult to expect individuals and groups of hard-minded rigidity, adhering to stiff principles of social organization in an inflexible structural context, to seek and achieve necessary change and innovation, while maintaining the state of *Chung*. This state is not tilting toward one or the other extreme, neither wanting nor over-abundant in anything. It is in the same line of reasoning that I have espoused earlier that a society needs to become more flexible to achieve societal development (Kim, 1991).

The Dilemmas of Civilization

Civilizations are the product of epoch-making innovative change in the life of human beings throughout history. It is at once a process and a consequence of the emergence of a completely novel set of patterns

and substance specific to human life never imagined prior to its birth. Civilization only survives when it can constantly change. Hundreds of large and small civilizations in human history have come and gone because they failed to change. Civilization, in this sense, therefore, is change itself, for it attains life and sustains itself by change alone. Since change is a process of yielding new things, a civilization that is unable to renew itself is doomed.

Human society as a vessel of civilization can survive and flourish only when it adapts to the changing environment and changes itself. In this connection, we might ask the following fundamental questions about the capacity of a society to do this:

1) Does the society successfully survive by adapting effectively to the environment?
2) Does the society maintain a degree of communal solidarity and societal stability by integrating the differentiated parts which are not torn apart from one another through severe conflicts?
3) Does the society effectively make decisions concerning societal goal attainment and is it able to mobilize resources necessary to attain such goals?
4) Do the social institutions satisfy the needs of individual members to an adequate level and control their behavior so that serious deviance is properly prevented?

If the answer to these questions happens to be negative, then the society in question is in trouble and the desire to change is likely to be aroused. Now, faced with this need for change, how does a society embark on the task of making the necessary change? It is in this context that reflections on the nature of civilization itself may be required. Before we make any change, we must know what to change and how. One way of approaching this task is to reflect upon the dilemmas posed by the current civilizations and seek solutions to them.

Dilemmas are perceived here as dialectical in nature. One end of the dilemma affects the other in such a way that one could not reach a solution without addressing both ends in an adequate fashion. The wisdom provided by the principles of change that is derived from *Yin-Yang* dialectics, especially that of *Chung* and flexibility, is required here and may present some useful solutions for problems faced by contemporary civilizations.

Dilemmas related to Man and Nature

Since human civilization emerged through the alteration of the environment surrounding man, we might as well begin with the category of dilemma juxtaposing man and nature. I am using the word "man" to denote humanity for the sake of convenience. This involves a chain linking man, nature, technology, and the city.

A. *Man and Nature*
Basically, civilization originated in man's struggle with nature. Through the technological innovation represented by agrarian cultivation, man created civilization. Agriculture already entailed human intervention in the ecological system. Industrialization has paved a wide avenue for man to drastically alter nature by extensive use of resources from nature and by technological modification of and interference with nature. In the process, the one-sided exploitation of nature has gone too far, consequently affecting the very quality of human life.

Humans now have to face the dilemma of when to limit technological intervention, and how much of nature can be conserved as it is. In order to improve the quality of material life for man, economic growth is imperative. For further economic growth, more resources are to be exploited and more alteration and exploitation is to be made with respect to nature. The ecological conditions so affected now have negative impacts on human life. To improve the ecological conditions, further technological innovations are needed, which in turn require more resources, and so on. The vicious circle has to be terminated at some point.

One way of tackling this dilemma is to suppress ever increasing human needs. While we generally are well aware of the difficulty of achieving this goal, one could still harbor the hope of reaching it by reinforcing the moral teachings of Eastern classical thought. This is not meant to suggest that Eastern thought is the only such source. It merely reflects the historical reality that the dominant civilization overwhelming human life today is basically Western in origin, and it might be said to have reached a sort of limit at this juncture in history. Thus, the East and West must meet in a dialectical encounter with an open mind in the search for alternative civilizations.

B. *Man and Technology*

Technology was not only the very source of civilization, but has also opened the door to almost infinite alternatives with which man can explore and exploit the natural order. The irony is that it has also opened up a Pandora's box. It is now equipped with the power to destroy man and the planet Earth at any moment. The dilemma here is that man needs technology and benefits from it, but there must be some limit to its power. Technology, which is clearly an enormous invention of man, has attained a self-propelling tendency so that it is almost beyond human control to stop its incessant innovation.

Eventually, however, man is the creator and user of technology, which is only a tool for the improvement of human life. Man is to take the ultimate responsibility *vis-à-vis* technology, in terms of how much is created and what use it may be put to. This again is related to the issue of how much human needs can be realistically adjusted.

C. *Man and City*

If technology is the material foundation of civilization, then the city is the social space of civilization. If there is no city, there is no civilization. Both the city and technology have affected nature and the natural ecology of human social life. Once again, the city is at once the hero and the enemy of civilization. City life has offered man much affluence and culture on one hand, and yet, on the other hand, it has also left man with social vice and ecological ills. Man now has to resolve this dilemma. The questions here are two-fold: how humans as citizens are to live in harmony with nature; and how we resolve the dilemma of the concentration and dispersion of population and resources, and that of centralization and decentralization of power and functions.

Dilemmas Surrounding Human Nature

One of the fundamental issues in the philosophical discourses of human civilizations has always been the subject of human nature. Human nature poses several dilemmas for a more reasonable life for human beings. As civilization has been increasingly affected by the materialistic and somewhat hedonistic tendencies of mass culture, the dilemmas surrounding this issue need to be resolved with greater urgency.

A. *Desires versus Ideals*

As a prominent characteristic of contemporary civilization, one may cite the tendency to stimulate material and physical desires to such an extent that the lofty ideals espoused by so many brilliant minds seem to be losing their luster compared to the rage of hedonism. To satisfactorily gratify all these needs requires enormous strides in the economic production of material amenities, which in turn puts tremendous pressure on technological innovations. These innovations then tend to further encroach on the natural environment, exacerbating the vicious circle. Some measures are definitely needed to ameliorate the rising level of aspirations and to contain or at least adjust human needs. Moderation again is the key solution.

B. *Body and Mind*

In the case of humans, body and mind are not separate phenomena. Yet, bodily comfort and pleasure do not necessarily produce peace and happiness of mind, and *vice versa*. Since the imbalance of the currently dominant civilization places an overwhelming emphasis on the body, it causes a variety of problems for human social life.

C. *Material versus Spirit*

A civilization requires a material foundation to exist. But if the material aspect overwhelms the spiritual, then it breeds the seeds of demise within it. Likewise, if the spiritual dimension overshadows the material, this could be a source of distortion. That is why the search for the golden mean is desired.

D. *Emotion versus Reason*

The unbridled expression of emotions and the limitless pursuit of emotional ecstasy is another feature of the currently dominant civilization. One dimensionality is also detected in the extreme reification of reason and the almost blind belief in technological sophistication. Moderation often seems to be completely out of sight of human social-cultural life.

Dialectical Tension between Man and Society

Ever since humans started living in some form of a collective, there has always been a degree of tension between man and society. Various

dilemmas have been posed, and we shall summarize the major examples of these dilemmas.

A. *Individual versus Collective*

The first form of tension between man and society revolves around whether the individual or collective is to be accorded greater value and importance in social life. The usual stereotype is that the group has taken precedence in Eastern traditions, whereas the weight given to the individual has been much heavier in the modern West, where the ideology of individualism has been systematically espoused and widely practiced, both in the capitalist economy and in the democratic polity.

In the process of modernization, however, certain extreme phenomena manifested both in the East and the West. In the Eastern experience, the sudden surge of modernization initiated and disseminated by the West has extensively encroached upon the various existing traditions of collectivism. This has left the collectivist orientation in disarray. While it has not been completely destroyed, a monstrous form of individualism-by-default has instead come to dominate in the East. This version of individualism is such that the centrality of the individual is overemphasized, producing self-centered, egoistic tendencies without the solid cultural and institutional backing of ethically sound individualism-by-ideal (Levy, 1962). In Korea, for example, a new jargon has been coined to denote the combination of the old collectivism in manifested in the family and this new type of individualism-by-default. It is called group-egoism and collective self-centeredness. This tendency is often expressed in various events of protest involving NIMBY (not-in-my-backyard) phenomena.

Individualism has also been somewhat distorted in the West in such a way that the problem of the atomization of human relations and the alienation of individuals has become rather common. The emphasis on the self and the individual has gone to the extreme, leaving the individual lonely and apathetic. An abnormal version of collectivism that the West experimented with took the form of totalitarian or authoritarian socialism, primarily in the Eastern bloc. This experiment, as we have witnessed, failed to lead the system back to the modern tradition of individualism. It is here that a type of individualism-by-default crept into the social vacuum, once the iron wall of authoritarian collectivism crumbled.

These historical experiences remind us of the warnings found in the principles of dialectical change examined above to maintain moderation and avoid extremity and rigidity, for otherwise things swing to the other extreme and further changes are then required. We are facing a new era when this age-old dilemma of individual *versus* group needs be resolved.

B. *Freedom versus Order and Authority*

The second form of tension is found in the desire to promote individual freedom, and yet preserve social order and institutional authority. By nature, order and authority, which is required in the social-institutional setting, restrict individual freedom. Extreme freedom, with no limit towards the pursuit of one's own desires and needs, is not only impossible, but also inordinate in social life. However, neither is the totalitarian suppression of individual freedom permissible under any circumstances. The middle point or *Chungyong*, the golden mean, is needed.

C. *Rights versus Responsibilities and Obligations*

In the same line of reasoning, there needs to be a middle ground to balance the demand for and the pursuit of rights on the part of individuals and groups, with the willingness to assume responsibilities and fulfill obligations to others. So far in the history of human civilization, the need to protect and promote human rights has been much greater than that of stressing the obligations of responsible parties. Even today, we have a long way to go in order to improve the condition of human rights around the globe. Nevertheless, the time may be ripe for humans to be more serious about doing their part in fulfilling obligations and responsibilities as members of the global village.

In this connection, it is interesting to note that the InterAction Council, an organization of former heads of states around the world, has put out the Universal Declaration of Human Responsibilities (1998), to commemorate the semi-centennial of the Universal Declaration of Human Rights by the United Nations (1948).

D. *Gemeinschaft versus Gesellschaft*

This apparently old scheme may need to be reconsidered in the contemporary context of great transformations. With the rapid evolution of what is known as cyberspace in this age of information-communication technology, there is already growing concern about the

emerging cyber-community. Few comprehend its nature at the moment, and are unable to predict what direction it will take in the future. Individualism is a trend that may or may not impinge on the communal nature of community life. Modern trends, which Ferdinand Tönnies was concerned with, do show signs of the relative decline of the old Gemeinschaft-like community life, which is yielding to a rampant rise in the Gesellschaft-like society of interest seeking. Some balance is definitely required to make human societies more livable.

E. *Particularism versus Universalism*
In a similar vein, human societies are facing the dilemma of retaining the particularistic element of human social relationships while attaining a rational social life governed by universal principles. Thus far, the modern West has moved in the general direction of rationalization and has achieved a degree of universalism. However, more recently, a form of reaction that has emerged in movements such as postmodernism challenges the rationality and universality of Western culture. In the East, the particularistic culture has tenaciously sustained itself to limit the universal principles that are needed for Eastern societies to adapt to the tide of globalization dominated by the West. Here, too, one has to seek some middle ground.

Dilemmas Relevant to Culture

Focusing on the features of cultural life, the recent development of mass culture is slanted toward certain inclinations, and we need to seriously reconsider such developments. A few examples follow.

A. *Vulgar Culture versus Refined Culture*
Civilization and culture by definition imply cultivation, sophistication, and refinement. With the unprecedented development of mass media and information-communication technology, the quantity of cultural items disseminated throughout the world has skyrocketed. The question now is whether the quality of such cultural products is moving in the direction of further refinement, towards elevating and improving the human mind and the quality of life. Mass culture in general is currently dominated by violence, obscenity, and other forms of vulgarity. One wonders whether this trend is affecting the spiritual life of humanity, eventually ruining the human mind and spirit. Returning to the other pole or extreme in this dilemma seems inevitable in order to restore some balance.

B. *Pragmatic Culture versus Culture of Humanities*
Higher education programs are placing an inordinate emphasis on technical fields, including physical and social engineering, often with an unwarranted disregard for humanities and other basic studies. Pragmatic interests overwhelm humanistic concerns. This tendency is pervasive in social and cultural life in general, waiting to be corrected so that civilization can function with a sense of balance and moderation.

C. *Culture of Letter versus Digital Culture*
Due to the dramatic development of new media, the culture of visual images is fast replacing that of the printed letter. Many experts still claim that books and printed material will not totally disappear, despite the preponderance of digital culture. Nobody can predict what will happen to the coming generations who will definitely be more accustomed to the visual culture of a digital age than may be expected. This situation also needs to be redressed.

D. *National Culture versus Global Culture*
Thus far, when it comes to culture, the rapid advance of globalization has at least yielded two opposing trends of centrifugal as well as centripetal development. At the moment, while national cultures are making every effort to tenaciously retain their diversity, the convergent force equalizing cultural contents seems to be preeminent. Also, globalizing cultures are more likely to carry the vulgar element that causes feelings like desolation and apathy in people.

There are, therefore, two dimensions to this dilemma. On the one hand, national cultures struggle to sustain themselves in the face of the surging wave of globalization. On the other hand, cultures of the world struggle to avoid being indiscriminately affected by the vulgar cultures of Western origin. If the world has to be equalized, unity in diversity would be more desirable than the flat leveling of everything.

Dilemmas of the Triad: State, Market and Civil Society

As globalization has become part and parcel of modern life, the issue of democracy and capitalism and its role in the future of mankind has evolved around the dilemmas posed between pairs of the triad: state, market, and civil society. This needs to be considered in the broader context of the world system.

A. *Market versus Distribution*

One of the thorny problems facing the surge of capitalism in the global scene is how to check the market forces and enhance the possibility of a more equitable distribution of wealth. The dilemma of efficiency *versus* equity that has been constantly posed in the process of modern capitalist development is not an easy one to resolve. As indicated, the foiled Socialist experiment emphasizing distribution has left global capitalism in an arena where the challenge of serious competition has not been offered. Extensive restructuring of the economic and social systems on both the global and national levels has become necessary, and it has been realized in the process that distributive justice may not be easy to attain in this new situation. The problem of inequality generated by the free market is now arousing concern among many peoples and societies.

B. *Market versus State*

The dilemma in the relationship between the market and distribution is closely related to the tension between the market and the state. Provided that the market operates rationally in an orderly manner by itself, the less the state intervenes, the better. Since the market, however, is an imperfect entity, it is necessary for the state to regulate it. The issue of inequality, for instance, has been handled by the state through various welfare programs, including social security, insurance, and other social safety nets. The burden created by these state-led measures has usually held back the normal and effective operation of market mechanisms. The Socialist experiment is an extreme case.

   The linkage between the state and market may also be found in the corruption of the state bureaucracy and special favors gained by the corporate sector. This inevitably interferes with how the market normally operates and affects the economy negatively. Thus, to quote an old Korean aphorism, one had better keep a proper distance from in-laws and lavatories. That is, the relationship between the market and the state may have to be appropriately set so that they are neither too close nor too far from each other.

C. *Market versus Civil Society*

When Margaret Thatcher proclaimed that "[T]here is no such thing as society," Lionel Jospin retorted by saying, "[Y]es to the market economy; no to the market society" (Soros, 1997: 45). Even George Soros, with his knowledge of how the market operates, expressed concern about

the deep penetration of unhampered markets into social life when he said, "the untrammeled intensification of laissez-faire capitalism and the spread of market values into all areas of life is endangering our open and democratic society. The main enemy of the open society, I believe, is no longer the communist but the capitalist threat" (Soros, 1997: 45).

One way of coping with this threat is for the state and civil society to mutually fight the penetration of market values and forces. If the state cannot perform this function, then civil society has to bear the burden of keeping itself intact. This challenge happens to be formidable.

Civil Society Versus State

In the process of democratization, civil society has been gradually gaining autonomy from the state and has overcome despotic regimes in the process. However, the relative clout of civil society is limited *vis-à-vis* state control and arbitrary decisions restricting rights and impinging upon its autonomy. From now on, though, the state can and should make use of whatever rich resources the voluntary sector of civil society may have in its pursuit of national goals, instead of attempting to control civil society. The voluntary sector, on the other hand, should strive to assume its share of societal responsibilities, to look after and care for the vulnerable elements of society while keeping a vigilant eye on the performance of the state and market. This balanced and cooperative attitude is needed in contemporary political life.

The Complex Matrix of World System-Market-State-Civil Society in the Age of Globalization

Recently, rampant globalization has strengthened the power of the world system of capitalism, boosting the relative position of the market, while weakening that of the state. The only seemingly viable sector at the moment seems to be civil society which, for example, has manifested its potential power by protesting against the global force represented by the WTO, NAFTA, APEC, ASEM, and the like. Such a move is in its infancy, and its future is still uncertain.

In this connection, it might be useful to listen to an American political scientist's plea (Ehrenberg, 1999: 250).

> Deepening inequality and gigantic concentrations of private power pose the most important danger to democracy and civil society alike. Political,

economic, and social affairs are as mutually dependent today as they always have been—no matter what claims are made about the autonomous logic of different spheres. Extending democracy to the economy, the state, and civil society is the central challenge of contemporary life. As always, this requires comprehensive political activity and theory that must begin with the redistribution of wealth.

Thus, we must think in terms of the global context, the context of the world system. This indeed is a question of a civilizational dimension; we might want to open our minds to seek some wisdom from Eastern sources to answer it.

In Closing

I fully realize that we have started from the grandiose purview of human civilization and have wound up with a shallow presentation of the common dilemmas of contemporary life. As the old Eastern saying goes, "one starts as the head of a dragon only to end up as the tail of a snake." Thus, this cursory review of a complex set of ideas and issues that are macrocosmic in their scale does not do justice to the subject under discussion. It is only intended to draw the attention of those who may be interested in such issues, and to suggest some alternatives in how we look at things and in how we find solutions to the problems that have been identified.

Both *Yin-Yang* dialectics and the civilizational dilemmas require much more careful analysis and detailed explication. The very brief summary presented here only touches the surface and delves into a small portion of this philosophical approach. My primary purpose is to reach the intellects and minds of those who may not be familiar with such ideas and views, especially those in Western intellectual circles, so that it may stimulate fruitful discussions. When the topic is civilization, it is imperative that every party involved opens their minds and listens to the others' voices. Genuinely open dialogue is what is really needed in this task. My wish is that this piece will act as a catalyst towards achieving that openness among civilizations of the world today, at a time when the level of mistrust among different civilizations appears to be increasing.

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HOW THE EAST AND THE WEST SHALL MEET

Nan Lin

Introduction

Often when I make a presentation or submit a manuscript in the West, especially in the United States, reporting research findings from China and pointing to elements not consistent with the received theories, inevitably someone in the audience or a reviewer asks the question, "Since the data is from China, are the findings generalizable?" I am sure many of the scholars present at this conference have experienced similar questioning when they present their research from the East to a scholarly audience in the West. Whenever possible, I respond by making a rhetorical remark, "This is an interesting and good question. I often wonder whether findings from a study conducted in Detroit, Indianapolis, New York, or Northern California can be generalized." This response, of course, reflects an instinctive annoyance that the issue of generalizability is seldom raised, at least in my subjective estimation, when the data comes from North America or Western Europe, even when the observations are made in a limited geographical area. It also reflects a misgiving that much of social science research is ethnocentric and in favor of North American or Western European traditions. These traditions have been held as a reference from which other traditions are then seen as "deviations" that require specification or justification. Thus, there is a gut-level resentment among us about the "unfair" and "biased" Western responses to data or observations from different societies and cultures. Do these questions, consciously or unconsciously, reflect a continued sense of subjugation of the East by the West, or a sustained cultural colonization of the West over other regions in the world?

A further reflection suggests that the problem lies deeper than an "innocent" question and a sarcastic response. The normative practices of science and the historical precedents of theories developed in the West constrain the degree of freedom with which scholars from other

societies and cultures can make theoretical "break-throughs." In this presentation, I will outline these constraints, and, by way of describing a modest attempt at theorizing based largely on observations made in the East, I will try to demonstrate ways of "breaking" out of these constraints.

Before I begin, let me hasten to point out that I use the terms "West" and "East" rather loosely. The West here refers to thoughts and theories developed in Europe (especially Western Europe) and North America in the past two centuries. The East refers roughly to the region of East Asia where Confucian thoughts and ideals have been salient. In the remarks that I will make, a second demarcation may be noticeable: the "West" represents the location where the overwhelming majority of sociologists reside, and the "East" refers to all other regions—a core and peripheral distinction in terms of concentration of participants and institutions. I will try to be more specific as the context calls for it, but may blur the boundaries more in other circumstances.

Pre-eminence of Western Theories

To understand why "Western" theories, especially in sociology, have been so dominant, two factors come to mind: (1) that the normative practices of theoretical development favor theoretical confirmation rather than theoretical challenge and (2) that empirical discrepancies observed in Eastern societies (and other societies outside Western Europe and North America) tend to be explained away with theories purportedly capturing societal differences, with Western Europe and North America seen as the anchor or point of social reference. This dual-development reduces much of the scholarship from the East to work towards confirming received theories (immersion) or modifying them (contingency specifications).

It is generally understood that a theory begins with an explanation proposed for a set of phenomenon, and proceeds with propositions which are then examined, in the deductive process, with empirical data or observations. Analysis of the data affords an inductive process whereby the propositions are either lent credibility or subjected to falsification and modifications. While methodological textbooks emphasize that both deduction and induction are important in linking the development of theory and empirical observations, the normative practice of scientific research is dictated by deduction which is considered as the

preeminent process of theorization. A scientific discipline is evaluated and valued for its theories. When we explore a discipline or a subject area, we want to know, as quickly as possible, what THE THEORY is or what the principal theories are. For example, sociology is usually introduced and understood in terms of the grand theories such as structural functionalism, conflict theory, symbolic interaction, etc. Students are taught about these received theories and encouraged to derive empirical hypotheses for further testing and confirmation.

The conventional practice of analytic procedures (e.g., statistics as well as qualitative analysis) also favors a conservative orientation. When empirical observations comply with the expectations of a theory, the theory receives further credit. When empirical observations do not comply with such expectations, the tendency is to suggest that there are "disturbances," "contingencies," or "frictions" in the real world that interfere with the expected processes derived from the theory. The implications offered are that if and when these disturbances are not present (e.g., "holding them constant"), the theory should predict the real world better, or that these disturbances should be taken into account as exogenous variables. Exogenous variables are not to be explained and are treated as external factors to the theory. What needs to be done is to take them into account (e.g., as "control variables") and then proceed with the description of the data as dictated by the theory.

Further, the institutions of scientific rewards favor theoretical confirmation. Due to efficiency considerations (limited journal space and number of books to be published, and too many possible "random" errors in failures to confirm theories), opportunities tend to be given to scholarly productions which confirm or modify received theories, rather than to those which fail to confirm them. Publications, then, influence opportunities for positions and resources within the scientific community, such as finding positions in more prestigious institutions and receiving better compensations and research support, for example. Compelled by the normative expectations and institutionalized reward opportunities, scholars tend to adhere to the normative and, thus, conservative orientation in the production of scholarship. Preference is given to applications and demonstrations of theories rather than theoretical falsification. These tendencies—preeminence of normative practices in deduction and induction and in institutionalized rewards—allow theories, once established, to persist, even in the absence of substantial or cumulative evidence, and, at best, to die a lingering death over a long stretch of time.

Socio-historical Construction of Theory

Where did the theories come from, in the first place? As it turned out, many received theories were developed by scholars who had made keen observations about the events of their time and location, and then synthesized them into an explanatory scheme—a theory. Marx made critical observations and drew an analysis of the dire consequences of industrialization on workers and the exploitation of those who owned the means of production. Weber perceptively noted the organizational and bureaucratic capacities of the German Empire, as well as the cognitive and affective processing of individuals in interactions with these societal or structural features. Durkheim experienced and observed how social organizations and collectivities affected individuals mostly in French society, and proposed the arch-typical "structural" explanation of group effects on individual behaviors. Likewise, one can trace the workings of other noted sociologists such as Kant, Spencer, Tönnies, Simmel, and Mead to their keen observations and analyses of social, political, and economic events of their times. In fact, it would be difficult to find sociological theories, including the contemporary theories constructed in North America and Europe, which were not inductively constructed.[1]

This is not to say that observations and data alone automatically induce theories. The capacity to sort through the observations and data, to distill a coherent explanation for a selected set of phenomena, and to present a convincing argument requires diligence, imagination, and persistence. Mark Blaug's (1985: 689) characterization of most economic theories as consisting of "manipulation of highly abstract assumptions, derived either from introspection or from casual empirical observations, in the production of theories yielding predictions about events in the real world" seems an adequate description of the development of sociological theories as well. To make explanations and arguments convincing to fellow scholars and other readers, the theorists employed elaborations and amplifications beyond the observations, and these textual presentations became an integral part of theoretical formation.

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[1] There are exceptions of formal mathematical and experimental models (e.g., Emerson and Cook), or transplanted theories (Parsons' introduction to the United States of European theories).

These theories, described rather loosely and filled with tautological definitions, make falsification very difficult, if not impossible.

Once a theory becomes accepted or received, deduction and induction are employed to confirm, amplify, or extend it in terms of its possible explanation of phenomena and societies beyond those with which it was built on. Institutionalized rewards evolve to sustain a critical mass engaged in sustaining the received theories.

One interesting and critical aspect of theoretical development is where and what phenomena were drawn to "test" the validity of a proposed theory. As it turns out, historically, the initial diffusion and dissemination of a proposed theory inevitably took place in the same or similar social and cultural environments where the theory was conceived. Since most of the initial sociological theories, at least the ones received, were developed in Western Europe and later in North America in the past two centuries, it is no surprise that their validity was initially examined with phenomena observable in communities in these regions—the originating societies.

Thus, theory formulation is quite social. Historically, initial theoretical evaluation occurred in the social milieu where they were constructed. Once a theory became accepted or received, however, this social nature of validation ceded into the background. Received theories provide guides for deductive work, extending beyond the social boundary of the originating societies. Further, once received, theories assume priority—any subsequently proposed theory is checked and examined against the received theories. Dispute about its theoretical merit may result from doubts or challenges that it supersedes the received theories in explaining the same phenomena and additional phenomena. Much of this debate becomes social—whether a sufficient number of scholars are convinced of the merit of the proposed theory.

Therefore, acceptance of a theory not only depends on the inductive process involving the diligence, persistence, and imagination of the proposing scholar. Perhaps just as critically, it depends on how many other scholars judge it to be meritorious in exceeding the explaining capacity of received theories. As the volume of received theories increases (not necessarily cumulatively), the demand to exceed the explaining power of the collectivity of these theories becomes increasingly difficult to meet.

IMMERSION AND CONTINGENCY: NORMATIVE SCIENTIFIC BEHAVIORS

Thus, the historical precedents of received theories originating in Western Europe and later in North America have set "conservative" practices among scholars who wish to be members of the scientific community, wherever they are. Practicing scholars in Western Europe and North America, as well as elsewhere, are subjected to these constraints and opportunities.

What kind of work, then, can scholars in the normative practices bring to bear on the theories? Two types of work can be identified. One type of work is to employ concepts and schemes deduced from the received theories to phenomena observed. Data and observations are collected to demonstrate and extend the theories. We call this type of practice *immersion*. It is probably the most common practice among scholars. Numerous examples can be drawn to illustrate this practice. Received theories are evoked to study deviance, organizations, stratification, social movements, social inequality or socialization in different communities and societies. Likewise, critical theories such as feminist theory or post-modern cultural studies are employed to describe the local community as well.

It is difficult for Eastern scholars to be immune from this practice. Not only because they are, like their Western colleagues, subjected to the dominance of deductive logic, but also because the institutionalized reward system itself has been adopted by the Eastern professional community. Universities and research institutions in the East, likewise, have adopted similar institutional arrangements to meet constraints and efficiency requirements (limited publication opportunities and preference for theoretical confirmation or modification rather than rejection) and to organize the reward system (appointment, promotion, and honors and bonuses). Such isomorphic institutional development is to be expected if these organizations are to survive in the larger and global community.

A second type of work is to be cognizant of discrepancies between the received theories and the phenomena being observed, and to seek resolutions. One practice is to identify a condition under which either the theory applies or does not apply. We call this practice *contingency*. For example, a study of social mobility in China in the 1980s found that Chinese workers aimed for work units (preferring the state sector to the collective sector or the private sector), rather than for specific occupations (Nan Lin & Yanjie Bian 1991). This preference was due

to a number of factors, including the rigid state-collective demarcation in terms of work benefits, urban-rural segmentation, and lack of cross-sector mobility. Thus, it was argued that the theory of status attainment, focusing on occupational status, works under the condition that the political system does not stratify socioeconomic organizations in these terms. Contingencies can also represent exceptions. For example, the theory of the strength of weak ties suggests the utility of weaker ties in accessing information not available in one's own social circle ties (Granovetter, 1973; 1974). Yet, in some societies, strong ties are almost required to make such connections to information and resources. In China, for example, it was found that chains of strong ties make it possible to access information and influence in job searches (Bian, 1997). The argument is that in the more "traditional" societies, because of shortage in readily available information in the market place (mass media, open recruitment), information and influence are shared among stronger ties. Thus, in such societies, the principle of the weaker ties does not apply.

Contingencies may or may not lead to new theories, nor do they challenge the validity of the received theories, in their intended circumstances. They may set the boundaries beyond which the received theories may not operate. Many times, no further theoretical development is proposed beyond these "bounded" theories. In this manner, contingencies accommodate and even consolidate the pre-eminence of received theories and their institutionalized reward opportunities.

Given the nature of the normative practices of science and the institutionalized reward system, chances are that none of the scholars, whether in the East or West, are immune from such normative work. In fact, most of the scholars are doing such work most of the time: performing immersion and suggesting contingencies for received theories.

Theoretical Management of Societal Discrepancies

Empirical discrepancies, however, sometimes require more than specification of contingencies. Persistent and extensive discrepancies reduce the efficacy of received theories as they become more bonded. As the terrain beyond the bonds becomes extensive, some theoretical reflections become inevitable. In fact, scholars in the West have noted such persistent discrepancies in the East and other societies. Comparisons of Eastern and Western patterns and behaviors have drawn the curiosity of

Western intellectuals and scholars since the days of Rousseau. In order to accommodate these discrepancies while maintaining the integrity of the received theories, theories were developed to suggest typologies of societies and ways societies move from one type to another.

Beginning in the 18th and 19th centuries and continuing into the 20th century and beyond, such theories have emerged. These theories contemplate the presence or absence of certain elements that differentiate societies; and a possible "transition" from the acquisition or abandonment of these elements account for possible "movements" in a society. The elements identified, again, were based on observations and introspection about what the societies, on which the received theories were built, presumably possessed and what other societies, where the "discrepancies" were found, did not. These theories, thus, not only account for the discrepancies, but also predict how such discrepancies would decrease or disappear as these "other" societies acquire certain elements to become more like the societies on which the received theories were built. We may label this type of work as the *macro-developmental extension of received theories*.

This theoretical extension takes the general form of setting up a developmental scheme by which societies or macro-structures are purportedly moving from one end of a continuum to the other. This scheme then allows a claim that the observations and phenomena observed in the construction of the received theories represent a more "developed" phase, or toward the developed extreme of the continuum. A theory is then proposed: that societies toward the less developed end of the continuum show patterns and behaviors different from those in the more developed end because they are less developed. When they become more developed, or move closer to the societies on which the received theories were built, their patterns and behaviors will fall within the predicted realm of the received theories. It is an extension of the received theories because they are taken as given, and as an anchor with the conclusion that discrepancies tend to reduce as societies become more developed.

Engines of development are identified and they usually presumably reflect characteristics of the societies on which the received theories were built. These are characteristics of Western Europe and North America, in the 18th, 19th, and 20th centuries. Scholars can "theorize" what these characteristics are. Prominent among them are industrialization, Protestant movements, "modern" ways of thinking, democratization,

civic society, globalization or global capitalism, gender and racial liberation, and, especially, individualism and self-interest.

Once a theoretical extension is formulated, then discrepancies and contingencies are explained away. Yes, these discrepancies are real, but, in fact, they are anticipated from the developmental process. As the society moves toward a more developed stage by abandoning the more "traditional" elements and acquiring the more "modern" elements, such discrepancies will decrease and eventually disappear.

These developmental theories face a further challenge, however. Once a developmental engine is identified, it faces the possibility that even in the 20th or 21st century the originating societies (i.e., Western Europe or North America) do not bear consistent patterns and behaviors as required by the theory. Also, certain discrepancies may persist even after a less developed society has become more developed. To resolve this tautological difficulty, the development theory evokes an ideal state and its elements as the references of the end point along the "theoretical" or hypothetical continuum. Thus, discrepancies discovered are now evaluated relative to this ideal state and ideal patterns and behaviors, rather than the originating states. These discrepancies merely reflect stages in the developmental continuum. Since the end-point is an indeterminate state, and thus an eternal moving target, when such discrepancies might actually decrease or disappear is merely for conjecture and speculation. In this manner, the persisting discrepancies constitute no challenge threatening to falsify received theories.

Once these developmental theories become received theories themselves, Eastern scholars are further constrained in their scholarly practices and work. Persistent discrepant behaviors and patterns observed no longer constitute ground for alternative theories. They merely allow further specification of contingencies for the received theories.

With such a theoretical head-lock placed on them, it is no wonder scholars in the East often feel frustrated when they contemplate theoretical contributions. However, individually and collectively, it might be useful once in awhile to pause and "introspect" on the possibility of alternative paradigms or theories. What we need not forget is the fact that most of the received theories began with observations and introspection. Induction not only helps clarify and modify received theories. It is capable of providing the beginning of new theories. Such theories do not happen often, as they should not. But chances are good that new or alternative theories do begin with observations.

Relational Rationality: An Eastern Theory?

The remainder of this essay will describe a recent effort made to exercise the possibility of theory construction based on fragmented but consistent observations regarding social exchanges as practiced in the East. The "target" received theory is economic rationality, quite dominant in both economics and sociology in the West. The argument is very simple: humans are motivated to engage in exchanges not only to achieve economic goals, which we do not deny, but also to achieve relational goals. It is not appropriate to subsume relational goals under economic goals as contingencies. For example, some have argued that social exchanges are evoked because the market situation is imperfect. Once the market becomes perfect, then social exchanges are no longer needed. A developmental extension of this argument is that Eastern societies, being less developed, have retained patterns of behaviors from "traditional" societies where exchanges and transactions relied on relations rather than markets. Relations are poor substitutions for markets, thus *guanxi* in Chinese society, *yonjool* in Korea, or *blat* in Russia (Ledeneva, 1998) should be seen as backward and even corrupted ways of exchange. These exchanges, and the corruption and abuse would disappear as Eastern societies become more market-oriented.

There is no denying that practices of social exchanges can lead to corruption and abuse, just as economic exchanges can, as well—just think of recent and continuing practices of the Enrons and the Microsofts. However, such negative possibilities should not be the cause to deny the rationality of one while, at the same time, to insist on the rationality of the other. After all, taking a free ride is possible and problematic in both types of exchanges.

Much of what will be described below has been reported in a recent monograph (Lin, 2001b; Chapter 9). Since it was initially introduced in the West, the text necessarily draws on many received theories familiar to that audience. In order to point to the potential contribution of the proposed theoretical scheme, I was encumbered to demonstrate that it indeed extends and exceeds the scope of received theories. It is hoped, however, that the discussion will trigger echoes of experiences, observations, and scholarships shared by many in this audience. For a more intimate linkage of this analysis to its Eastern origin, the reader is referred to another essay on *guanxi* (Lin, 2001a).

Exchange: Social and Economic Elements

Exchange, a central concept in sociological analysis, can be defined as a series of interactions between two (or more) actors in which a transaction of resources occurs. By this definition, exchange has two central components: it requires a relationship between the actors, and it evokes resource transaction. Thus, exchange is social in that the relationship can be seen as interactions (Simmel, 1950) in which the action of an actor during the process takes into account the action of the other actor(s) (Weber, 1947: 111–115). The process can be seen as economic since transaction of resources is typical of economic acts. Therefore, an elementary exchange, evoking a relationship between two actors and a transaction of resource(s), contains both social and economic elements. It is useful here to refer to the relational aspect of the exchange as *social exchange* and to the *transactional* aspect as *economic exchange*.

This distinction between the social and economic elements of an exchange is often blurred in the research literature, due to the common co-occurrence of both elements. This is especially true for the usage of the term social exchange. That social exchange is more than social interaction is reflected in the understanding that social exchange contains the added element of resource transactions. As a result of this common usage, social exchange as a concept has been employed by scholars who have selectively focused on one of the two elements in their theoretical or research schemes.

The focus on the economic element in the discourse on social exchange can be traced to Weber. While pointing to four types of action (goal-oriented, valued-oriented, affectual and traditional action), he concentrated his analytic effort on instrumentally rational (or rational goal-oriented) actions, which are based on the calculation of alternative means to the end (Weber, 1968: 25). Value-oriented action is determined by a conscious belief in the value (for its own sake) of some ethical, aesthetic, religious, or other form of behavior independent of its prospect. Both types of action are based on consciously regulated comparison and choice—that is, on rationality (Misztal, 1996: 54). The theoretical embedding of the transactional aspect of exchange in rationality of action was thus identified.

This line of argument was brought home forcefully by George Homans (1958), who clearly stated this position: "Interaction between persons is an exchange of goods, material and nonmaterial. An incidental advantage of an exchange theory is that it might bring sociology

closer to economics—that science of man most advanced, most capable of application, and, intellectually, most isolated." For Homans, social behavior or exchange[2] focuses on the gain (value) and cost for an actor in the transaction; "the problem of the elementary sociology is to state propositions relating the variations in the values and costs of each man to his frequency distribution of behavior among alternatives, where the value (in the mathematical sense) taken by these variables for one man determines in part their value for the other." Thus, the interests of two actors in continuing interactions or the relationship are contingent on the relative utility or pay-off to each in each transaction. Interest in the relationship diminishes as the relative payoff (the marginal utility) decreases. It is logical, therefore, for Homans to argue that "the principles of elementary economics are perfectly reconcilable with those of elementary social behavior, once the special conditions in which each applies are taken into account" (1961: 68).

Blau's (1964: 22) work on exchange also reflects this emphasis. While admitting that social exchange may follow from social attractions, a primitive psychological tendency left as exogenous,[3] the major theoretical focus of his analysis is the linkage between transactions in exchanges and the distribution of power. When an actor (ego) is unwilling or unable to reciprocate[4] transactions of equal values in an exchange with another actor (alter), one choice available to ego to maintain the relationship with the alter is to subordinate or comply with the alter's wishes—the emergence of a power relationship. Collective approval of power gives legitimacy to authority, the backbone of social organizations. Thus, in his theoretical scheme, patterns of transactions dictate patterns of relationships, and this fundamental microstructural process

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[2] Homans sees social behavior "as an exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons" (1958; 1961: 13).

[3] "The basic social processes that govern associations among men have their roots in primitive psychological processes, such as those underlying the feelings of attraction between individuals and their desires for various kinds of rewards. These psychological tendencies are primitive only in respect to our subject matter, that is, they are taken as given without further inquiry into the motivating forces that produce them, for our concern is with the social forces that emanate from them" (Blau, 1964: 19).

[4] Reciprocity, in this case, and in many other sociological works, implies balanced exchange or transactions of equal value (e.g., in price or money). This requirement for interaction goes beyond Weber's original conceptualization about social action, which only requires taking the other actor's interests into consideration. In that context, reciprocity does not require balanced exchange.

evokes, though not necessarily explains, the much more complex macrostructural (organizational) process.

Coleman (1990: 134–135) carried this analysis further in his theory of social action, in which social exchange is a means by which actors with differential interests and controls over resources (events) negotiate (through relative value of the resources one controls, or power) with each other to maximize one's control over interested resources (a new equilibrium). The mechanism between exchanges and power seems quite similar to Blau's scheme, but the focus is on an actor's maximization of gain (control over interested resources) in this process.

By now, the sociological explication of the process of exchange seems to have fulfilled Homan's prophecy or design that sociology is being brought very close, if not identical, to the economic stance on the centrality of rational choices in economic behaviors. That is, given choices in the market place, an actor will choose a transaction to maximize profit (e.g., more reward at less cost). Neo-classical economists have realized that certain assumptions of this profit-seeking theory are not likely to be met in reality (perfect market, full information, and open competition), and have proceeded to specify conditions or institutions (bounded rationality, transaction costs) under which profit-seeking behavior may be moderated (Coase, 1984; North, 1990; Williamson, 1975). Many of the same arguments and conditions have been adopted by sociologists in analyzing organizational behaviors, power relationships, institutions, and social networks and social exchanges, under the general rubrics of neo-institutionalism or economic sociology.

However, the significance of *relationships* in exchanges has not been ignored. From early on, anthropologists have paid attention to the relational aspect of exchanges and argued strongly that many of these patterns are not based on economic or "rational" calculations. For example, Radcliffe-Brown (1952) described the exchanges among the Andaman Islanders as "a moral one—to bring about a friendly feeling between the two persons who participate." Malinowski (1922) drew sharp distinctions between economic exchange and social exchange (ceremonial exchange) in his analysis of Kula exchanges in the Trobriand Islands. He suggested that "the real reward (of exchanges) lies in the prestige, power, and privileges which his position confers upon him." Levi-Strauss (1949) cited studies by Mauss, Firth and other anthropologists in his argument that exchanges, including economic transactions, are "vehicles and instruments for realities of another order: influence, power, sympathy, status, emotion (and) it is the exchange which counts

and not the things exchanged" (Levi-Strauss, 1969: 139). For example, gifts are transacted between actors, but buying oneself a gift at Christmas is quite meaningless (Ekeh, 1974: 47).

Among sociologists, Comte (1848) spoke of subordinating personal to social considerations, and Durkheim refuted Spencer's economic assumptions regarding the development of social groups. None of these scholars deny the implications of economic transactions in social exchanges, but they also emphasize the supra-individual (Levi-Strauss, 1949) and supra-economic (Radcliffe-Brown, 1952) nature of social exchanges and the significance of relationships. In each of these schemes, the relational orientation to social exchange is demonstrated in the commitment of specific actors to the exchanges on grounds other than the utility of specific resources transacted.

How are the two perspectives on exchanges to be reconciled? Several positions have been taken. One approach would simply dismiss the significance of relationships in that any particular relationship is subjected to the decision-making choice of maximizing or optimizing profit. When a relationship generates a profit in transactions, it may be maintained; when it does not, then it is not. However, most neo-classical economists and their sociological allies take a moderate position, treating relations as the necessary "transaction cost" or "calculative trust" (Williamson, 1985; 1993) in an imperfect market and under the condition of less than full information. In this modified position, the relationship is recognized but clearly subsumed under the transactional analysis.

Alternatively, relationship-inclined scholars have argued that relationships are necessary and significant because not all behaviors and interactions are "rational." This argument agrees that economic behavior follows the principle of rational choice, but points out that not all behaviors are economic, and thus rational. Social attractions and attachments are primitive survival instincts rather than the result of calculating alternative gains and losses. The problem here is that rational choices are in fact seen as natural tendencies: rewards or reinforcements elicit actions and transactions, and the survival of the fittest. Consciousness or unconsciousness is irrelevant as this principle applies to pigeons as well as to men (Homans, 1961: 80). Furthering this analysis, it becomes problematic why some instincts are "rational" and others are not.

Still another identifiable argument concedes, sometimes more implicitly than explicitly, that rationality applies to social exchanges; and that there are rational principles other than the individual's profit-seeking

motive. Since human beings take into account each other's interests in interactions and exchanges, relationships may be maintained to accommodate this rationality. There are many sub-arguments along this line of reasoning. Two seem quite pervasive in the literature. First, there is the argument that social approval, esteem, liking, attraction and such are important motives for exchange. Notably in exchanges where the transactions are imbalanced, the reward for the short-changed actor may be the approval, esteem, like, or attraction from the other actor. In this case, these symbolic rewards, rather than material rewards (and its generalized medium, money) usually identified with economic exchanges, constitute meaningful rewards. However, for Homans, Blau, and Coleman, such rewards are different in kind but not in nature. Whether material or symbolic, as long as they represent value (or profit, or interest), they are part of the rational calculation. Further, how such values have been developed is irrelevant to the theoretical development of social exchanges.

Second, another sub-argument is that human beings need trust (Barber, 1983; Luhmann, 1979; Misztal, 1996). Trust may be defined as confidence or expectation that an alter will take ego's interests into account in exchanges. It represents a faith that an event or action will or will not occur, and such faith is expected to be mutual in repeated exchanges. It is faith in morality. Misztal (1996) argues that trust serves three functions: it promotes social stability (as a habitus), social cohesion (friendships), and collaborations. In other words, its motive is to maintain a group or community. Durkheim (1973) suggested that feelings of obligation and altruism as well as moral pressure, which restrain egoistic behavior, are the bases of solidarity. "Men cannot live together without acknowledging, and consequently, making mutual sacrifices, without tying themselves to one another with strong, durable bonds" (Durkheim, 1964: 228). Durkheim strongly asserted the existence of a moral element in social life, which may entail the sacrifice of rewards, in quality and/or quantity, on the part of the actors.

If solidarity and community are fundamental elements in human survival, why can they not be based on rational choices or economic behaviors? Simmel attempted one response, positing that exchange involves "a sacrifice in return for a gain (and exchange) is one of the functions that creates an inner bond between people—a society, in place of a mere collection of individuals" (Simmel, 1978: 175). He adds, "without the general trust that people have in each other, society itself would disintegrate, for very few relationships are based

entirely upon what is known with certainty about another person, and very few relationships would endure if trust were not as strong as, or stronger than, rational proof or personal observation" (Simmel, 1978: 178–9). The functioning of complex societies depends on a multitude of promises, contracts, and arrangements. Since "the single individual cannot trace and verify their roots at all, (we must) take them on faith" (Simmel, 1950: 313). Faithfulness, or loyalty, refers to the feeling of "the preservation of the relationship to the other" (Simmel, 1950: 387). This need for rules of interactions and trust in complex modern society is clearly demonstrated in Parsons' (1963) proposal that trust is the basis for legitimating power so as to achieve collective goals and societal integration. Hechter's (1983) analysis of group solidarity, likewise, advances the rational basis for collectivity.

Luhmann (1988) further elaborates Parsons' media theory and his concept of symbolic generalization. Trust is seen as one of the generalized media of communication (others being love, money, and power), and as such reduces the complexity of the world faced by the individual actor by providing the capacity for "intersubjective transmission of acts of selection over shorter or longer chains" (Luhmann, 1979: 49). However, Misztal points out that "Luhmann is less forthcoming on the issue of how this function of trust helps to explain the actual formation of trust" (Misztal, 1996: 74).

The explanatory basis for trust, then, is the need in a complex society for individuals to rely on rules that are accepted by many people and would guide both interpersonal and impersonal exchanges—the institutions. Without such consensual rules and trust in them, societal functioning would cease. But Homans reminds us that "institutions, as explicit rules governing the behavior of many people, are obeyed because rewards other than the primary ones come to be gotten by obeying them, but that these other rewards cannot do the work alone. Sooner or later the primary rewards must be provided. Institutions do not keep on going forever of their own momentum" (Homans, 1961: 382–383). By primary rewards, of course, Homans is referring to the basic individual need for profit. Misztal agreed; "in Parsons' theory the significance of trust as a single explanatory device is clearly overstated. The notion of trust, used as a substitute for familiarity, conformity and symbolic legitimation, does not provide us with an effective instrument with which to analyze social reality" (Misztal, 1996: 72). According to Williamson (1985), unless cooperation also serves an egoistic motivation, the practices of cooperation will be unstable. This means that a social

order based on trust not grounded in self-interest will be unpredictable and unstable, and, for this reason, trust is not always functional.

In summary, none of the arguments thus far which defend the significance of relationships in exchanges, once the transactional rationality is presented, seem satisfactory. What I will propose in the remainder of the essay is another attempt to assert the significance of relationships in exchanges. The argument begins with the premise that rationality should be used as the basis for the theoretical development. Rationality is not a matter of conscious versus unconscious behavior. Nor does it rely on some norms or institutions; these come later. It is also not based on an expectation of ultimate transactional balance in the long run (e.g., repeated transactions will balance out gains and losses. See Homans' (1961: 80–81) refutation of these arguments for treating elementary social behaviors as rational). Here, simply, an exchange is seen as a process engaging two actors whose actions are based on calculations of gains and losses and on alternative choices in relationships and transactions. As long as such calculations and choices are made, it is considered as rational. Further, I assume these calculations and choices are self-interest based. This assumption does not rule out considerations of collective interest. What is assumed is that collective interest comes into calculation only when it is embedded in self-interest—there is a self-gain if the collective interest is served. What is not assumed is that collective interest, excluding self-interest, drives calculations and choices.

Transactional and Relational Rationalities

The critical element, instead, is the ultimate pay-off: what kinds of rewards or resources sustain or interrupt relationships and/or transactions. There are two ultimate (or primitive) rewards for human beings in a social structure: economic standing and social standing.[5] Economic standing is based on the accumulation and distribution of wealth (as indicated by commodities and their symbolic value representations, such as money). Social standing is based on the accumulation and

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[5] A third reward, political standing (or power), is also important, but probably not as primitive as the other two rewards. Power or the process of legitimation reflects a process by which the other two primitive rewards are preserved or gained. The relationships among wealth, reputation, and power (legitimation) emerge in the discussion in this essay.

distribution of reputation (as indicated by the extent of recognition in social networks and collectivities).[6] Each standing reflects the ranking of an individual relative to others in the structure over the command of the "capital" concerned. Wealth, therefore, is a functional calculus of the worth of commodities in terms of their value representation, money; and reputation is a functional calculus of the worth of public awareness in social networks in terms of its value representation, recognition. Wealth is indicative of economic capital because the commodities and their value representation can be invested to generate certain returns. Likewise, reputation reflects social capital because the social networks and their value representation can be mobilized to generate certain returns. Through reputation, it becomes possible to mobilize the support of others, for both instrumental and expressive actions. The capacity of resource mobilization through social ties, or social capital, makes social relationships a powerful motivation for individual actors to engage in exchanges. Both economic and social standings enhance an individual's power and influence in the structure (over other members) and, thus, the individual's psychic well-being and physical survival, as well.

Economic standing and social standing are complementary in that the former requires social legitimation and enforcement for its symbolic value (money), and the latter builds on the economic well-being of the group (or embedded resources in the network) in which the reputation is sustained. Without social enforcement, economic standing collapses; and without collective wealth, social standing is meaningless. Yet, each standing can be seen as an independent motive in exchanges. Exchanges can be used to extract economic capital (resources through transactions) or to extract social capital (resources through social relations).

Thus, transactional rationality drives the calculations of transactional gains and costs in exchanges, and relational rationality propels the calculations of relational gains and costs. Transactional rationality sees relationships as part of transactional gain-loss calculations and relational rationality sees transactions as part of relational cost-benefit calculations. Relational rationality favors the maintenance and promotion of the relationship even when the transactions are less than optimal. Transactional rationality favors the optimal outcome of transactions,

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[6] The usual indicators of social standing include status (for position) and prestige (for occupant) (see Lin, 2001b; Chapter 3). I adopt the more general term, reputation, to capture both, as an overall esteem accrued to an actor by others.

even if it is necessary to terminate specific relations. While both rationalities are enacted by actors in most exchanges, for a given society at a particular time, institutions favor one rationality over the other, allowing moral judgment on the relative "merits" of one type of capital (economic or social) over the other. The remainder of this essay will elaborate on these arguments.

Relational Rationality Elaborated

It seems intuitive, due to the natural law and natural instinct, to understand the argument of transactional rationality—gain over cost in transactions and maintenance and accumulation of resources through transactions. Further, its calculation is helped enormously with the generalized medium of money (Simmel, 1978). Gains and losses can be counted, and credits and debts documented, with ease. Accounting in relational rationality is not so easy or clear, even though Coleman (1990) notes that social credits (or credit slips) are central to the notion of social capital as well. In economic exchanges, not every episode is symmetric or balanced in the trade of goods. Imbalanced transactions incur economic credits and debts. However, it is strongly assumed that the balance of credits and debts will be achieved in the long run, but in a finite time frame, in repeated transactions.

In social exchanges where persistent relationships take on significance, episodic transactions are not necessarily symmetric or balanced. However, even in repeated transactions in a finite time frame, balanced transactions are not required. The critical element in maintaining relationships between partners is social credits (and social debts). In a persistent relationship where transactions are not symmetric even in the long run, the engaging actors are in an ever greater creditor-debtor relationship—the tendency of one actor giving "favors" to another in imbalanced transactions. While the debtors gain, why would the creditors want to maintain the relationship and thus "suffer" transactionally? It is argued that the crediting actor gains social capital in maintaining the relationship. How? Presumably the creditor could call on (or threaten) the debtor to repay the debt. But so long as the creditor does not make such a demand, the debtor is perpetually indebted to the creditor. To be able to maintain the relationship with the creditor, the debtor is expected to take certain social actions to reduce the relational cost (or increase the utility of exchanges) for the creditor. That

is, the debtor should propagate to others through his/her social ties his/her indebtedness to the creditor—a social recognition of credit-debt transactions, or social credit given to the creditor. *Propagation of indebtedness, or social recognition*, is a necessary action on the debtor's part for maintaining the relationship with the creditor. It leads to greater visibility of the creditor in the larger social network or community, and increases general awareness (his/her reputation) that this is an actor who is willing to take a transactional loss in order to sustain the well-being of another actor in the community. The greater the social debt, the greater is the need for the debtor to make an effort to disseminate (recognize) the indebtedness. From the creditor's point of view, imbalanced transactions promote the creditor-debtor relationship, and the propensity to generate recognition.

Furthermore, two actors can maintain a relationship when both become creditors and debtors to each other, as imbalanced transactions over different kinds of commodities take place between them (giving different favors to each other). Each, then, is expected to propagate the favors rendered by the other in his/her social circles, thus promoting recognition of the other. Transactions are means to maintain and promote social relations, create social credits and social debts, and accumulate social recognition.

In a mass society, recognition can be accelerated with the use of public media as the means of transmission. Public recognition in a mass society makes recognition a public good, just as money is. Public recognition may take on a variety of forms, including testimonies and banquets in one's honor, honorific titles, medals of honor, awards of distinctions, certifications of services, and ceremonies of all types, none of which need involve any substantial economic payback. Thus, recognition can transcend particular social networks and become a mass-circulated asset, like money, in a social group.

Reputation, then, is defined as a function of (1) the creditor's capability to sustain unequal transactions (human and social capital), (2) the persisting credit-debt relationship, (3) the debtor's propensity (willingness and ability) to acknowledge the relationship through his/her social networks (recognition), and (4) the propensity (size) of the social networks (and generalized network—the mass network) to relay and spread recognition.[7] Reputation, then, is the aggregate asset of recog-

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[7] Another element, density of the network or strength of relations among actors, may also figure in the formulation of reputation. However, the association is not neces-
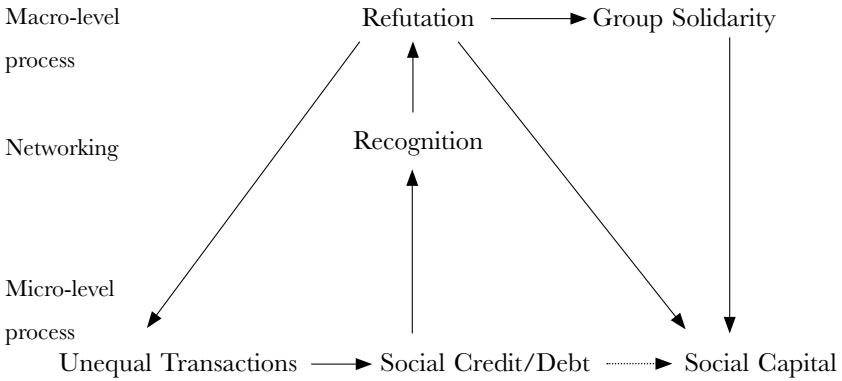
nitions received. It is a function of the extent one receives recognition in a social group. Collectively, a group's reputation is defined as the extent of reputed actors in the group and the extent recognition is shared by the members known in other groups. Thus, the reputation of actors in social networks and a social group promotes the collective reputation of the social group.

Social credits, recognition and reputation are all relationally and structurally based utilities. Without persistent social relations, these profits vanish. It is therefore rational for actors to engage and commit in persistent relations that allow social credits and social debts to remain meaningful, and to facilitate recognition. The greater the reputation of certain actors and the more actors enjoy a high reputation, the more the group's reputation increases. Identification with a more reputable group also enhances an actor's own reputation. Thus, there is an association between a group's reputation and the incentive for individual members to engage in persistent and maintained social exchanges and to identify with the group—group identification and group solidarity. Likewise, the group's reputation and the reputation of an actor in the group propel the actor to continue engaging in exchanges in which he/she may remain a creditor. Reputation and group solidarity enhance the sharing of resources—the creation and sustaining of public capital. At the same time, reputation and group solidarity provide positive feed-back and reinforcement of unequal transactions, social creditor-debtor relationships, and thus social capital, for the actors.

Figure 1 depicts the hypothesized processes between micro-level exchanges and macro-level reputation and group solidarity. For the sake of description, the process may begin at exchanges where transactions are seen as the means by which social creditor-debtor relationships emerge. Such creditor-debtor relationships then propel the spread of recognition in social networks, which eventually creates a generalized reputation which reinforces group solidarity and encourages public capital. With reputation and group solidarity, the social creditor and debtors gain social capital (embedded in social networks with strong ties and rich resources), and are further reinforced to engage in exchanges.

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sarily a linear one (neither positive: the denser the network, the more likely recognition will spread, nor negative: the more sparse the network the more likely it will spread), as rumors do spread, sometimes quickly in less dense networks, as presumably more bridges become available (Burt 1998). Because of the uncertainty in the association, I have left it out of the present formulation. Further research may identify the proper form of association, if any.

Figure 1. From Social Exchanges to Capitalization

Macro-level   Refutation ————————▶ Group Solidarity
process

Networking   Recognition

Micro-level
process
         Unequal Transactions ———▶ Social Credit/Debt ┈┈┈▶ Social Capital

(Source: Lin 200b: 153)

Here, the reciprocal and interactive processes between micro- and the macro-level linkages are seen as being facilitated by social networking—an essential element between exchanges and capitalization.

A group may promote solidarity and reputation by recruiting actors with a reputation established elsewhere in the society. By conferring recognition to specific actors, the group expects that these actors will identify with the group and be prepared to engage other members of the group in future exchanges. In this process, reputation and recognition are not consequences of micro-level exchanges, but antecedents to them. While the actors granted with such recognition and reputation may not have been exchange partners with others in this particular group, they will become obligated to carry out such exchanges in the future, should they accept such recognition and added reputation. In this sense, micro-level exchanges and more macro-level recognition and reputation are eventually reciprocal in causal relations.

A Summary

To summarize, some distinguishing characteristics of the two rationalities are presented in Table 1. The contrasts are necessarily sharp to highlight the comparison. In transactional rationality, typically implicated in the analysis of economic exchange, the interest is to gain *economic capital (resources through transactions)*. The interest lies in the transactional aspect

Table 1. Rationality of economic exchange and social exchange

Element	Economic Exchange	Social Exchange
Exchange Focus	Transactions	Relationships
Utility (optimization)	Relative gain to cost in transactions (Transaction at a cost)	Relative gain to cost in relations (Relationship at a cost)
Rational Choices	a. Alternative relations b. Transactional cost and reduction	a. Alternative transactions b. Relational cost and reduction
Episodic Payoff	Money (Economic credit, economic debt)	Recognition (Social credit, social debt)
Generalized Payoff	Wealth (Economic standing)	Reputation (Social standing)
Explanatory Logic	Law of nature: a. Survival of the actor b. Optimization of gains	Law of humans: a. Survival of the group b. Minimization of loss

of the exchange—the extent to which resources are transacted, and sometimes mediated by price and money. The utility of the exchange is to optimize transactional profit, and the rational choice is based on a conduct of an analysis on alternative relationships producing varying transactional gains and costs. On this basis, there are two rules of exchange participation. First, if the relationship with a particular alter produces relative gain, then the decision is to continue the relationship for further transactions. If the relationship fails to produce relative gain, then there are two decision choices: (1) to find an alternate relationship that may, or (2) to maintain the relationship but to suffer or to reduce the transactional cost. The decision between the two choices is based on the relative weights given to the likely gain from a likely alternate relationship and to the likely transactional cost or its reduction in the maintenance of the current relationship. The critical analysis in economic exchanges focuses on symmetric transactions in episodic or repeated transactions.

Transactional rationality can be seen as a neo-Darwinian theory applied to exchanges—the survival of the fittest individuals. It is instinctual to find the partners optimizing gains of resources through transactions to ego. The ability of ego to find relationships so that the

transactional gain is relatively high or positive and the transactional cost is relatively low or none follows this instinct. Commitment to a particular alter-actor tends to be episodic and short-term, and the expectation is that the transactions are fair (more gain and less cost). Partnerships are incidental to the transactional requirements and may become binding through contractual rules so that the relationships reduce the transactional cost and justify their persistence. Therefore, transactional rationality follows the natural law and the rationality of natural choice. The actors benefiting more from repeated transactions not only enrich themselves, but also collectively build a richer collectivity. Such is the argument for the invisible hand of transactional rationality.

Relational rationality, on the other hand, as implicated in social exchange, focuses on the relational aspect of the exchange—the extent to which a relationship is maintained and promoted, usually mediated by recognition (or expectation in the other actor to spread it). The motivation is to gain *reputation through recognition in networks and groups* and the utility of an exchange is to optimize relational gain (maintenance of social relationships)—also an analysis of gain and cost. On this basis, there are also two exchange participation rules: One, if a specific transaction promotes a persistent relationship and the spread of recognition, then the transaction will be continued. Two, if the transaction fails to promote a persistent relationship, then two choices are considered: (1) either to find an alternate transaction that will (e.g., to increase favors in transactions to entice and encourage recognition), or (2) to maintain the transaction and to suffer or reduce relational cost (no or reduced gain in recognition). Again, the decision is a weighing process involving the relative likelihood of finding an alternate transaction and the relative relational cost.

Persistent relations promote the extension and dissemination of one's recognition through social connections. More persistent relations increase the likelihood of the spreading of recognition. For recognition to keep spreading, the maintenance and promotion of persistent relationships is paramount. Social standing takes on meaning only when a network or group of individuals sharing and spreading the sentiment toward a particular actor persists. Thus, the larger the social connections (direct and indirect), the greater the effect of recognition and reputation. Individuals depend on the survival, persistence, and indeed, ever-expanding social circles to sustain and promote their social standings. Even those lower in social standing may gain transactionally if they remain participants in the social network and group.

Transactional rationality is seen as invisible as it builds collective capital from individual capital, yet it depends on the generalized medium of money—a very visible form of capital requiring documentation in every transaction. Relational rationality builds on collective capital from individual capital also; the more reputation its members possess, the greater the standing of the group. This relies on an even less visible medium: recognition, or the spread of the sentiment toward an actor in a social group. It is this invisible hand that drives persistent social relations and group solidarity.

Transactional rationality can survive on an individual basis, where partners in exchanges are interchangeable as long as they meet the requirements of transactional utility. Relational rationality depends on the survival of the group and group members. The more resources embedded in the social networks and the stronger the ties, the greater the collective benefit to the group and relative benefit to each actor in the group.

Relational rationality is based on the principle of survival of the fittest group, a group with persisting relationships among its members. While animal instincts also show such relational rationality for family and clan members, it is only humans who show extensive and generalized relational rationality for solidarity of constructed groups beyond kin and clan criteria. Humans show an interest and ability to maintain persistent and profitable relationships at a reasonable transactional cost. Thus, relational rationality is a human law and based on the rationality of human choice.

Further Analyses

Several further issues need clarification. First, why is the term reputation preferred to other terms such as social approval, social attraction, and particularly mutual recognition or social credits already available in the literature? Second, why is there empirically a tendency in one community or society to focus on one type of rationality (transactional or relational) rather than on another? Further, is it an indication of a historical tendency to have one rationality (transactional) superceding another (relational)? Third, what breaks down this exchange-collective solidarity linkage? Finally, are social and economic capitals two polarized points on a single dimension, thus dictating a choice?

Reputation as an Individual and Group Capital

So far, the argument for social standing such as reputation or social capital does not seem to differ from other similar arguments. Credits are seen as debts to be collected in later exchanges. Pizzorno (1991), for example, argues that mutual recognition promotes self-preservation. In order to preserve oneself, the price to pay is to recognize that others will preserve, which presumably brings about others' recognition for one's right to preserve, a principle consistent with the argument here. However, one difficulty of using mutual recognition as the motive or justification for exchange is that mutuality implies reciprocal and symmetric actions, and equity in ranking among actors. These actions and interactions would lead to cohesive but homophilous memberships in a group—group solidarity without differentiation among members. What has been developed here is that recognition can be asymmetric, in return for favors received in transactions, and an episodic account of actions and reactions. Other terms such as social approval and social attraction, also suffer from a similar problem. What is argued here is to take the next step: that it is possible to have unequal transactions in relationships, and these unequal transactions form the basis of differential social standing (reputation) among actors in a group.

Recognition legitimizes the alter's (the creditor's) claim to his/her resources. As recognitions increase in episodes and spreads in the networks, we need a more generalized notion to capture the aggregation of episodes of such recognition accrued to an actor in a social group or community. Reputation is the choice proposed here, as it captures the notion that the asset can be possessed and differentiated by groups or individuals. A group can build, maintain or lose a reputation. Likewise, within a group, individuals acquire, attain or suffer from different levels of reputation or ill repute. Thus, like wealth in economic exchanges, reputation is both individual and collective assets. Two other concepts seem to capture such an asset: prestige and esteem. However, prestige has been appropriated and understood in the literature to grade positions in the hierarchical structure (e.g., occupational prestige). Esteem is widely used as either a social or psychological process (e.g., self-esteem).

It should be noted that economists use reputation to account for the failure of economic explanations (e.g., market failures or imperfect information market). It is used as the latent variable accounting for investment in information or signaling (Klein & Leffler, 1981), quality

(Allen, 1984), discipline (Diamond, 1989), and commitment (Kreps & Wilson, 1982). These other factors then are seen as being transmitted between transacting actors to reduce the moral hazard, or transaction cost (Williamson, 1985), or even to increase the price (Klein & Leffler, 1981) and, thus, the payoff (see Zhou (1999) for a review of these accounts). Even though Greif (1989) mentions a coalition as a boundary within which reputation can be built and sustained, there is little concern or discussion among economists about the social or collective nature of reputation. Without an appreciation of its social nature, the term is reduced to an unobservable notion used to account for unexpected economic phenomena, such as market failure.

In the present argument, reputation is understood as a network asset (see, for example, Burt, 1998b). It is built on the processes of transactions and creditor-debtor relations, and the acts of recognitions and dissemination in social and mass networks (see Figure 1). It reinforces the legitimacy of certain actors claiming their resources and positions, and at the same time, offers incentives for further social exchanges and unequal transactions among actors, enhancing their social capital. It also enhances group or collective reputation, and thus solidarity and the building of public capital. I do not rule out other pathways leading to reputation; however, the present argument makes explicit a pathway to the construction and utility of reputation.

Institutionalization of Rationalities

If transactional rationality follows neo-Darwinism and natural law, it may be deduced that the natural selection process will eventually favor transactional rationality over relational rationality. Indeed, many examples and studies demonstrating the relational imperative of exchanges, especially from anthropological studies, draw on data and observations from ancient or primitive societies. It has been suggested that emphasis on interpersonal relationships reflects the nature of communities that are more homogeneous, less technologically developed, and less industrially developed, and where rituals, ascription, and emotion define exchanges. As a society develops technologically and industrially and becomes more diverse in skills, knowledge and production, division of labor requires more rational allocation of resources, including the increasing importance of rationality for resource transactions in exchanges. It has further been argued that the relational significance in economic exchanges today represents residual effects from the past.

As the selective process proceeds, relational significance will eventually be superseded and replaced by transactional significance. An analysis of exchange relations can be seen in a particular society, such as *guanxi* in the Chinese context (Lin, 2001a), or *blat* in the Russian context (Ledeneva, 1998).

This view is paradoxical in that if transactional rationality is the law of nature, then one would find exchanges in more primitive or archaic communities to resemble natural instincts more closely. Indeed, Homans (1961) sees the development of more complex societies with increasing institutions as evidence of why more "primary" social behaviors (and exchanges) are becoming less visible. However, these "subinstitutions" remain powerful, and unless satisfied by the new institutions and "good administration," they can come into conflict and disrupt them. Modern society and its multitude of institutions, then, are seen as the enemy of both transactional rationality and relational rationality.

Further, this thesis simply is not supported by empirical facts. Studies show that in contemporary societies (such as China, Japan, northern Italy, and much of East Asia), even among those well-developed and economically competitive societies as the United States, Britain, Germany and France, relationships remain an important factor even in economic transactions. The evidence is that the significance of relationships in exchanges not only exists, but thrives in diverse contemporary societies (Lin, 1989).

If there is no logical ground or empirical evidence to support a developmental view between relational rationality and transactional rationality, what, then, accounts for the dominance of one rationality over the other? I propose that the dominance of a rationality as an ideology reflects the stylized accounting of a society for its survival using its own historical experiences as data. The theorized accounting becomes "truth" as it becomes embedded in its institutions (Lin, 2001a).

It is not hard to document that in some societies, survival and persistence are attributed to the development of wealth. Theories of wealth and its development dictate institutionalization of transactional rationality, as it characterizes the building of individual wealth, and thus of collective wealth. Competition, an open market (and thus free choices of relations in transactions), and reduction of transactional costs dictate analytic assumptions and organizational principles. In other societies, survival and persistence are attributed to the development of social solidarity. Theories of group sentiment dictate the institutionalization

of relational rationality, as it characterizes the building of collective solidarity, and thus of individual loyalty. Cooperation, networking, and thus maintaining *guanxi* even at the cost of transactions, also dictate analytic assumptions and organizational principles. Once rationality becomes the dominant ideology, institutions are developed to implement, operationalize, and reinforce specific individual and collective actions. Further, its explanatory scheme treats the other rationality as irrationality, noise or constraint.

The prevalence of institutional rules and the dominant ideology ebbs and flows in accordance with the fortune of the historical experiences as theorized. Since the 19th century, the Anglo-American experiences of industrialization, technological innovations, and electoral democracy have clearly led to its theorizing of accounting as the dominant ideology. Wealth-building takes the central stage in political strategies and intellectual analysis. Social exchanges are markets for transactions. Any relations that sacrifice transactional gain are attributed to an imperfect market due to lack of information, and social organizations and social networks are necessary constraints due to such imperfections. Even then, they inevitably incur transactional costs and should be analyzed as such.

On the other hand, in many societies and communities, as, for example, *guanxi* in the Chinese context, the willingness to maintain social relations is seen as expressions and practice of the higher-order law of morality, ethics, and obligations to other human beings. An actor's social reputation and social standing are paramount. Reputation and face are the core concepts in political strategies and intellectual enterprises, and transactions are of secondary importance in exchanges. Sacrificing relationships for the sake of transactional gain is considered a lower-order rationality; as immoral, inhuman, unethical, or animalistic.

Misrecognition and Ill-Reputation

Breakdown of the linkages among exchanges-relationships-recognition-reputation can occur at every link of the process. It may begin at the exchange level, when a rendered favor in transactions is not recognized. When a creditor-debtor relationship is not recognized, then the only basis for persistent exchanges is transactional utility, where relations and partners are accidental and secondary in choice considerations. When the transactional cost exceeds the benefit, then the incentive to maintain the relationship no longer exists.

When recognition for a rendered favor does take place, the creditor can still disengage from the relationship, if the network in which the recognition takes place is not resource-rich for the creditor. Recognition in a circle of braggers is not meaningful for a fashion designer or scholar. Recognition in the "wrong" network or group may also be useless or even undesirable for a creditor. Acknowledging a scholar's advice in a publication in a third-tier journal will not help the reputation of the scholar and a piece in a mimeographed journal may even damage the scholarly reputation. Further, if the recognition is not sufficient to reflect the extent of the favor given, disengagement may result. For example, acknowledging one's help in a footnote while the helper did all the data collection and analysis would provide a disincentive for such help in the future.

Negative recognition may also occur if the debtor does not consider that the favor rendered meets the expectation. Spreading a bad word in the network can lead to negative recognition and bad reputation (ill-repute). In this case, the creditor can decide either to increase the favor in future transactions, reverse the direction of recognition, or disengage from future transactions. The decision is a weighing process where the relational gain (or recognition gain) is weighed against the added transactional cost, or the cost of disengaging from the debtor and possibly from the network is weighed against having a tarnished reputation but remaining in a resource-rich group.

Similar considerations can be given from a debtor or group perspective. When would a debtor be expelled from further exchanges? Is it the behavior of spreading bad word while gaining transactional profit, or playing the debtor game without ever considering granting favors? When would a group's solidarity begin to break down? If group solidarity is indeed based in part on the extent of reputation among its members and the extent of reputation of its leading "citizens," then is it the group size, or the relative sizes of debtors and creditors, or a function of both that would bring about the erosion of group solidarity?

In short, while the present paper focuses on the "positive" processes, there is a great deal to be developed regarding breakdowns in social exchange processes. Such developments are just as important for a theory of social exchanges.

Complementarity and Choice between Social and Economic Capital

These stylized arguments suggest that both economic and social standings are meaningful criteria for survival, and constitute fundamental

bases for rational choices. Lest it sounds as if it is being argued that the two types of rationality are polarized values on a continuum, and that the two types of rationality are mutually exclusive (an either-or proposition), then let me hasten to add that there is no theoretical or empirical reason to propose that this should be the case. It is conceivable that relational and transactional exchanges are complementary and mutually reinforcing under certain conditions. In an ideal situation, a particular relationship may be profitable for both relational and transactional purposes. It generates transactional gain for both actors and both actors engage in social propagation of the other party's contribution to one's gain, thus increasing each other's social capital. In this case, it is said that there is an isomorphic utility function for both the relationship and the transactions. An isomorphic utility function promotes exchanges between two actors, as the survival of each individual and the survival of the interacting group are both being enhanced. In this idealized situation, the two types of rationality co-exist, complement, and interact.

This does not hide the potential violence between the two rationalities. Transactional rationality recommends abandoning a particular relationship in favor of better-off transactions. Partners in exchanges are incidental, so long and only to the extent that such partnerships generate transactional gain. This principle clearly puts relational rationality in the second-order of choice criterion. Thus, more often than not, a choice needs to be made between transactional rationality and relational rationality.[8] That is, optimal transactions do not match optimal relationships. According to the decision rules specified earlier, then, optimizing transactions would lead to seeking alternative relationships, and optimizing relationships would lead to imbalanced transactions. We may speculate that the choice over the two types of exchanges is related to public capital—wealth and reputation—in the larger group. Several alternative hypotheses may be posited. First, when one collective capital, say wealth, is low, it is expected that individuals favor the gaining of the other particular capital, say reputation. In this situation, two alternative and competing hypotheses are possible. In one formulation, the marginal utility principle would guide the explanation. What is expected, then, is that in a community abundant with wealth but lacking in reputation consensus (say, in a community

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[8] For primordial groups, the choice seems to favor relational rationality over transactional rationality (succession of properties to children, see Lin (2001c: Chapter 8)).

with a great number of newcomers and immigrants, but with plenty of physical and economic resources), reputation is more valuable for individuals than wealth. Likewise, in a community abundant with reputation but lacking in wealth (say, a stable community with scarce physical or economic resources), then individuals would tend to favor gaining wealth. However, in another formulation, the collective utility drives individual desires as well. When the collective asset is low on one capital, say wealth, but high on another, say reputation, then the collective would favor standings based on the more abundant capital, reputation. Individuals, likewise, would ascribe a higher value to reputation as well. Here, I speculate that it is the collective utility principle that should operate.

Second, when both types of public capital are abundant, then it is expected that there is a strong correspondence and calculus between the two types of capital. That is, having more of one type of capital increases the desire and likelihood of having more of the other type of capital. In a community where both wealth and reputation are abundant, then either choice of striving for more wealth or for reputation is a rational one. The gaining of one type of capital would also increase the likelihood of gaining the other type of capital. Thus, in a stable community with abundant physical and economic resources, both wealth and reputation are important and complementary.

When a community lacks both wealth and reputation (unstable population and scarcity of physical and economic resources), it is expected that the community will be fragmented and contested in terms of valuation assigned to wealth and reputation. Individuals are expected to strive for either wealth, reputation or both, depending on the size of the social networks one is embedded in (the larger the network, the more likely reputation gains will be favored), and accessibility to physical and economic resources. The lack of collective consensus and patterns of exchanges make such a collectivity vulnerable to chaos or change. These conjectures should be investigated.

Nevertheless, beyond a level where bare survival is at stake, or where capital has been accumulated by only a few members, desirable economic and social capital can be obtained in exchange relationships. An actor with a high social status and a wealthy actor can "borrow" each other's capital, further promoting their own capital or building up the other type of capital. Accumulation of one type of capital also allows the actor to engage in exchanges promoting his/her other type of capital. If a wealthy banker donates money to the needy and the transaction is

well-publicized, it generates social credit and social recognition for the banker. Likewise, an esteemed physicist may lend her/his reputation in advertising a product and generate handsome monetary returns. Good capitalists understand that they must be both instinctive and human, and that this is good for them and for others as well.

It is also important to note that in the final analysis both transactional and relational rationalities are socially based. Without the legitimization and support of a social and political system and its constitutive members, the economic system, based on its symbolic and generalized medium—money—simply cannot exist. To say that relational rationality is subsumed under transactional rationality is instinctively attractive, but humanly impossible.

Concluding Remarks

This essay traces the roots of the "Eastern discontent" in theoretical contributions to the normative practices of science and the historical development of sociological theories during the 19th and 20th centuries in Western Europe and North America. Since scientific communities are expected to transcend national or societal boundaries, and theories are attempts at universal principles, scholars in the East are constrained in the number of options available to them in order to receive acceptance and recognition in the global scientific community dominated by practitioners from the West. Discrepancies of evidence from other societies are often questioned for their "generalizability" or explained by way of contingencies. Further conservation of received theories was made possible with the extension of the received theories through developmental theories.

Theoretical formulation or paradigmatic contribution is very difficult, because it represents a challenge to received theories. For this challenge to occur, several conditions are necessary. First, there must be consistent and persistent evidence that the alternative theory explains a set of phenomena that cannot be adequately explained by an existing or received theory. Secondly, there has to be a critical mass of scholars who support this claim. And, thirdly, it must be demonstrated that the alternative theory may supplement a received theory, or supersede a received theory. Supplementation indicates that there are phenomena that are outside the realm of prediction from the received theory, but can be explained by the alternative theory. Superseding means that

the phenomena that can be explained by a received theory can also be explained by the alternative theory, and yet, there are additional phenomena that the received theory cannot explain but the alternative theory can.

I proposed such a "challenge" in the outline above of a relational rationality. Even if the proposal and arguments might ring true to the scholars in the East, to make the challenge viable requires substantial observations, in both the East and the West, and participation of many scholars. However, if attempts like this are made persistently and evidence also persisting, I remain optimistic that the East and the West shall find theoretical grounds where each can make meaningful contributions.

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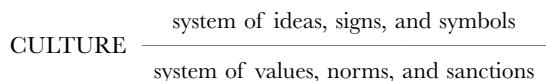
CHAPTER THREE

WHAT THE WEST HAS LEARNED FROM THE EAST IN THE TWENTIETH CENTURY

Andrzej Flis

Introduction

In the second half of the twentieth century, monumental changes occurred in Western culture, both in the sphere of values and cultural norms, as well as in the field of ideas and symbolic consciousness.[1] Some of these changes were of an endogenous nature and were simply the result of an internal transformation in Western civilization, while other changes were the creation of *diffusion*, i.e., the influence of foreign cultural pressures. Among the changes caused by diffusion, two deserve special attention due to their far-reaching effects: the birth and rapid development of an ideology of "fighting without violence," which significantly transformed the political culture of Europe and North America in the 1960s and 1970s, and the evolution of a Western attitude towards nature in general and the animal world in particular. Both of these shifts should be traced to the influences of the East, and more precisely, to the cultural tradition of India. Both of these changes also affected the Christian worldview and meant the rejection of a way of thinking that was dominant in the West for more than twelve centuries.

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[1] The discussions in this work will be based on a twofold concept of culture which can be represented schematically via the following diagram:

$$\text{CULTURE} \quad \frac{\text{system of ideas, signs, and symbols}}{\text{system of values, norms, and sanctions}}$$

Culture seen this way constitutes an abstract-sensual reality, or ideal-material reality, comprising two mutually interconnected structures: the system of values, norms, and sanctions as well as the system of ideas, signs, and symbols. The changes to which this text refers to penetrate both these structures and, as such, are of a systemic—and not partial or superficial nature.

In the last quarter of the past century, pacifist and ecological move-
ments took root in Europe and the United States so deeply that, in
the end, they had become organic products of Western civilization.
Nonetheless, they never were specifically western in their origins. The
Christian faith—the axionormative foundation of European culture—for
centuries justified aggression and violence not only in social life, but also
in relations between man and nature, all in the name of higher goals.
The development of pacifism and ecological sensitivity in Europe and
America should thus be assigned not so much to an internal evolution
in Atlantic civilization, but to external influences—specifically Asian
ideas. These were transformed and adapted to the new context and in
time became components of contemporary Western culture.

Christianity and Violence

The Biblical God is cruel and vengeful. Without scruples he resorts to
violence in realizing his purposes. He condemned mankind to a terrible
flood, turned Sodom and Gomorra into ash with fire and brimstone,
murdered the firstborn of Egypt starting with the heirs of the pharaohs
and ending with the "firstborn son of the slave by the mill" (*Exodus*
11: 5, 29), and handed the people of Israel over into Babylonian cap-
tivity, "sparing neither youths, nor virgins, nor elders" (II Chronicles
36: 17). Violence and destruction are not only attributes of past actions
of Jehovah, but also the axis of future ones. According to the prophe-
cies of the Old Testament regarding the ultimate triumph of good over
evil, the constitution of Heaven on Earth is to be preceded by a global
cosmic catastrophe which, acting as a sign of the imminent coming
of the Messiah, will swallow the world whole. The ground will slide
out from under mankind's feet, mountains will smoke, stars will fall
from the skies and turn into dust, the oceans will boil and steam, and
a gigantic fire will complete the destruction of the world.
    The Church—just like the Biblical God—also unscrupulously resorted
to violence and physical force aiming to fulfill its goals. From 381 AD,
it methodically persecuted other religions of the Roman Empire with
a brutality which greatly exceeded that which it had experienced itself
under the reigns of Decius and Decollation. The bestial thirteenth
century crusade against the Catharists in the south of France arouses
shock and amazement to this day. The papal legate's reply to the ques-
tion of how to differentiate the Catholics from the heretics—"kill them

all; God will recognise his own"—eloquently illustrates the mentality of the clergy at that time. The Christianization of medieval Europe was accompanied by genocide—the indigenous Prussian tribes, Slavic Polabians, and other ethnic groups who resisted evangelization were decimated and wiped off the face of the earth. Violence was also an instrument to spread the Good News in Latin America, horrifyingly expressed in the novel by the Spanish Dominican, Bartolome de Las Casas, *A Brief Account of the Annihilation of the Indians* (1552). At the same time, torture and burning at the stake were popular methods of the Holy Inquisition, which was instigated to protect the doctrinal purity of the Catholic faith.

In the first half of the sixteenth century, radical factions of the Reformation, not waiting for the end of the world, undertook their own attempts to realise the Kingdom of God on Earth. The most spectacular of these was religious dictatorship in Münster—a city belonging to the local bishop and overtaken by force by radical Anabaptists. The Münster commonalty revealed in all its dismal splendour the constituent traits of future social revolutions and modern Europe was soon to become the theatre where it would be staged. It led to the progressive alienation of political leaders who aimed at all costs to realise their sublime ideals and to the development of police terror which, in the name of protecting the highest values, quickly transformed into fanatical violence where all were attacked without exception.

In the third chapter of his excellent monograph, *The Old Regime and the French Revolution*, Alexis de Tocqueville, with his talent for perspicacity, noted that "the French Revolution followed the lines of a religious revolution" (Tocqueville, 1955: 10). In stating this, Tocqueville, it seems, had in mind two key characteristics of the 1789 revolution: the universalistic nature of its ideology as well as the veritable religious fanaticism of the revolutionaries who easily reached for physical violence as a means of realizing their lofty aims. The Christian religion formed in Europe a belief in the moral value of violence. Knowledge stemming from the Bible and centuries of the Church's functioning firmly planted a conviction in the West that terror is a creative force, capable of multiplying the sum of good in the world. In this sense, Alexis de Tocqueville was right when he treated the French Revolution as a secular manifestation of a Christian way of thinking. In this sense, both fascism and communism were also social projects arising out of the Judeo-Christian tradition.

The organic connection between Christianity and the anti-religious totalitarianisms of the twentieth century was accurately pointed out by Leszek Kolakowski (1989). He notes that "Christianity created the first European models of the totalitarian state," and it was probably unique in human history in not only practicing but also openly declaring the principle that what we see as white should be called black, if that is what the authorities demand. According to St. Ignatius' famous formula: "We have to conform to the Catholic Church in such a way that if something it has defined as black appears white to our eyes, we have to call it black" (Kolakowski, 1989: 98). The fathers of Western totalitarianism were, hence, not Trotsky, Lenin, Hitler, nor Mussolini, but rather St. Augustine and Ignatius Loyola. Neither Bolsheviks nor fascists created the ideology legitimizing violence; they only reached for ready-made Christian models and expanded upon them *ad extremum*.

Catholics, the Orthodox, and Protestants have on their conscience an ocean of violent acts committed in the name of religious values. For centuries, Christian churches professed the principle that noble purposes (the salvation of souls, the spreading of the Gospel, the defense of the one true faith, etc.) justify the despicable means applied to achieve them. This way of thinking was later taken up by nationalists, communists, and fascists, thanks to whom violence became a legitimate means by which to realize not only religious values, but also national and socialist ideals. As a consequence, Europe plunged into two nightmarish wars in the twentieth century, together lasting nearly a decade, and constructed the two most murderous political systems human history has ever known.

Ahimsa and Struggle without Violence

Ahimsa—the strict injunction against the use of violence or infliction of injury—constitutes an integral part of the ancient tradition of India. This principle is proclaimed by Hinduism, Buddhism, and, above all, Jainism. The Sanskrit motto *ahimsa paramo dharmah* ("*ahimsa* is the highest duty") is known throughout the entire Indian subcontinent and is understood as a ban against killing, causing bodily harm, infliction of pain, or the commission of any evil. The sanction applies not only to people, but also to every living thing.

At the beginning of the twentieth century, a Hindu lawyer from South Africa, Mohandas Karamchand Gandhi, referred to the tradi-

tion of *ahimsa* in acting against the racial discrimination imposed upon coloured people by the colonial British administration. The broadly understood standard of *ahimsa* was translated by Gandhi into two concrete recommendations: 1) the postulate of defending the weakest against aggression on the part of the strongest, and thus an active opposition to evil, and 2) the postulate of not harming one's opponents. Both of these rules taken together comprised the ideology of non-violent battle whose essence meant mass demonstrations, strikes, rallies, marches, manifestations, resignation from public function, non-payment of taxes, and boycotting of elections, schools, courts, and other public and private institutions.

In contrast to Christian Europe, the idea of non-violent battle is an organic element of the tradition of India where, from time immemorial, it was a popular means of vindicating one's rights to the less powerful side in a conflict. In accordance with the custom known as *dharma*, the injured party should sit before the home of his oppressor and fast until the latter compensated him for the wrong committed. Hunger strikes sometimes led to death, but more often to success. There were also cases of mass *dharma*. For instance, in 1824, in response to the appeal of several influential Brahmins, 300,000 people left their homes and sat in silence on the Benares plains to protest against the new taxes imposed upon them by the local government. After a few days of this peaceful protest, constituting an excellent example of non-violent struggle, which Mahatma Gandhi would advocate to all oppressed people a century later, the unjust tax was annulled.

The idea of non-violent confrontation was not Gandhi's original idea. Gandhi did, however, transform it into a coherent worldview and articulated a political programme which could serve the realization of not only temporary and immediate, but also complex and far-reaching aims. Gandhi made *ahimsa* a tool for mass struggle which could be applied by entire social classes, ethnic and/or religious groups. He shaped it into—in the words of Jawarlahal Nehru—the "equivalent of a war not arousing any moral opposition." Mahatma Gandhi demanded that the oppressed renounce the act of revenge. He taught that it did not eliminate the wrong which had arisen, but only added a new one. Battle with one's oppressor should thus be conducted in such a way as to not cause him any harm and, moreover, with respect for his dignity. Therefore, this must be a fight not only without violence, but also without hate.

"The world is sick of armed rebellions," Gandhi wrote in 1925,

simultaneously stressing that violence and terror are *never* capable of creating even the least bit of good (Gandhi, 1927: 905, 907). Christianity in general, and Catholics in particular, believed—and to some extent still do—that unscrupulous means may, in certain situations, serve the realization of noble purposes and are then morally justified. Mahatma Gandhi decisively rejected such thinking and, in accordance with the law of *karma*, often repeated that a morally wrong act always leads to bad results, while good means always create good ones.

Gandhi rejected hate as an effective means of mobilizing the masses to act. But that is not all. He also attempted to make non-violent behaviour the only acceptable means of defending one's interests. He demanded of the strong the willing abandonment of physical force, while of the weak he demanded the forsaking of violence out of a moral conviction, and not out of a cool calculation of the balance of power. Though not renouncing active resistance, Mahatma Gandhi permitted only those means which would prevent an opponent's suffering, and which would therefore serve permanent conflict resolution as well as a conciliatory arrangement of future relations between heretofore enemies. Thus non-violent struggle, as Gandhi saw it, is not only a noble means of achieving goals, but also an efficient method of building social harmony and permanent peace.

Reception of Gandhian Ideology in the West

Traditional Christian pacifism, associated with the practice of the first followers of Jesus, was marginalized by the Medieval Church. It then returned to Western civilization through the Anabaptists during the Reformation, and has survived until the present day in the United States in the churches of the Mennonites and the Amish who choose to live in isolation in social ghettos. This pacifism was not oriented towards the achievement of political purposes, but towards the defence of an archaic religious organisation via segregation from the "bad influences" of the changing external environment. Alongside the separatist pacifism of the Mennonites and the Amish, a persuasive pacifism also appeared in the United States, characteristic of the Quakers and Baptists who engaged in public campaigns on behalf of world peace. This pacifism took the form of sending petitions to the government, the propagation of pacifist ideas, educational activity, and the organisation of peace congresses—none of which attained significant success in this area.

In the 1950s, however, a new form of pacifism appeared in the United States—activist pacifism, which asserted the necessity of deep social reforms and structural changes. In contrast to the traditional forms, this one constituted a radical movement. It destabilised the political system and its propagators resorted oftentimes to drastic measures, which were seen as being against the law and the binding legal standards of the day. Non-payment of taxes, destruction of documents, acts of civil disobedience, sit-down strikes, boycotts and similar behaviour helped active pacifists go beyond the set patterns of protest without resorting to violence and thus effectively and holistically transformed the social order.

The beginning of activist pacifism in the West was the Alabama bus boycott, aimed against racial segregation and organised in 1956 by the African-American leader, Martin Luther King, in accordance with the teachings of Mahatma Gandhi. Years later, Reverend King would recall, "The whole Gandhian concept of *satyagraha*[2] was profoundly significant to me. As I delved deeper into the philosophy of Gandhi, my scepticism concerning the power of love gradually diminished, and I came to see for the first time that the Gandhian method of non-violence, is one of the most potent weapons available to an oppressed people in their struggle for freedom" (King, 1963: 138). Some years earlier the pastor had explained the relationship between Christianity and *satyagraha* in one short statement: "Christ furnished the spirit and motivation while Gandhi furnished the method" (King, 1958: 81). In other words, Martin Luther King ultimately understood that the righteous ideas of the Sermon on the Mount could serve as inspiration for a pacifist attitude. However, they were not in the least bit capable of improving the miserable situation of the Black population of the southern states in America. In order to attain this second goal, Mahatma Gandhi and his Indian wisdom would be required.

The French philosopher and originator of Catholic personalism, Jacques Maritain, was among the first to recognise the turning point constituted by the peaceful African-American protests initiated by King. "At this point I would like to pay my tribute of admiration to the coloured people of Montgomery, Alabama, and their spiritual leader, Reverend Martin Luther King. They gave, in the famous bus boycott of

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[2] *Satya* means truth which is love; *graha* means power. Thus, *satya graha* is the same as the power of truth, or the power of love.

1956, an example whose historic importance may be considerable—the most striking example as yet seen in this country of a possible use, in the Occident, of Gandhian methods of non-violence" (Maritain, 1958: 51). Maritain's prediction turned out to be prophetic. After the success of the Blacks in the South, the Indian ideology of non-violent dissent spilled out far and wide across America.

February 1960 in Greensboro, North Carolina, marked the start of a campaign against the segregation of African-Americans in public bars and restaurants. Protesters occupied spaces reserved for Whites, and picketed and boycotted segregated establishments. The movement quickly spread in the South and won the support of students at the most prestigious American universities such as Harvard, Yale, Princeton, Brown, and universities in Chicago, Indiana, Wisconsin, Colorado, and Berkeley. These protests were accompanied by the spirit of Gandhi whose strategy was deemed the solely admissible form of battle in a democratic society. Pamphlets with the motto "Remember Love and Non-Violence" floated among the student population.

Spontaneous acts of protest against racial segregation in America swiftly transmuted into organised political activism synchronised nation-wide by mass civic organisations such as the Student Non-Violent Co-Coordinating Committee established in 1960, and the Civil Rights Movement. A few years later, following in the footsteps of anti-racist demonstrations, massive political protests against the Vietnam War erupted at universities; in 1965 they engulfed over 800 campuses. Concurrently, three young Americans undertook a shocking form of protest heretofore unknown in the West—they committed public self-immolation to demonstrate their dissent against the war. The latter half of the 1960s brought an avalanche of desertions from the armed forces, acts of public draft-card burning, and other acts of civil disobedience.

A widespread and active pacifist movement also emerged in Great Britain. In 1958, the Campaign for Nuclear Disarmament was founded which organised, among other things, an annual 85 kilometer protest march from London to Aldermaston. In 1962, over 20,000 persons took part in this protest. The police arrested about 1,000 protesters, including the elderly Bertrand Russell. He was subsequently sentenced to two months in prison for organising an "illegal demonstration." The following year, however, some 40,000 people went to Aldermaston, and Easter Marches became a popular form of pacifist protest taken up by youth in other countries, including Germany, France, Holland, and

Scandinavia. Paralleling the anti-nuclear activities, the second half of the 60s brought an increase in peaceful protests in Europe against the American intervention in Vietnam. These, in turn, quickly transformed into a broader counterculture movement attacking the political institutions of the West and their policies with regards to communism and Third World countries. With time this movement would lead to profound cultural changes and, translated into political parties, ultimately became a key component of the Western European establishment.

During the 1970s, peaceful forms of political battle also appeared in Central Europe, where they were directed against communist dictatorships controlled by the USSR. The Committee for the Defence of Workers in Poland was formed in 1976 and a few months later, *Karta* 77 was established in Czechoslovakia. Both these organisations associated themselves *expressis verbis* with the ideas of Gandhi, defending human rights and personal freedom by peaceful means—something constantly assaulted by the socialist regimes in this region. Some years later, the fight for democracy and independence of the Central European nations would enter its final and decisive phase. As a consequence of widespread strikes in the Baltic Coast's port cities, Solidarity was born in 1980—a powerful, 10 million member strong organisation of intelligentsia and workers, which set as its goal the gradual deconstruction of the oppressive political system imposed upon Poland by the Red Army after World War II. Solidarity's non-violent battle was astonishingly effective. After just under a decade of a difficult struggle with the international communist system, Poland became a sovereign and democratic country on the basis of the Round Table agreements elaborated and signed by former political prisoners and the ruling regime. Within a few months, the Velvet Revolution in Prague ended the socialist system in Czechoslovakia and brought Vaclav Havel to power. The Berlin Wall fell, and the entire totalitarian Soviet system throughout Central Europe collapsed.

The Mechanism of Reception of Gandhian Ideology

Developing a strategy of non-violent struggle, Gandhi referred to ancient Indian religious concepts: truth (*satya*), duty (*dharma*), avoidance of harm (*ahimsa*), and suffering (*tapas*). How was it then possible for a political program arising out of the spirit of Asian tradition to bear such great success in the West, winning the hearts and minds of Black

American citizens and American students, Bertrand Russell and the youth of Western Europe, as well as the intelligentsia and workers of Poland and Czechoslovakia? Three factors—it seems—could explain the rapid assimilation of Gandhian ideas in the European cultural sphere: activism, relativism, and pragmatism.

The Hindu principle of *ahimsa*, as Gandhi interpreted it, became an absolute directive to actively fight human injustice. No one, taught Gandhi, can be indifferent to the misery of fellow men because the essence of morality is the elimination of evil and the proliferation of good. Therefore, Gandhi resolutely rejected the quietistic ideal of man running through the Hindu tradition and replaced it with optimistic activism. Of all the classical Indian literature, Mahatma Gandhi most highly regarded the Bhagavad Gita, which declares the superiority of action over escapism. Mahatma once said, "If I had the chance to face Buddha, I would not hesitate to ask him why he did not preach the gospel of work instead of the gospel of contemplation" (Gandhi, 1957: 91). This type of thinking[3] was recognisable to the Christian culture, its Protestant version in particular, which stressed change and perfection of the world as a religious duty of man and as a continuation of the Divine act of creation.

Justifying *satyagraha* on a philosophical level, Gandhi referred to the Hindu belief that only relative, fragmentary, and uncertain truth is available to the human mind. This conviction provided him with epistemological arguments on behalf of the rejection of violence. Because each party in a conflict may be in possession of some partial truth, and since no one is the bearer of the absolute truth,[4] no social subjects could reach for radical means to defend their views because those opinions would always be doubtful. The relativism of Gandhi was in direct opposition to the doctrinal certainty of Christianity (which, in the past, had constantly reached for radical means precisely for this

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[3] Gandhi drew criticism precisely for this from Hindu leaders who defended traditional religious beliefs. One of these, Gupta Sen, even accused Mahatma Gandhi of unfamiliarity with the classical literature, with the exceptions of the Ramayana and the Bhagavad Gita (see G. Sen, Ganghiji ki nam khuli citthi, Calcutta 1942, p. 12). The first President of the Republic of India, Jawarlahal Nehru emphasised on various occasions that the understanding of *ahimsa* which Gandhi had developed fundamentally differed from that of the original religious version.

[4] For this reason Gandhi commanded equal respect for all religions and called for "peaceful coexistence" in India of the Hindu, Islamic, Sikh, and Christian faithful.

reason), but it fitted perfectly the scholarly worldview and rational spirit, progressively more rooted in the West since the Enlightenment.

A programme advocating non-violent battle became attractive for people in the West for at least one more reason—its pragmatism. The emphasis, which Gandhi put on the efficiency of the pacifist strategy of action, was in every respect in accord with instrumental rationality, which was a key trait of modern European culture. The Hindu leader was convinced that by applying the principle of *ahimsa* one could achieve any good and valuable aim. In his 1940 appeal '*To every Briton*' he wrote: "I have been practicing the principle of non-violence with scientific precision uninterruptedly for fifty years. I do not know a single case where it failed" (Tendulkar, 1953: 366). Indeed, Mahatma Gandhi accurately diagnosed the political-economic system of complex, industrial societies whose functioning required not so much the passive obedience of their citizens as the active and voluntary cooperation of numerous specialised individuals and professional groups. A boycott of the system, or even refusal to fulfill routine tasks—neither of which demanded particular heroism—could (inasmuch as it was enacted on a mass scale) effectively paralyze the convoluted state apparatus, and turn out to be a powerful means of placing pressure on local and national governments. It was not just the Indians under British colonial rule who realised this. African-Americans in the south and members of Solidarity in Poland also sensed its potential.

Christian Anthropocentrism

European culture is a *par excellence* activist culture emphasizing practical activity. More than this, its unique feature is the presumption that man occupies a distinguished position in the world, a conviction that contrasts with the cosmovital conception of unity characteristic of the great cultures of the East. These two distinctive features—activism and anthropocentrism—have a common origin. "And God blessed them. And God said to them, 'Be fruitful, and multiply, and replenish the earth, and subdue it; and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moves upon the earth,'" the *Book of Genesis* (1: 28–29) states about our first ancestors. The Bible raised supremacy over the world to the rank of a moral norm and a religious dictate for each believer. "Even if you were to find this land filled with all possible good, do not say: we will sit and

we will not sow. On the contrary, think about sowing", the Talmud teaches (Wajikra Rabba, 25).

These two mutually reinforcing ideas of Judaism—anthropocentrism and activism—also inspired European Christian culture throughout the centuries, constituting Europe's driving force despite revivals of mystic and millenarian movements, and despite Franciscanism and Romanticism. One of the most important documents of the Second Vatican Ecumenical Council declares: "Throughout the course of the centuries, men have labored to better the circumstances of their lives through a monumental amount of individual and collective effort. To believers, this point is settled: considered in itself, this human activity accords with God's will." For man, "created to God's image, received a mandate to subject to himself the earth and all it contains, and to govern the world with justice and holiness" (II Vatican Ecumenical Council III: 34). So, while the civilisations of the East inherently bore the ideas of a positive identification of man and the universe—or, as Marcel Granet says, a "good understanding" (Granet, 1934: 589). European culture shaped an attitude of domination and supremacy. The psalmist writes of man:

> Yet you have made him little less than God,
> and crowned him with glory and honour.
> You have given him domination over the
> works of your hands;
> you have put all things under his feet,
> all sheep and oxen,
> and also the beasts of the field,
> the birds of the air, and the fish of the sea,
> whatever passes along the paths of the sea.
> (*Ps* 8: 5–8).

This radically anthropocentric viewpoint undoubtedly set in motion a human battle with opposing forces for it endowed man's undertakings with the character of a mission. On the other hand—in contrast with metampsychotic trends, such as Orphism or Hinduism, which dictate an equal respect for both animal and human life—it brutalized man's attitude towards nature. This brutalization is embodied most conspicuously in the thought which the biblical God expresses in his speech to Adam and which He repeats more ruthlessly when addressing Noah: "The fear of you and the dread of you shall be upon every beast of the earth, and upon every bird of the air, upon everything that creeps on the ground and all the fish of the sea; into your hand they are

delivered" (Genesis 9: 2–3). At the same time, in the East, a philosophy was developing whose essence could most succinctly be expressed in the words of William Blake: "For everything that lives is Holy."

The spreading of Christianity, however paradoxical this may sound, has led to the desacralization of the world. For the Greeks, as Tales would say, all things were pervaded by deities: groves, meadows, rivers and fields. Other great religions, including Taoism, Hinduism, Buddhism, and other primitive beliefs, also contained elements of pantheism and the relevant customs.[5] The Judeo-Christian conception of deity—monistic and transcendent—dispossessed the world of all divine features, transforming it into the sphere of *profanum*. This sphere could then be subjected to man's unlimited rule. To put this in yet another way, the Greek notion of the cosmos as a homogeneous and all-encompassing entity, was split in Christian thought into two separate and diametric components: *civitas Dei* and *civitas terrena*, the world of God and the world of man.

There is no other word which could better articulate the fundamental features of the Greek worldview than the concept of *cosmos*. Cosmos means "order" or "orderliness" of the world, republic, household, or individual life. It is a term conveying positive appraisal, praise, and even admiration. Strictly speaking, the cosmos—or more simply, the universe—as the highest and perfect order of the whole, was considered by Greeks to be the origin of any and all order whose internal principle was reason (*logos*) and external principle, beauty. Hence it is not strange that Stoic monism led to a complete identification of all that was cosmic with all that was divine. Plato wrote in *Timajos* (30b) that "the world is alive and endowed with a soul and reason." Nor is it unusual that the Roman moralist Cicero saw "the imitation of the heavenly order in the course and stability of one's life" (*Cato Major*, XXI, 77) as an unattainable ethical ideal. Moreover, the Greek word "piety" (*eusebeia*) simply means a "correct relationship"—between a husband and wife, children and their parents, mortals and the gods, and man and the world.

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[5] Smohalla, an Indian prophet of the Umatilla tribe, refused to till the soil, like Mongols practicing Lamaism or members of some Hindu factions. He defended his anti-agricultural stance by saying: "You ask me to plough the ground? Shall I take a knife and tear my mother's bosom? You ask me to dig for stone? Shall I dig under her skin for her bones? You ask me to cut grass and make hay and sell it, and be rich like white men! But how dare I cut off my mother's hair?" (Money, 1896: 721).

Romano Guardini states that "the character of Antiquity contained a deeply rooted desire to adhere to what had already been established" (Guardini, 1950: 13). This prescriptive conservatism of the Hellenes ensued from the conviction that Nature—being an embodiment of beauty, harmony and order—is perfect. Furthermore, the philosophies of the ancient Greeks did not place man in a position of supremacy over the world. Aristotle taught that, among the various entities, there were some, such as stars, whose nature was far more divine than man's (*Nicomachean Ethics*, 1141b). How, then, was man to rule over them? Christian tradition destroyed the Greek cosmos. The rational nature of the Hellenes was degraded to sinful materiality, devoid of immanent significance and autonomous value. Man, made in the image of God as the shining achievement of all creation, became its lord and master. Only man could endow every living thing with its appropriate meaning.

Francis Bacon declared that the movement of the stars serve man to measure time and mark location; that meteors allow him to predict the weather, temperature and other phenomena in the sky; that the wind is a source of energy in sailing, working wind-mills and other devices; that plants and animals provide him with clothes, medicines and various tools to improve his work. He concludes that "if man were to vanish from this earth, everything would grope aimlessly in the space, and the whole world would resemble a broom whose twigs have scattered for want of binding" (*De augmentis*, VII, II). Immanuel Kant reasoned similarly: "Without man, all of creation would be a mere wasteland, gratuitous and without a final purpose" (Kant, 1987: 331). For nature, in accordance with the conceptual system of the West, is meaningful only when it is interpreted as a manifestation of something else; theologically as *ars Dei*, a work of God, and practically as *regnum hominis*, the domain of man.

Eastern Concepts of the World

The attitude towards nature of the followers of Hinduism is put forth concisely in the words of a prayer voiced by them at the October 1986 meeting of the great religions of the world in Assisi:

> We beg for peace in the sky,
> for peace in the sky and on earth,
> for peace in the depth of the sea,

for peace in grass and plants,
for peace in the divine,
We beg for peace for all the creation.

Indian civilization is permeated with ecological ethics and a deep sympathy for all things living on this lowly earth, filled to the brim with pain and sorrow. Respect for everything that exists stems from two fundamental beliefs rooted in the religion and mentality of the Hindu: the law of *karma* and the principle of *ahimsa*. The law of *karma* is strictly connected with the idea of the wandering soul in the cycle of reincarnation, or *samsara*. According to this concept, after death, the soul returns to earth an infinite number of times and appears subsequently in various beings before it ultimately reaches release and liberation. It is *karma*—the sum of deeds committed in the previous incarnation—which determines if the soul will next take on the form of a human, animal, or some plant. Therefore, any and all life is on par with all other life since it constitutes the real or potential of human life.

The principle of *ahimsa*, present in Indian culture for over 2,500 years, states that no animal or living thing can be killed, harmed, or maltreated. *Ahimsa* is most often associated with vegetarianism, but it also means an active empathy with regards to everything that is alive, and a sense of an organic connection to all beings, which could be expressed, for instance, in the building of a hospital for sick animals. An extreme version of the *ahimsa* principle is the Jain trait which commands them to cover their mouths and strain water so as not to accidentally swallow an insect or any other tiny creature, to sweep the road before them so as not to accidentally step on a bug, and, above all, not to undertake work in any area which could in any way hurt an animal.

Buddhism is yet another Asian religion which proclaims the uncompromising equality of all living things and bids the liberation of all beings from suffering. In the eighth century, Indian Buddhism mixed with the local beliefs of Tibetans, leading to the appearance of Lamaism, which in time reached Mongolia and Siberia. Lama monks wore shoes with turned up toes so as not to harm their Mother Earth, and the highest leader of the Tibetan faith, the Dalai Lama, is recognised as the successive incarnation of the Bodhisattva Avalokitesvara—the "Lord looking down with mercy upon all living things."

A few thousand kilometers to the east of Tibet, in the Japanese archipelago, Zen Buddhism was born in the twelfth century as an extension of the Chinese contemplative practices, *ch'an*. In accordance with the experience of Zen, the world is not outside man, but man is,

quite simply, the world—just as is every living thing. Therefore, when man damages his environment, he simultaneously injures himself. The world does not exist for the benefit of man or for his egoistic purposes. The world—as Zen teaches—exists for every being which possesses an autonomous significance in and of itself. Even a drop of water or a blade of grass has an absolute value, and interference in the existence of one or the other should not take place without real necessity.

Reception of Cosmovital Ideas in the West

In the mid twentieth century, various currents of Asian culture began to rapidly penetrate America. One can separate two basic phases in this process: first an interest in the philosophy and literature of the East, and next a fascination with its spirituality and mystical thought, which quickly called to life new religious communities reaching for Eastern forms of meditative practice. Zen Buddhism, the synthesis of three traditions—Indian, Chinese and Japanese—was an important element in the inroads made by Asian cultures into the West. It is marked by an amazing logic, directness, and internal simplicity, thanks to which, by the end of the 1940s, it had already found many followers amongst young people bored with the barrenness of traditional Western ideologies. Among the first devotees of Zen were also artists, scholars, and intellectuals.

The American occupation of Japan greatly facilitated the diffusion of Asian cultural content. Americans practiced Zen in the monasteries of the Archipelago, while monks of the Land of the Cherry Blossom gave numerous lectures on the subject of Buddhism at universities in the United States. Intellectuals, including Erich Fromm, Alan Watts, and Philip Kapleau, came to listen. Joining these university professors were writers and poets of the Beatnik movement—Jack Kerouac, Allen Ginsberg, Lawrence Ferlinghetti, Gary Snyder, and Gregory Corso. They, in turn, launched a powerful counterculture movement which, for over a quarter of a century, comprised an unsettling challenge for the traditional American way of life—and also made its way to the European continent.

The significance of Buddhism in America was further strengthened after the annexation of Tibet by Communist China in 1959, which gave rise to a massive emigration wave of Lama monks from hitherto rather unreachable corners of the Roof of the World, to India and the

West. Here they influenced a notable segment of the young population, proclaiming a philosophy of respect for all living things and the supremacy of spiritual values over the material. New Buddhist and Yoga centers were established on the east and west coasts. Concurrently, the Hare Krishna movement was propagating vegetarianism, devotional Hindu music, a new lifestyle and expression of one's personality with increasing success. This created a favourable climate for the expansion of Buddhism and related religions.

The 1960s were a particularly stormy period in the flowering of the counterculture movement, which became increasingly politically radicalized and became the force behind street demonstrations and student sit-down strikes. One of the most popular theorists of the counterculture, Theodore Roszak, wrote that what differentiated the youth protests of the 1960s from previous outbursts of rebellion was the unprecedented leaning towards occultism, mysticism, and spiritualism. In 1968, Roszak ascertained that the West had already entered the post-Christian era and that the numerous contestations referring to Zen, tantric, Hindu, Sufi, shamanist, and theosophist traditions comprised a reaction to the ideological domination of oppressive churches and the anti-humanist, scientific-technological worldview (Roszak, 1970: 165–67).

Counterculture contemplative practice and studies of Asian religions aimed to imbue the "hard" Western civilisation with the "soft" Eastern spirituality embodied in Taoism, Buddhism, and the Vedic tradition. In other words, the quest of the youth movements was an attempt to overcome not only the dualistic Christian worldview which placed man against nature, but also the materialistic-mechanistic way of thinking about the world initiated in seventeenth century Europe. It was thus a way of trying to resacralize the Cosmos or, to put it differently, to re-enchant the world which had been deprived of its holiness by both the anti-pantheistic faiths of the West, as well as by the naturalist paradigm of European science.[6]

The cosmovital Eastern ideas which reached the West from Asia in ever-broadening streams began to capture the imaginations of a

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[6] Western ecological movements drew their inspiration not only from Asian thought, but also from pre-Christian beliefs, which can be well exemplified by the "Day of Earth", referring to the cult of the Greek goddess Gaia. The pagan cults, however, do not have sufficient intellectual strength to inspire a new cosmocentric ethic for industrial society, which is taking shape mostly under the overwhelming influence of Asian religion in general, and Buddhism in particular.

small fragment of Western society. It was, however, a fragment of great weight and significance: the intellectual and cultural elites as well as the student youth naturally transmuted in time into adult political decision-makers, capable of influencing public opinion and shaping law and public institutions. This process of the transformation of rebels who rejected bourgeois culture and entered a section of the political establishment of the West, was especially marked in Europe. In 1973, the first ecological party was founded in Great Britain, and was subsequently followed by similar ones in Austria, Belgium, Holland, Ireland, Germany, and Scandinavia. During the next decade, representatives of Green parties made it into the parliaments of European countries, and sometimes even into coalition governments. On the other side of the Atlantic, Americans and Canadians founded the international organisation Greenpeace in 1971, whose aim was to fight for environmental protection via peaceful means. This organisation now has offices in 24 countries and has over 5 million members.

The Mechanism of Reception of the Cosmovital Ideas

Buddhism, yoga, Taoist practices and other Asian religious movements manifested themselves in the technologically advanced societies of the West in the second half of the twentieth century, during a deep civilisational crisis evoked by the traumatic experiences of the Second World War. They took root in Europe and America in the 1960s thanks to the speedy progress of the counterculture movement. The activist generation that had rejected the egoistic middle-class worldview, found itself in a conceptual void which it was neither able to fill with social welfare state programmes, nor with the values declared by the traditional Churches. The philosophy and religions of the East provided new and promising responses to old questions on the relationship between morality and politics, society and nature, and the individual and the world. Just as Gandhi's pacifism resonated with the fresh memories of the painful consequences of war and the fear of a nuclear holocaust, so the Asian respect for any and all life complemented an emerging ecological sensitivity condemning the industrial devastation of the natural environment and destruction of whole species which had inhabited the Earth for hundreds of thousands of years.

Western societies—more accurately, their elites—facing a burgeoning and disturbing ecological threat, suddenly became aware of a truth

known always in the East: man constitutes but an organic element of nature. They reached for Asian concepts to describe this fact because it could not be expressed in the language of Christian anthropocentrism. As Leszek Kolakowski noticed, "the pantheistic concept of the world, even maintained extremely idealistically, was always a drastic insult to the Christian God because the doctrinal power of Christianity did not lie in its spiritualism but in dualism, in the opposition between the world created and the Creator existing beyond the world" (Kolakowski, 1958: 130).

Dualism was and is the supreme principle of Christianity: the dualism of the Creator and the created, *sacrum* and *profanum*, spirit and matter, and man and nature. Out of the grounding of Christianity no ecological ethics could grow. Quite the contrary, ecological ethics, based on the principle of an equality of all living things, demands the rejection of Christianity, as Christianity perceives a divine element in nature only incidentally and indirectly, as the presence of God in history. The cosmovital Eastern spirituality—less dogmatic than Christianity, Judaism, or Islam—asserts the principle of universal sympathy and love extended to all living things, speaks of the sanctity permeating the entire world, and proclaims the autonomous value of everything that exists. This is an immanent, not transcendent spirituality—a cosmocentric, not anthropocentric spirituality.

During the 1970s and 1980s, a fundamental change in the Western culture's perception of nature came into view and a tendency to think of the world in cosmocentric terms appeared. This tendency was the result of two different factors: a comprehension of the ecological crisis as a dire threat to the quality of human life, and the autonomous development of an ecological ethics. With regard to the first of these, the cosmocentric point of view does not ultimately conflict with the traditional Western worldview. This is because it is accepted for purely instrumental reasons, as the optimal means of protecting human interests in this world marked by copious cataclysms generated by civilisation. With regards to the second, however, cosmocentrism reflects an entirely new ethical sensitivity, shaped to a great degree under the influence of Eastern religious ideas—an opening up of mankind towards the non-human world and recognition of its autonomous worth and eminence.[7]

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[7] Respect for nature took root in the West thanks to the influence of the high culture of Asian countries. Their folk culture, however, abounds in examples of cruelty to

The duality of the contemporary cosmocentrism of the West can
be illustrated clearly by two legal acts in the European context: The
Convention on the Conservation of European Wildlife and Natural
Habitats of September 1979, and the European Convention for the
Protection of Vertebrate Animals used for Experimental and Scientific
Purposes of March 1986. The first of these mandates environmental
protection because it recognises that "wild flora and fauna constitute a
natural heritage of aesthetic, scientific, cultural, recreational, economic
and intrinsic value that needs to be preserved and handed on to future
generations" (*Preamble*). The second, on the other hand, stresses that
"man has a moral obligation to respect all animals and to have due
consideration for their capacity for suffering and memory (*Preamble*)."
The former way of thinking constitutes a secular variant of Christian
anthropocentrism. The latter, in turn, does not stem from Western
tradition, but is a modified version of the *ahimsa* principle which, after
years of counterculture incubation, has broken out onto the level of
European institutions and has become obligatory law. [8]

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animals. In Vietnam and Laos, the foreign visitor can see live frogs with their legs sewn
together, a live turtle slung over a fisherman's shoulder with a rope strung through its
shell, live turkeys and chickens carried upside down by their feet, and small creatures
kept in terribly tight metal cages. Cruelty to animals is also not uncommon in China
and Japan despite their long-lasting Buddhist background.

[8] Serving as further examples of Western ecological ethics translated into legal
language are three other Council of Europe documents: the March 1976 European
Convention for the Protection of Animals kept for Farming Purposes; the May 1979
European Convention for the Protection of Animals for Slaughter; and the November
1987 European Convention for the Protection of Pet Animals. Moreover, in June
2002, Germany—the first country of the European Union to do so—recognised in
the amendment to the constitution "protection of animals as one of the aims of the
state." Ten years earlier, a similar regulation was ratified by the Swiss parliament that
put into the federal constitution "the guarantee of dignity of all creatures."

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MODERNIZATION: WESTERNIZATION *VS.* NATIONALISM: A HISTORICAL OVERVIEW OF THE JAPANESE CASE

Akihiro Ishikawa

Westernization and Nationalism in Pre-War Japan

The concept of modernization in the Japanese context was associated with an orientation towards "Westernization." In the third quarter of the 19th century, when Japan was struggling to modernize, the idea was to overcome conventional "irrationality" in feudalistic and authoritarian social relations and culture by transplanting the thought of "enlightenment" into a drive to for establishing modernized institutions. The leaders of this orientation stressed the importance of embracing the "West" by getting away from "Asia". This was asserted by Yukichi Fukuzawa, founder of Keio Gijuku University, one of the oldest modern, private universities in Japan. His famous book for enlightenment, written originally in 1872, begins with the phrase: "Heaven has not created human beings above human beings, nor human beings below human beings" (Fukuzawa, 2002: 6). This statement expressed social equality. However, he held neighboring Asian nations in contempt, and regarded them as inferior from a viewpoint of modern civilization as written particularly in his article of 1886 (Fukuzawa, 2003: 261–265). Enlightenment in its original sense constituted "equality" as opposed to an authoritarian hierarchy, along with "progress" against conventional retardation/regression. In the Japanese context, enlightenment was exclusively concerned with the idea of "equality" of people in general, but not between nations. Additionally the idea of "progress" accompanied discriminating attitudes against other nations in Asia. The latter was easily canalized towards providing an ideological rationalization for the expansion of Japan's state power in neighboring countries.

After the fall of feudal power, the new state elites were aware of the necessity to defend Japan against imperialistic invasion from the West, and their efforts were devoted to both avoiding colonization by Western powers, and to attaining an equal position with these powers

in the international domain. For this purpose, the State elites urged technological and institutional modernization. They prioritized industrialization and militarization, and neglected the democratic aspect of enlightenment thought and movement. Further, they extended Japan's force to neighboring countries with the aim of preventing an inflow of Western power.

In this sense, the State elites were motivated to modernize because they feared being colonized by the West. Modernization was regarded as the inevitable choice to maintain national independence. Thus, transplantation of Western technologies and institutions was necessary. The State urgently introduced Western systems and technology: the governmental, military, and the educational systems were imported from Germany, while the industrial technology, urban infrastructure, and the naval systems were borrowed from Great Britain. The Constitution, which was issued in 1889, was greatly influenced by that of Prussia.

This fundamental concept of Westernization was inseparably connected with the spirit of nationalism. Combining "Western technology" and "Japanese spirit" was the goal. This type of nationalism developed an ideal of "Japanism" in the last decade of the 19th century, which emphasized the superiority of traditional Japanese values. It later matured, particularly in the 1930s and the War period, to anti-Western ideology, by generally refusing the ideas of enlightenment and of modernity.

However, State-led modernization remarkably achieved industrialization and economic development. From 1910 to 1930, this allowed for the growth of a middle class with modern life-styles, particularly in metropolitan areas. In tandem, anti-conventional, liberal culture, and behavior also emerged. However, it could not become engrained in society, since it contradicted conventional pre-modern values and relations on which nationalism-based modernization was actualized, such as the patriarchal system in the family, and the authoritarian relationship in organization. Militaristic Statism later dominated because of these values and relations.

Revival of "Enlightenment" in Post-War Japan

After the end of World War II, enlightenment-based social thought was revived and profoundly influenced public opinion, as well as the social and human sciences. The pre-War pattern of modernization

was seriously reflected on and criticized. Leading proponents of this view critically inquired into the social and cultural roots of authoritarian Statism and militarism. They focused on conventional values and relations that remained in the daily life of the people, by pointing to an immaturity of individualism and rationalism in Japanese society. Masao Maruyama (1964), Takeyoshi Kawashima (1948), and Hisao Ootsuka (1948) represented this view. They criticized Japanese society by contrasting it with "civil society" as the ideal model of society believed to exist in the West. Thus, in a sense, the idea of "Modernization = Westernization" resurfaced.

Many empirical sociological investigations into this orientation were also conducted. They revealed "semi-feudal" relations remaining in families, villages, towns, firms, and even in newly emerging labor unions. These relations were regarded as the essential factors hindering the substantial modernization of Japanese society. Researchers directed their attention to the conventional group-dependent mentality which they saw as related to the "immaturity" of independent individuality. This "immaturity" was regarded as the cause for pre-modern irrational thinking and social relations that accompanied industrial backwardness and economic inefficiency.

From this viewpoint, leading social scientists, including Takashi Fukutake (1949), brought attention to the social dimension in modernization, maintaining that the nature of Japanese capitalism could not overcome its structural backwardness. A significant number of the chapters in the ten volumes of "The Lecture of Sociology," (1957–58) published by the University Press of Tokyo in the late 1950s, followed this line.

It should be added that postwar enlightenment thinkers and their research lacked a perspective on Japan's relations with neighboring nations. The belief that Japan's modernization was bound for expansionism was held not only by State elites but also by classical enlightenment thinkers in the second half of the 19th century. The postwar enlightenment thinkers neglected to critically reflect this aspect of classical enlightenment in the Japanese context. They focused exclusively on inner "pre-modern" values, mentality, and social relations, without extending their thinking to Japan's modernization in the Asian context.

Proclamation of the Japanese Model

In actuality, however, when these views against conventional values and relations spread broadly among intellectuals, the Japanese economy and society underwent structural changes that launched a new stage of development. In 1958, the "White Paper of Economy" issued by the Government proclaimed that the post-War period had ended. Simultaneously, large-scale investments occurred in industry for "modernizing" technology, organizations, and management, while the Government took measures for "modernization" in agriculture and small- and medium-sized businesses. In addition, economic and industrial circles "modernized" management and labor.

In large part, due to modernization policies and practices, the Japanese economy achieved remarkable growth. Toward the end of the 1960s, Japan's GDP was third in the global economy, after the USA and the USSR.

In view of these changes, the enlightenment-based critical view of social "pre-modernity" and economic "backwardness" mostly disappeared. Instead, in the 1960s, a new kind of modernization theory appeared, under the influence of American sociology and related disciplines, such as the theory of industrialism and convergence theory. This was promoted with an inclination toward anti- or de-socialism and excluded any criticism of society from the enlightenment perspective.

In the 1970s, however, this kind of modernization theory also lost influence among social scientists and policy-makers. The view was that Japan had reached and exceeded the Western standard in different areas of social and economic life, and could not rely on the Western model any longer for further development. Hence, an identification of "Modernization" with "Westernization" lost its basis. Instead, an awareness of the necessity of finding Japan's own way toward further development arose.

In this context, habitual practices, which had been regarded negatively as conventional and pre-modern, were highlighted again. Group-oriented values and behavior, collectivism, and mutual dependency were re-evaluated positively, and were considered as the foundation of Japan's economic success. Seniority systems, life-long employment practices, in-house welfare facilities, and company unions were common in large Japanese enterprises, and had previously been criticized as "semi-feudal" and "pre-modern" customs. They were now reevaluated as the basic pillars of human resource development in the Japanese firm. These

views were encouraged by the OECD Mission Report on Japanese management and industrial relations (OECD, 1977), and crystallized into a cultural determinant notion of the "Japanese style of management" (Ishikawa, 1982). They were subsequently disseminated as the "Japanese management model" abroad. Vogel's (1979) book, "Japan as Number One," promoted this idea and practice.

<center>Egalitarianism and Collectivism in Modernization</center>

The claim for the "Japanese Model," or the "Japanese Way of Modernization," was basically connected with a social transformation toward egalitarian tendencies in Japanese society (Ishikawa, Umezawa, Takahashi and Miyajima, 1982).

First, the conventional distinction between "white collar" employees (*shokuin*) and "blue collar" workers (*kooin*) in naming as well as in personnel treatment, which had been transplanted from the West in the early stage of industrialization, was abolished in industrial enterprises around 1960, and both employee groups began to be called "company staff" (*shain* or *juugyooin*). This change contributed to the formation of a strong company identity among rank-and-file manual workers, and "labor class" consciousness among them declined. This developed a collectivistic orientation within the company.

Second, the general educational level was elevated remarkably. Toward the end of the 1950s, 15% of young adults attended four-year universities or two-year colleges; this rate increased to approximately 40% toward the end of the 1960s. This coincided with the change in the employment structure: namely, a decrease of manual workers due to technical innovation, and an increase of non-manual technical and marketing-sales staffs for knowledge-intensive jobs.

Third, income differentiation decreased. The primary determinants of wage differentiation in Japanese firms have been age, length of service, gender, educational level, position in the organization and size of a given firm. Hence, the highest wage earners are expected to be those 50 years old and older, with over 30 years of employment, male, university graduates, and managers in large firms (over 1,000 employees). In contrast, the lowest wage earners were expected to be younger than 20 years old, short-term employed, female, middle school graduate, with rank-and-file jobs in smaller firms (less than 100 employees). Employees at the upper end of the wage scale could earn up to eight

times more than the younger group at the beginning of the 1960s. This significant difference in earning power decreased in the 1970s to a level where experienced, older employees earned four times more than their younger counterparts. Macro-level statistics also illustrated diminishing trends of income differentiation in the 1960s and later.

Fourth, concerning occupational social prestige, jobs that were perceived to be "low" in prestige decreased in both number and proportion. These jobs were gradually performed by machines and industrial robots, or transferred to developing countries.

These trends resulted in a greater inconsistency of status characteristics. According to research by Ken'ichi Tominaga and his associates in 1975, this inconsistency was evident among 60% of the Japanese people (Tominaga ed., 1979). Reflecting these tendencies, the proportion of Japanese people who said that they belonged to the middle class was approximately 60% in the first half of the 1960's, but increased to 90% in the early 1970s.

Besides these egalitarian tendencies, workers' participation in management spread in the industrial and other economic sectors. At the company level, two systems were set up in the majority of large enterprises. One was the joint consultation system as a voluntary mechanism to ensure labor-management communication. The other was the collective bargaining system. According to a survey by the Japan Productivity Center (Tsuda, 1982), at the beginning of the 1980s, this system was already institutionally installed in labor-management relations in 90% of the large private enterprises. At the shop-floor level, small group activities as a system to offer suggestions began in the mid-1960s, and were practiced in approximately 70% of large- and medium-sized private enterprises toward the late 1970s. Both systems contributed to industrial peace and productivity enhancement by removing the activism-oriented, class-based solidarity of labor, and by developing a cooperative climate within the company.

MODIFICATION OF THE JAPANESE MODEL

The oil crisis affected the Japanese industry and economy twice in the mid-1970s, and increasing competition in domestic as well as international markets, resulted in significant changes in the "Japanese Model" (Ishikawa and Ando eds., 1980; Ishikawa, 1989).

The egalitarian tendencies were modified. One noticeable modification was the remarkable increase of non-regular employees, such as part-time workers, casual employees, and workers sub-contracted by small firms. They had low wages and unstable employment conditions, whereas egalitarian traits still continued among regular employees. This explicitly dual structure of employment differentiating regular and non-regular workers was installed into the company organization, and the labor market became stratified.

Another visible modification was the increase in "ability-based" personnel management and a reduction of privileges based on seniority, in terms of wage increase and career promotion. Formerly, for example, the wages and status of employees who had entered a firm in the same year after completing school basically increased in accordance with their age and the length of service. There had been a seniority-based egalitarianism as the basis of the harmonious relationship among workers in the company. Differences in work performance by individual employees were reflected in the bonus (twice a year), but not in the regular monthly salary. This wage system was gradually undermined in the 1970s, and the "ability-based" system began to exceed the "seniority-based" system in the mid-1980s. This resulted in an increasing differentiation in wages between employees of the same age, length of service and education. A similar trend occurred for career advancement in the company.

These changes led to an increasing flexibility in human resource utilization by the management in a company, to improve productivity and economic achievement. While Japan's economy maintained a prosperous path of development, the demands of in the labor markets continued to provide plenty of both regular and irregular jobs, and stable employment with life-long security in the company was ensured for regular workers. As a result, the unemployment rate was consistently very low, namely around 2%, and the income level steadily increased.

Searching for an Alternative Model?

The changes discussed here which were already intensive in the 1980s, have been further accelerated since Japan's economy fell into a long-term stagnation in 1991–92 (Ishikawa and Tajima, 1999). The seniority-based egalitarianism with a collectivistic value orientation has been further undermined in the name of the company's survival, while the achievement-oriented assessment on individual performance has become more

widely established with restructuring. This has led to the promotion of an individualistic value orientation and the growth of short-term strategy choices both by management and employees. These traits are apparent particularly in newly developing industries such as information technology related businesses and mass marketing businesses.

In these changing circumstances, both management and policy makers seem to have abandoned their reliance upon the "Japanese model" which they had believed to be "No. 1". There is now a greater inclination to seek an alternative model coloured by the influence of new liberalism. On the other hand, individual employees have lost their trust in the life-long security that used to be offered by the company. These situations have produced a kind of "anomie" in diverse fields of social and individual life, accompanying an increase of mental illness, suicide, and crime.

To conclude, the frame of reference for modernization in Japan moved from "Westernization" to "Japanization." The current socio-economic reality may require an alternative frame for further development. There is no paradigm at present that may be employed for further modernization. The U.S. model, namely "Americanization", is often considered, in order to fill this vacuum. Though efforts have been made to modify the domestic model in order to adjust to a changing, globalizing environment, these have not had any visible efforts so far.

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THE ROLE OF HUMAN SCIENCES IN THE DIALOGUE AMONG CIVILIZATIONS*

Syed Farid Alatas

Introduction

The question of global peace and harmony among various civilizations and religious communities can be broadly approached in two ways. One way is to engage in conflict resolution after conflicts have occurred. The second way is to engage the other civilization in constant dialogue in order to minimize the intensity of conflicts that are, at any rate, inevitable. In this essay, I seek to understand the preconditions for dialogue among civilizations from the point of view of human sciences. That is to say, what are the requisite characteristics of the human sciences that would allow for inter-civilizational dialogue?

Dialogue literally refers to a conversation between two people. What we have in mind here, however, is more than just that. We envision a conversation on a subject of common interest between two or more individuals or parties, whose beliefs are informed by differing world-views. The ultimate aim of this dialogue is to inculcate an attitude founded on appreciation, understanding, interest and compassion for the cultures and worldviews of the other. Human sciences have a role to play, both in public discourse, as well as in formal education that facilitate this dialogue.

Islam, the West and September 11th

Despite the fact that the attack of September 11th was not an attack of Islam against the West, it is often portrayed as such. Within hours of the attack, people were likening the attack to Pearl Harbor, thus

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* This article draws heavily from previous pieces of mine. See Alatas (2002; 2003; forthcoming).

equating Muslims and the Japanese. Days later, President Bush spoke
of getting Osama bin Laden dead or alive, although unsure that Osama
bin Laden was the culprit. In line with pushing the imagery further into
the past, President Bush then referred to the war against terrorism as
a crusade. Although it is quite likely that the President did not have in
mind a holy war, and that he was using the term in a general sense,
the term "crusade" is as much misunderstood in the Muslim world as
"jihad" is in the West. For the record, he regretted the use of the word
"crusade," and went on to clarify that Islam is a religion of peace, not
to be associated with terrorism.

Nevertheless, Muslims before and after September 11th are also
convinced that the West is against them. This is the extent to which
the demonization of Islam is reflected in media reports of Muslims
and Arabs, Hollywood's stereotypes of Arabs and Muslims, and the
writings of Orientalist-type journalists. This influences public opinion
in the United States and elsewhere. The Italian Prime Minister, Silvio
Berlusconi, did not help matters when he said that "we should be con-
scious of the superiority of our civilization,"[1] or when Alex Standish,
editor of *Janes' Intelligence Digest*, said on BBC's Hardtalk that Islam is
a military religion.[2]

We also have to consider the element of historical consciousness.
Islam has been in conflict with the West since the 8th Century. First,
there were the conquests of Spain and Sicily. The Arabs were in
Spain for 700 years and in Sicily for 500 years. About 200 years of
the so-called Crusades followed. Some centuries later, the Ottomans
threatened to overrun Europe, eventually making their way to Vienna.
Even after the ascendancy of Europe and then America, Muslim civi-
lization continued to constitute a threat and a problem in the form of
anti-colonial and other movements following political independence.
Therefore, the feeling of animosity and threat is deep-seated both in
the West and among Muslims.[3]

In the midst of this, there is a discourse of misrepresentation. Let
me give two examples that deal with the trap of dichotomies. One is
the moderate versus the extremist Muslim. The dichotomy is a cre-
ation in the minds of politicians and journalists and does not have an

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[1] Berlin, 26 September 2001.
[2] 17 September 2001.
[3] For useful introductions to Islam see Ali (1922); Landau (1958) and Armstrong (2000).

empirical referent. However, this dichotomy functions to "educate" the public that moderate and, by extension, less strict Muslims are the good Muslims, while extremist and, therefore, stricter Muslims, are prone to evil. Nothing can be further from the truth. There is actually no correlation between strictness of religious belief and the propensity for terrorist activity. For example, the handwritten document which the FBI claims it found in the luggage of Mohamed Atta, the suspected suicide bomber from Egypt, stated "…in the name of God, of myself, and of my family," something which no Muslim, however irreligious, would ever do. I believe that a study of the biography of terrorists of different religious backgrounds would reveal different levels of religiosity, even though the acts of terrorism may have been committed in the name of religion.

Another problematic dichotomy is that of modern Muslims who regard the United States as a benign power, versus anti-modern Muslims who regard the United States as a malevolent power. This is not to say that a Muslim could not be modern and highly critical of United States foreign policy at the same time. Applying this faulty misconception, but this time not in reference to Islam, is a recent report in *The Sunday Times* of Singapore. The story is of an Indian national who murdered his Singaporean wife of Indian origin. The story revolved around the man as traditional and religious, while the woman was cosmopolitan and liberal. Within a year of their marriage, he stabbed her to death, and was sentenced to 10 years in jail and 15 strokes of the cane.[4]

Therefore, there is clearly a need for dialogue between non-Western civilizations and the West. The year 2001 was the United Nations' Year of Dialogue Among Civilizations.[5] However, all we have heard in the media concerns conflict. Very little on dialogue had been covered. What can we do to prepare for and engage in dialogue? Human sciences have functions both in public discourse, as well as in formal education.

Human Sciences and Public Discourse

More balanced media reporting is needed, which covers, for example, suffering around the world, anti-war protests in the United States and Europe, sane voices from within the Muslim world, cooperation, respect

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[4] The Sunday Times 17 March 2002.
[5] See http://www.un.org/Dialogue/

and love between Muslims and non-Muslim, and so on. Americans need to know that most Muslims are not scruffy-looking, Kalashnikov-wielding war-mongers. On the other hand, Muslims need to know that most Americans are not tough, red-neck, cowboy types.

I would like to give two examples regarding the role of the media in fostering dialogue among religions and civilizations. The first example is the article by Farrukh Dhondy that first appeared in the City Journal, and was reprinted in Singapore under the title "Muslim misfits in Britain."[6] The article drew severe criticism within the Malay-Muslim community of Singapore for what many saw as its objectionable and inaccurate statements on Islam. For example, Dhondy writes that "if you prostrate yourself to an all-powerful and unfathomable being five times a day, if you are constantly told that you live in the world of Satan, if those around you are ignorant of and impervious to literature, art, historical debate and all that nurtures the values of Western civilization, your mind becomes susceptible to fanaticism. Your mind rots." That is, being religious and ignorant of Western culture breeds fanaticism. This is Eurocentrism, combined with very shallow thinking on the nature of the religious experience. Even a less-educated Malay farmer or Bangladeshi construction worker knows that there is no correlation between religiosity and fanaticism. Many Muslims in Singapore were unhappy with the publication of Dhondy's article. Saharudin Kassim, Special Assistant to the President of the Islamic Religious Council of Singapore, critiqued the Dhondy piece, and suggested that such "a malicious piece of writing" should not have been published in *The Sunday Times*.[7] I have a different view. Articles such as these create the conditions for dialogue. Singaporeans would not have benefited from Saharudin Kassim's correction of Dhondy's views had Dhondy's article not been printed to begin with. Many Singaporeans may have held these erroneous views, and this was an opportunity for them to be corrected. In a sense, the printing of misguided opinions also have their function. I would encourage more of these discussions in the media.

The second example is the article by Asad Latif, "Secularism protects all faiths."[8] This is also misleading in that it gives the impression that it is

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[6] The Sunday Times 23 December 2001.

[7] "It's a malicious piece of writing, not a critical exposition," The Straits Times 2 January 2002.

[8] The Straits Times 31 December 2001.

the virtues of secularism that have aided Singapore in withstanding the shocks emanating from the September 11th terrorist attacks. While this is an erroneous view, it does provide us with an opportunity to correct it and, in doing so, to enter into dialogue with both religious as well as secular groups. This view needs to be corrected because it deflects our thinking from the historical realities. If we understand secularism as an attitude underlying various ideologies that is hostile or indifferent to religion, and the religious outlook and worldview, then logic would have it that secularism is not free of ideology anymore than religion is.

Further, experience tells us that the worst cases of genocide in recent history occurred in the name of secular ideologies, namely, fascism, liberal democracy, and socialism. I am referring to the Nazi holocaust, the bombing of Hiroshima and Nagasaki, and genocide under Stalin and Polpot. Of course, it would be as illogical to conclude that secularism is the cause of such genocide, as it is to conclude that secularism is the reason behind religious harmony. I feel it necessary to clarify these distinctions because of a dominant perception that religion is the cause of many problems. This view is based on the notion that religion breeds intolerance. It is more accurate to say that all belief systems are corruptible and can be perverted, and that there are specific social and historical conditions that result in these perversions.

THE PROBLEM OF EUROCENTRISM

Human sciences must go beyond merely correcting the fallacies and distortions of public discourse. They must attack the root of the problem, which is the problem of Eurocentrism in social science education that ultimately informs public discourse. I would like to provide an illustration of the problem of Eurocentrism, with recourse to the concept of religion, by drawing from the work of Joachim Matthes (2000). This concerns the translation of cultural terms, such as religion, into scientific concepts. Social scientific concepts originate from cultural terms in everyday language. As such, they present problems when brought into scientific discourse, and when used to talk about areas and periods outside of those of their origins. The result is a distortion of the phenomena that they are applied to.

The Latin *religio*, from which the English term religion is derived, was a collective term referring to diverse practices and cults in and around Rome, prior to the emergence of Christianity. When Rome became

Christian, Christianity became the dominant belief, and all other beliefs were absorbed or eliminated. *Religio* was not applied to Christianity as there was no need to—it was the only legitimate belief, so it was simply known as the Church. With Luther and the Protestant Reformation, *religio* referred to Christian beliefs and a way of life separate from the institution of the Catholic Church. It opposed the clergy, and was the layman's religion. In 1593, the French philosopher, Jean Bodin, published his *Colloquium Heptaplomeres* (*Colloquium of the Seven about the Secrets of the Sublime*). This was a generalized understanding of religion and included non-Christian faiths. By the 18th century, "religion" evolved to be used as a scientific concept, referring to belief systems other than Christianity.

While "religion" meant all beliefs, when European scholars wrote about religion critically, they had in mind Protestantism (as in Marx's reference to religion as the opium of the masses), or the institutional religion (Catholicism), as opposed to the religion of the believers (Protestants).

When "religion" is applied to beliefs other than Christianity, for example, Islam or Hinduism, there is an implicit or explicit comparison with Christianity, which results in a distortion of reality. According to Matthes, the logic of comparison is such that the two things to be compared are subsumed under a third unit which is at a higher unit of abstraction. For example, apples and pears are subsumed under fruits. "Fruits" become the *tertium comparationis*. Similarly, Christianity and Islam are subsumed under religion. The problem with this is that the characteristics of religion are derived from Christianity to begin with. Therefore, the supposedly general scientific concept "religion" is culturally defined by Christianity. Islam is looked at in terms of Christianity, rather than compared to Christianity in terms of a tertium comparationis, a general concept of "religion."

What reality is lost? What is the distortion of Islam? Religion is understood in the West as a private matter, and not as a matter of the state and church. Therefore, there are dualities, such as sacred versus profane, and religious versus non-religious. Also, religion in the West refers to the beliefs and private lives of believers. The danger is that Islam is also seen in these terms, when in fact there are no such dualities in Islam. For example, there is no distinction between secular and religious education. All knowledge and education is either about God or the creations of God.

Another example comes from the application of the concept of religion to Hinduism. The term "Hindu" was first used in the eighth

century to refer to people who lived on the other side of the Sindhus or Indus River, on the Indian sub-continent (Sinha, 1991: 1). This was externally imposed to encompass a wide variety of beliefs, covering a vast area of land. It originally had geographical connotations which had since been undergoing transformation (Sinha, 1991: 2). The adherents of these beliefs did not always consider themselves as belonging to the single religious entity that we now know as Hinduism. Yet many textualist and essentialist studies of Hinduism, such as that of Max Weber (1958), subscribed to these constructed myths.

What are the problems with these constructions of non-Western experiences that utilize Western concepts?

1. The mix of fact and fiction. The beliefs of peoples such as those of Muslims and of the Indian sub-continent are not understood according to their self-understanding. There is a mix of fact and fiction in that facts are organized into a coherent framework that is derived from Christian categories posing as the *tertium comparationis*, so that the resulting construction is somewhat mythical.
2. The imposition of categories from the outside. Categories such as "religion" or "Hinduism," imposed from the outside, that is, by European scholars, result in constructions that do not accord with the self-description of the communities concerned.
3. Homogenization. There is an attempt to homogenize societies and communities, thereby hiding complexities. Simply stating the commonalities of the people who live on the Indian sub-continent veils not only contrary self-understandings, but also the variety and heterogeneity of religion in India.

It should be noted that the sociology of religion, especially where the study of Buddhism, Hinduism and Islam are concerned, is very backward. A proper approach would be to develop the *tertium comparationis* from a comparative study of concepts in all of these belief systems. The development of what we may term as alternatives to Eurocentric discourses, therefore, requires familiarity with the local or indigenous tradition, which is understood by Kim Kyong-Dong to mean both the classical tradition as well as the world of popular discourse.[9] Knowledge of the local or indigenous is a prerequisite for the development of the

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[9] Kim, personal communication, 21 June 1996. See also Kim (1996).

tertium comparationis. The general problem of irrelevance has been noted in the literature of the various human sciences in a number of intellectual communities throughout the world (Alatas, 2001).

ASIAN RESPONSES TO THE PROBLEM OF EUROCENTRISM

Although the leading theoretical perspectives that originated in Europe and America have not always been relevant in the foreign milieu, their continuing presence in university syllabi and lists of references in journal articles in the non-West testify to the process of adaptation to the "rules of the dominant caste within the Euro-American social science game" (Kantowsky, 1969: 129). The Indian thinker and reformer, Rammohun Roy (1772–1833), was among the earliest to counter Eurocentric thinking. Roy lived during a period of intense proselytization activities carried out by British missionaries among the Hindus and Muslims of India. Roy was critical of the derogatory attitude of the English missionaries towards Hinduism and Islam. Replying to British objections against the literary genres of the Vedas, Puranas and Tantras, Roy argued that the doctrines of the first were more rational than Christianity, and that the teachings of the last two were not more irrational than what is found in Christianity (Roy, 1906, cited in Sarkar, 1985[1937]: 622).

   Benoy Kumar Sarkar (1887–1949) systematically critiqued various dimensions of Orientalist Indology. Writing in the early part of this century, Sarkar was well ahead of his time when he censured Asian thinkers for having fallen "victim to the fallacious sociological methods and messages of the modern West, to which the postulate of an alleged distinction between the Orient and the Occident is the first principle of science" (Sarkar, 1985[1937]: 19). He attacked Eurocentric notions such as the inferiority of Hindus in science and technology, the one-sided emphasis on the other-worldly and speculative dimension of the Hindu spirit, and the alleged dichotomy between Orient and Occident (Sarkar, 1985[1937]: 4, 18, 35). He was also critical of the methodology of the prevailing Indology of his times on three grounds: (i) it overlooked the positive, materialistic and secular theories and institutions of the Hindus, (ii) it compared the ancient and medieval conditions of India with modern and contemporary European and American societies, and (iii) it ignored the distinction between existing institutions on the one hand, and ideals on the other (Sarkar, 1985[1937]: 20–1). Sarkar was very explicit about his call for a new Indology that would demolish the

idols of Orientalism as they are found in sociology (Sarkar, 1985[1937]: 28–9). Although Sarkar tended to be Hinducentric in some of his interpretations pertaining to the history of ideas in India, this does not detract from his critique of Orientalism.

In 1968, the well-known Indian periodical, Seminar, devoted an issue to academic colonialism, which was understood in terms of two aspects. One aspect referred to the use of academically generated information by overt and covert North American agencies to facilitate political domination of Afro-Asian countries. The other aspect refers to the economic, political and intellectual dominance that North American academics exercise over academics elsewhere (Saberwal, 1968: 10).

Despite awareness of the state of the human sciences in India for all these decades, J.P. Singh Uberoi's indictment of foreign aid is as relevant today as it was in 1968:

> The existing system of foreign aid in science, to which the international-ist notion of collaboration lends credence, in truth upholds the system of foreign dominance in all matters of scientific and professional life and organization. It is nothing but the satellite system, with an added subsidy. It subordinates the national science of the poor to the national and international science of the rich. It confirms our dependence and helplessness and will not end them (1968: 120).

According to Saberwal (1968: 13), the "dependence on North American sponsors is pathetic; its consequences for problem selection, research design, and modes of publication are disastrous." The need, therefore, for alternative discourses in India was keenly felt, and did result in a critical tradition of scholarship in the social sciences and historical studies. One has only to mention the early example of Subaltern Studies to realize this.

Another interesting example is Rabindranath Tagore's (1919) "The Home and the World." Tagore challenged commonplace notions, and attempted to transcend ideas founded on an East-West dichotomy. An example of his undermining or questioning of this dichotomy can be seen in "The Home and the World." While this is fiction, it also serves as a theoretical reflection of history. Standard Marxist accounts tend to view the aristocrat as oppressive, and seek to advance the interests of the old order, while the patriot and nationalist may be portrayed in a more positive and progressive light. It is partly for this reason that, as Ashis Nandy (1994: 15–16) points out, Georg Lukacs' (1983) review of "The Home and the World," being based on a Eurocentric Marxist reading of Tagore, was highly unfavorable.

TEACHING IN THE SPIRIT OF ALTERNATIVE DISCOURSES:
PREPARATION FOR DIALOGUE AMONG CIVILIZATIONS

I, and a colleague at the National University of Singapore, have tried to introduce into our teaching the spirit of the critical tradition of alternative discourses, a tradition that is conscious of the problems of Eurocentrism and academic colonialism. I am not suggesting that no other colleagues in Singapore draw from Indian works or experiences, but I can say with confidence that these cases are extremely rare. Using a more personal account, I will illustrate our concerns with non-Western scholarship in the human sciences with an example from our teaching of sociological theory at the National University of Singapore.

Why read or teach the works of Marx, Weber, Durkheim or other long since departed European authors to a class of Singaporean or Southeast Asian students? What do the ideas of three European theorists who were born in the last century, and in a different cultural milieu, have to do with the non-European regions of the world today? While the various calls for alternative discourses have in theory questioned the existing paradigms in the social sciences, they have so far been unable to displace the fundamental assumptions of specific disciplines in practice. The pragmatic need to reproduce disciplines such as sociology and anthropology demands that certain continuities with the past be maintained. Hence, it is not insignificant that the critique of the human sciences is confined to the professional arena (that is, scientific journals, conferences and other academic forums), with the participants being established scholars, and not students. Critiques of the social sciences that emanated from academic institutions in Asia, Africa and Latin America tended to remain at an abstract and reflexive level. There had been several thoughtful pieces on the state of the various disciplines, raising the issue of the lack of connectedness between social science and the societies in which it was taught. However, calls to decolonize the social sciences were generally not followed by successful attempts to build 'indigenous' theories and autonomous social science traditions, that were delinked from the academic core of Western Europe and North America. Neither have these calls manifested themselves at the level of teaching in the social sciences. Courses on sociological theory throughout the world tend to be restricted to discussions and expositions of the works of Marx, Weber and Durkheim, in addition to those of other nineteenth century Western scholars.

Given this scenario, my colleague, Vineeta Sinha, and I have attempted to deal with the issue of teaching sociological theory by way of a more universalistic approach. This includes raising the question of whether sociological theorising had been done outside of the bounds of European modernity. This would imply changes in sociology theory curricula. We have been experimenting with various approaches entailing changes in the way sociological theory is taught. Some interesting results came out of these changes, and were reported in the journal, *Teaching Sociology* (Alatas and Sinha, 2001).

These changes involved, among other things, introducing Asian thinkers, grappling with similar problems of social change and emerging modernity, to nineteenth century European scholars. For example, the works of Ibn Khaldun, Rammohun Roy, Jose Rizal and Benoy Kumar Sarkar were taught in addition to those of Marx, Weber and Durkheim. We also plan to introduce the ideas of East Asian thinkers such as the Japanese, Ogyu Sorai (1666–1728) (Najita, 1998).

I followed a similar logic in another course I taught, "Development and Social Change." The aim of this course was to understand the different reasons why peoples' lives in so many parts of the world are affected in one way or another by poverty, income inequality, low levels of education, corruption, political oppression, and other features of underdevelopment. The complexity of the development process can be grasped from the multitude of explanations that have emerged since the nineteenth century, and include those from India. These include D. Naoroji who wrote at the turn of the last century (1962[1901]), and the Indian Marxist M.N. Roy (1971[1922]).

The purpose of these changes to the courses or curriculum lies in the need to educate people about the multicultural origins of modern civilization, about the contributions of Muslims, Indians and Chinese to modern Europe, about the positive aspects of all these civilizations, and about the common values and problems that humanity shares. A course on World Religions should be introduced to the schools. Children should not only be learning about their own religions, but about all religions. Apart from this subject, the theme of inter-religious experience can be reflected in other subjects such as social studies, literature, geography and history. All this would require a serious re-examination of the curricula of schools and universities.

Due to the relative autonomy that university professors enjoy, we are in a position to make such changes in the courses that we teach, even

if entire curricula cannot be revamped along these lines. In addition to the two courses mentioned, I have attempted to put into practice some themes that I believe should inform the dialogue among civilizations in a course entitled "Islam and Contemporary Muslim Civilizations."

This is an introductory course to Muslim civilization. Emphasis is on the historical, cultural and social context of the emergence and development of Islam, and the great diversity that exists in the Muslim world, from Morocco in the west to Indonesia in the east. The course is divided into five sections. The first section, consisting of two lectures, provides an introduction to the study of civilizations in general, defines Islam as belief, practice, creed and civilization, and briefly discusses the origins of Islam. The second set of lectures discusses the spread of Islam and encounters between Islam and the West in the past. This part of the course introduces the major cultural areas within Muslim civilization, that is, the Arab, Persian, Ottoman, Moghul, and Malay. It covers topics such as the Muslim conquest of Spain and Sicily, the Crusades, and the Islamization of Southeast Asia. The third part of the course examines the cultural dimension of Muslim civilization, with particular emphasis placed on the religious and rational sciences that developed among the Arabs and Persians, their contact with Greek heritage, and the impact that Islam had on medieval European philosophy and science. Also discussed in this part of the course are the literary and artistic dimensions of Muslim civilization. The fourth part of the course focuses on current issues in the contemporary period (post-World War II). Particular emphasis is given to the emergence of Orientalism in Europe and the Islamic response to it. This section also provides an overview of the political economy of the Muslim world, setting the stage for discussions on a number of contemporary problems and issues such as gender, underdevelopment, Islamic revivalism, and imperialism.

All this seems a lot to cover in one course. It would be if the objective of the course was to impart knowledge of the facts and events concerning Islam as a civilization. However, this is not the dominant aim of the course. The main objective is to bring students to an understanding of what I understand as the three central themes of the study of civilizations.

1. Intercivilizational encounters. The study of Islam is one case of encounter between civilizations. As Islam was the only civilization to have conquered the West, and to have been in continuous conflict with the West, it is important that people be introduced to

the idea that such civilizational encounters are not always negative. The Crusades, for example, resulted in many scientific and cultural borrowings between Muslims and Europeans.

2. Multicultural origins of modernity. Modern civilization is usually defined in Western terms. However, many aspects of modern civilization come from Islam and other civilizations, including the sciences, the arts, cuisine, and commercial techniques. The university is a fine example. The notion of the university as a degree granting institution of learning was developed and put into practice by the Muslims by the tenth century, and adopted by the Europeans in the thirteenth century. This includes the idea of the hierarchy of teachers and scholars, the idea of a chair (professorship), and the idea of the degree (Makdisi, 1980). When we add to this the examination system developed by the Chinese, we then get the modern university.

3. The variety of points of view. The study of Islam provides us with an opportunity to experience the multiplicity of perspectives from which any one fact or event can be viewed. For example, most works on the Crusades provide accounts from the point of view of the European Crusaders. The perspective of Muslims who fought the Crusaders, and then lived amongst them when European soldiers settled in and around the Holy Land between Crusades is instructive, as it helps to complete the picture of an otherwise fragmented reality. Another example of this concerns the *hijab* or head covering worn by many Muslim women. While in some settings it co-exists with the oppression of women, in others it is a symbol of liberation. It is important, for example, to expose students to the experiences of Muslim women who wear the *hijab* in order to escape the critical gaze of the fashion and beauty industry.

Conclusion

It can be said, therefore, that the role of human sciences in the dialogue among civilizations covers a number of areas:

1. The participation in and monitoring of public discourse with the objective of breaking stereotypes and unsettling commonly held notions that typically translate into prejudiced views.
2. The formal education of the public at all levels, that is, primary, secondary and tertiary education, such that intercivilizational encounters,

the multicultural origins of modernity, and the variety of points of view, inform the development of curricula. In order for this to be done on a sound intellectual basis, there must be serious efforts to develop adequate *tertium comparationis*.

3. Greater interaction among social scientists in Asia and Africa, and more support to journals and other scientific publications that are produced out of these regions. In order for dialogue among civilizations to be facilitated, particularly between the West and other civilizations, it goes without saying that serious inroads must be made in the trafficking of stereotypes by the media. It is not enough to stop there, as the media and public discourse themselves are influenced by knowledge that is produced in the universities, research institutes and think tanks. Therefore, the problem has to be dealt with at the level of knowledge production in these institutions, that is, teaching and research. This in turn would mean a greater need for interaction among scholarly communities in the various civilizations.

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PART TWO

THE SPIRIT OF CAPITALISM IN EAST ASIA

ASIAN VALUES IN CAPITALIST DEVELOPMENT REVISITED

Jonghoe Yang and Hyun-Chin Lim

INTRODUCTION

Recent economic troubles in many of the East Asian countries including Thailand, Malaysia, Indonesia, South Korea, and Japan to a lesser extent have once again triggered a debate on the role of "Asian values" in regional economic development. The concept of Asian values, a set of values or a value system supposedly representing the unique cultural traits of Asia, or the Orient, has been used since the 1980s by some researchers and journalists in their search for factors that can explain the rapid and prolonged economic growth in the East Asian region. Impressed by Japan's ascent to the status of advanced industrial countries comparable to Western nations, the subsequent high-speed economic development achieved first by the so-called four little dragons, and by the newly industrializing periphery of Thailand, Malaysia, and Indonesia, some scholars began to pay increasing attention to these countries' common cultural heritage and concluded that a distinct value system unique to this region might be responsible for their remarkable economic performance in the past thirty to forty years. Initially regarded as a positive phenomenon comparable to the Protestant ethic in the early stages of capitalist development, Asian values have since been blamed for the recent economic failure in these countries.

This sudden change in the fate of Asian values in the hands of Western scholars has drawn sharp criticisms from scholars and journalists in this region. The latter pointed to the ideological overtones—an apparent manifestation of Orientalism—of those who advocate the Asian values thesis. Besides these scholarly exchanges, a few prominent Asian politicians joined the debate for mainly political purposes. For example, Lee Kuan Yew, former Singaporean prime minister, has fervently defended Asian values, especially authoritarianism and collectivism supposedly originating from the Confucian heritage. He sparked

a heated debate on the issue of human rights and democracy.[1] Thus, Asian values are accused of being used to justify an Asian model that pays lip service to democracy but instead supports an authoritarian and patriarchal political system.

The ideological use and misuse of Asian values have not only drawn sharp criticism from academic circles but also initiated serious attempts to reexamine the issue more objectively. This article attempts to do precisely that. Its main purpose is to critically review existing arguments on the issue of Asian values, especially discussions on their role in East Asian economic transformation, and to clarify the issue in order better to understand the experience of East Asian economic development.

The Concept of Asian Values

Though the term "Asian values" has begun to be used recently, it has a rather long history in the search for cultural factors that explain East Asian economic development. It was apparently inspired by Max Weber's famous thesis, *The Protestant Ethic and the Spirit of Capitalism*. Then, starting from Robert N. Bellah's linking of the Tokugawa religion with Japan's modern transformation, many social scientists, both Western and Asian, found the clues for East Asian economic development in the region's distinct cultural tradition. Some politicians have joined this interpretation, finding it useful in defending their authoritarian regimes from both inside and outside pressures. In this process, the term has become a polysemous concept with multifarious uses. Thus, it is necessary to sort out its various meanings and uses before embarking on an analysis of the relationship between Asian values and economic development.

The concept of Asian values presupposes the existence of a particular set of values common in Asia. Since Asia is merely a geographical term denoting a vast area comprising extremely diverse cultures and national identities, the term can only make sense when it is contrasted with an equally vast entity. Indeed, it was Western scholars who first adopted the term when they encountered the developmental experiences of Japan and the four little dragons. East Asian economic development came

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[1] See, for example, Zakaria, Fareed. "Culture is Destiny: A Conversation with Lee Kuan Yew." *Foreign Affairs*. 73(2): 109–26; Kim, Dae Jung. "Is Culture Destiny?" *Foreign Affairs*. 73(6): 189–94.

as both a psychological and political shock to them, not only because such economic development outside the Western world was unfamiliar, but also because deep-seated feelings of cultural superiority were being challenged (Castells, 1998: 215). For these scholars, Asian values simply means the East Asian model of development, contrasted with modern Western values. In this sense, Asian values refer to the characteristics of traditional East Asian culture that might have influenced the East Asian experience of economic growth. This interpretation, however, depends on the tradition-modernity dichotomy that necessitates distinguishing between traditional Asian values and the ones found in contemporary East Asia.

On the other hand, some Asian scholars and politicians have adopted the concept of Asian values as "a reaction against post-cold war Western triumphalism, [that] can be summed up by the two famous works by Francis Fukuyama and Samuel Huntington" (Moody, 1996: 168). Prominent Asian political figures such as Lee Kuan Yew and Malaysia's premier, Mohamad Mahathir, find in Asian values alternative visions to those presented by the West, particularly by the United States. These political leaders use the concept to defy Western and American domination and to search for national identity and integration. This was clearly manifested in the 1993 meeting of Asian countries in Bangkok on human rights, which proclaimed that human rights are not absolute nor universal but are contingent upon culture, history, and the level of economic development. They see in American claims concerning human rights nothing but an ideological instrument for asserting American domination of the world (Moody, 1996). Some scholars, notably Tu Wei-Ming, David Hall, and R. Aims, have suggested that Asian values, especially Confucian ones, could be a mitigating force to remedy the negative aspects of Western modernity, as well as a means of coping with the cultural crisis in post-industrial society (Lee, 2000). However, it should be noted that if this definition is seen from a different perspective, Asian values can be used to justify authoritarianism.

Despite such ideological uses of the term Asian values, some authorities find the concept plays a useful role in the scientific explanation of East Asian economic development, especially those who are not satisfied with the explanation of the economic development experience. They have searched for some common features in Japan and the four little dragons and noted that these countries have all been influenced by the Confucian tradition. Inspired by Weber's thesis on the Protestant ethic, they have tried to find the oriental equivalent of the Protestant

ethic in the Confucian cultural tradition. In this case, Asian values refer specifically to Confucian values, which have supposedly contributed to economic development in these countries. The most often cited values of the Confucian tradition include familism, communitarian collectivism, emphasis on education, primacy of the state, hierarchical authoritarianism, this-world orientation, tolerance and flexibility of the Confucian ethic, harmony and cooperation, self-cultivation, and work ethics such as thrift and diligence (Kook, 1999). However, the list of Confucian values that might have contributed to (or hindered) East Asian economic success varies depending on particular researchers and studies.

From the above review of the concept of Asian values, it is clear that the concept has diverse meanings and has been used for various purposes, including ideological and political ones. Since the purpose of this article is to consider the relationship between Asian values and economic development, the use of the term will be confined to specific Confucian cultural elements that are suggested as having relevance to economic development in East Asia, omitting ideological and political connotations attached to it.

THEORETICAL APPROACHES TO EAST ASIAN ECONOMIC DEVELOPMENT

The remarkable economic success achieved by many of the East Asian countries has been well documented. Thus, it should suffice to mention that following Japan's lead, the first non-Western countries that joined the group of advanced industrial countries after World War II, were the four little dragons (South Korea, Taiwan, Singapore and Hong Kong). These countries have recorded high growth rates since the 1960s and were soon followed by Southeast Asian countries such as Thailand, Malaysia, and Indonesia. This sequential pattern of development is sometimes dubbed the flying geese model, emphasizing the Japanese model of development emulated by others in sequence. This is one of many examples that attempt to find a single model of development to describe the experiences of economic transformation in these East Asian countries.

Basically, five theoretical approaches appear to explain these remarkable experiences: a modified modernization theory, world system/dependency theory, neoclassical economics, developmental state theory, and the cultural approach. Each of these theories will be reviewed briefly before examining in greater detail the Confucian capitalism argument

that is the most explicit approach connecting Asian values, represented by the Confucian ethic, to East Asian development.

Modernization, Dependency, and Neoclassical Theories

Modernization theory is probably the oldest theoretical approach in examining the issue of development in newly industrializing countries. By now, however, it has largely been abandoned. Recently, there have been attempts to revive the theory in a modified form to explain the social transformations occurring in newly industrializing countries.[2] According to Kyong-Dong Kim, a persistent advocate of a modified modernization theory, modernization is basically an international acculturation process, shaped by the interplay of the internal and external forces in the global context. It is a process of tilted acculturation because it is mainly an effort on the part of developing countries to adapt to the changing global environment. Furthermore, it is selective adaptation since, in the process of adaptation, the principle of political selectivity plays an important role. After examining the capitalist development experienced by East Asian countries, Kim identifies five common threads: favorable global conditions; strong nationalism in the face of external threats; an unusually strong psychological motive instigated by an awareness of domestic and regional security; strong control of internal stability by the state; and the extraordinary entrepreneurship of the private sector (Kim, 1994: 87–106). However, he is skeptical about the positive role of Confucianism in the process of East Asian modernization. According to Kim, it was not Confucianism but the impact of Western modernization and a strong sense of nationalism that have provided the impetus for change in this region (Kim, 1994).

The dependency/world system theory was fashionable during the formative years of East Asian development, but is no longer popular in most East Asian countries. The dependency theory is basically a theory of underdevelopment, emphasizing the exploitative nature of economic relations between the core and peripheral countries. This theory lacks a coherent explanation for the peripheral development as experienced by the four little dragons. A modified version of the theory, however, does explain so-called dependent development, utilizing such

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[2] See, for instance, Alvin Y. So, *Social Change and Development: Modernization, Dependency, and World-System Theories* (London: Sage, 1990), ch. 4.

concepts as the triple alliance among the state, local bourgeoisie, and multinational corporations (Evans, 1979; Lim & Yang, 1987). However, dependent development is a limited development, and cannot anticipate a prolonged experience of high economic growth such as we have seen in the East Asian countries. Still, the theory provides some important insights in understanding development and underdevelopment in a global context, such as the dynamics of the world capitalist economy and of class relations, which could be crucial in accounting for development in the periphery. At the same time, however, it tends to neglect other social and cultural variables, especially internal factors.

Neoclassical economic theory explains the East Asian economic success in terms of the theory of comparative advantage first advanced by Ricardo (Ricardo, 1978). According to this theory, the export-oriented development strategy of these countries is largely responsible for their remarkable economic growth because these East Asian nations have comparative advantages when it comes to the export market. This is purely an economic explanation based on the dynamics of a free market that must be immune from outside intervention. Neglect of political, cultural, and social factors is a major weakness, especially in accounting for East Asian economic development in terms of institutional and cultural approaches.

Institutional Approaches

In many ways, the experiences of East Asian development are quite different from Western experiences due to differences between the two regions in terms of historical, structural, and cultural aspects. Thus, there have been efforts to reflect the distinct nature of the East Asian economy and society in explaining their economic development. Depending on the emphasis, these efforts are divided into institutional and cultural approaches.

The best and probably most popular example of the former is the developmental state theory. It basically takes a political economy approach, emphasizing the role of the state in economic development. Chalmers Johnson, one of the first researchers who proposed this model, argues that the major impetus for Japan's economic development was the harmonious combination of political authoritarianism and a capitalist economy. At the core of this argument and of the theory as a whole is the assertion that the market in less-developed countries cannot develop

spontaneously as classical economic theories might indicate, but requires the active and efficient intervention of the state (Johnson, 1987).

However, not all forms of state intervention produce successful market growth. At this juncture, it is necessary to distinguish between the developmental state and the predatory state. The developmental state is one that establishes as its principle of legitimacy its ability to promote and sustain development, a combination of steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the international economy (Castells, 1998). This concept of the developmental state necessarily requires the autonomy of the state from societal forces so that it can plan and implement longer-term economic policies. In the East Asian context, the developmental state has played an active role not only in capital accumulation and investment distribution, but also in controlling finance, the market, taxation, and pricing, thus effectively regulating the relationship between the domestic industry and the international economy (Lim, 1998: 59). In economic terms, the developmental state seeks to implement mercantile policies (Yoon, 1998).

However, as the recent economic crisis in East Asia shows, the developmental state model has inherent limitations, especially in the new global economy where protectionism is no longer allowed. Economic success itself can erode the embedded autonomy of the developmental state, since the capital accumulation process is necessarily accompanied by class formation and differentiation. The state's control of the finance sector can also lead to the deepening of government-business collusion, which is likely to result in problems of moral hazard and corruption evident in the recent economic crisis in Korea (Lim, 1998). Moreover, the model cannot sufficiently answer critical questions such as why only certain East Asian countries, among the many with strong states and intervention policies, have succeeded in their efforts to develop, and why the state in these East Asian countries has not become predatory in spite of the almost absolute power that ruling elites have had. Thus, some researchers have turned to cultural aspects in their search for crucial factors that might help to explain the uniqueness of economic success in East Asia, beyond the political economic interpretation of the developmental state theory.

ASIAN OR CONFUCIAN VALUES AND EAST ASIAN
ECONOMIC DEVELOPMENT

In contrast to the developmental state model that emphasizes political-economic factors, the cultural approach interprets the East Asian experience of economic success in terms of Confucian values as the primary impetus for economic development. These values are deemed to be equivalent in their functions to the Protestant ethic in the earlier stages of Western capitalist development.

The efforts to search for cultural factors to explain the remarkable economic success in East Asia started as early as 1957, when Robert Bellah found in the Japanese religion of the Tokugawa period the functional equivalent of the Protestant ethic. But it was Herman Kahn who first noted in 1970 that Confucian values might have played a key role in Japan's economic ascent (Kahn, 1970). A few years later, Nathan Glazer (1999) pointed to the distinctive values and effectiveness evident in Japanese education and the Japanese workplace to help explain its economic growth.

Roderick MacFarquhar is among the first cohort of researchers who explored the role of Asian values in the process of economic development of the four little dragons in East Asia (MacFarquhar, 1980). He argues that Confucian collectivism fits better in contemporary mass industrialization than Western individualism, which was effective in early industrialization. In a similar vein, Peter Berger (1988) points out that Confucian ideology and values rather than rationality and individualism were conducive to East Asian economic development. The East Asian model of development, which Berger and others propose as a distinct model from the Western one, stresses differences in economic behavior among nations with different cultures and rejects the universalistic application of the Western model to other countries. On the other hand, Hofheinz and Calder note some distinct characteristics of the political structure in East Asia, such as flexibility, predictability, and stratification, that are favorable for economic development (Hofheinz & Calder, 1982), while Tai proposes the affective model that emphasizes collectivism and harmony in Confucian culture (Tai, 1989).

The 1980s and 1990s have witnessed a growing interest in Confucian ethic and values, as well as a more sophisticated and balanced treatment of the relationship between Asian or Confucian values and East Asian economic success. For instance, a new interpretation of the relationship treats Confucian values not as an independent variable

but as a mediating factor that facilitates institutional change necessary for industrialization (Kim, 1994; Lim, 1998). Others argue that it was not Confucian values as a package that helped economic development in East Asia. Instead, certain elements had positive effects while others elements were negative. Thus, according to Seung-Whan Lee, traits of Confucianism such as strong leadership, group loyalty, reverence for family, community awareness, and harmonious human relations, and virtues such as cooperation, unity, frugality, modesty, enthusiasm toward education, and self-realization, represent the positive aspects of Confucianism. On the other hand, patriarchal authoritarianism, sectarianism, intricate webs of relationships, favoritism, corruption, and bribery are negative elements of Confucianism (Lee, 2000).

Still others note that some elements are present and effective while others are dead or defunct. In his recent paper, Glazer points out that Confucian values at the family level, such as strong family connections, the commitment to education, and work, still persist and are important for economic effectiveness, but the conception of the state as the revered teacher and father does not exist anymore (Glazer, 1999). A fourth version holds that Confucian values may be effective in certain stages of development, but not necessarily in other stages. Thus, Sung-Joo Han states that Asian values such as a paternalistic state, government guidance and protection of private enterprise, a communitarian outlook and communalistic practices, and an emphasis on social order, harmony, and discipline were helpful during the earlier stages of industrialization. However, these same values have been an impediment in East Asian countries as they adjust to the new age of interdependence and globalization (Han, 1999: 4). Likewise, Min-Ho Kook holds that certain elements of Confucian ethics such as its this-world orientation and flexibility have played an important role in the process of capitalist development, while such values as familism, strong work ethic, communitarianism, collectivism, and hierarchical authoritarianism were effective when strong centralized power and long-term plans were needed (Kook, 1999).

In recent years, however, a modified version of the Asian or Confucian values thesis has emerged. This new theory of Confucian capitalism argues that there has emerged a unique capitalist economic system in East Asia, quite different from the Western one. Seok-Choon Lew (Lew, 1997), a proponent of this theory, contrasts Confucian capitalism with Western capitalism. According to Lew, the bourgeoisie carried the Protestant ethic that triggered the rise of capitalism in the West; but in

the East, it was the government bureaucrats who steadfastly ascribed to Confucian values. In other words, government bureaucrats as a group were the major actor in the process of Confucian capitalist development. The state intervened in the market and mobilized the civilian sector through social networks based on family, school, and locality. The state nationalized banks, controlled the credit market, and intensively promoted target industries according to the overall development plan.

In the process of the state's preferential treatment of certain industries, conglomerates were born. In Confucian capitalism, business corporations need the state to guarantee the reduction of transaction costs, thus mobilizing personal connections based on family and kinship, school, and the locality to get access to the state's special benefits. Thus, the government-business nexus is a major characteristic of Confucian capitalism.

The reason why this seemingly inefficient and corruption-prone collusion between government and business has worked well to promote capitalist development in East Asia is that the state has supported the conglomerates according to two important principles. One principle is that conglomerates must be competitive in the international market in order to become recipients of the government's preferential treatment. This is precisely what has served as the means for regional states to implement export-oriented economic policies. The second principle dictates that the state must not completely abandon the market but needs to maintain at least minimum competitiveness, even while the state actively intervenes in the market on behalf of state-supported corporations. In this way, the state can ensure the provision of special benefits to those corporations that are competitive and efficient in the market. Together, these two principles serve as the backbone that keeps Confucian capitalism functioning well while producing economic growth (Lew, 1997). This is a cultural version of the developmental state theory, and reverses the effects of certain Confucian values from negative to positive, or vice versa. Empirical data is lacking to support this theory; however, and it suffers from obvious limitations such as the inherent ambiguity of cultural explanations as well as the neglect of external factors.

Criticism of the Asian Values Thesis

The term, Asian values, is a misnomer because the concept itself is fundamentally flawed for a couple of reasons. First, Asia is a vast region comprising a variety of diverse national, cultural, and ethnic identities.

If we confine our discussion to the East Asian region, a focal point for discussion on the possible relationship between economic development and Asian values, we are more likely to encounter cultural diversity than similarity. For instance, Japanese culture is an amalgam of Shintoism, Confucianism, and Buddhism compared to Confucianism as the major cultural heritage in Korea, Taiwan, and Singapore. Moreover, most of the Southeast Asian countries differ from Northeast Asian countries and from each other in terms of cultural values and practices. For instance, Malaysia and Indonesia are predominantly Islamic while Thailand is a Buddhist society.

Second, it is usually hard to find a well-integrated value system in contemporary societies. Many of the countries under consideration have undergone a process of tremendous transformation for the past century, after a long period of social and political stability. In the late 19th and early 20th centuries, Asian nations encountered the West, a totally alien cultural force, and were forced to adapt to or be assimilated. Western powers, Japan, and in some cases, both, colonized many of these nations. Since that time, their cultures have changed rapidly to the extent that few traditional cultural traits have remained intact. While it is true that values do not change easily, it is also true that values are not a permanently fixed. Instead, they are in a state of constant flux and can change rapidly under certain circumstances. It is a myth that traditional cultural systems, such as the Confucian one, are still behind major institutional arrangements and everyday practices in East Asian countries. The Confucian heritage has been eroded in these countries by the introduction of Western values and religions such as individualism and Christianity respectively, as various social surveys conducted in this region indicate (Yang, 1997).

Third, the concept of Asian values is sometimes used by some politicians and scholars both in the West and in the East to justify either authoritarian regimes in this region, or Japan's and China's expansionism, or even Western domination.

It seems to be widely accepted among students of East Asian development that a developmental state, usually highly centralized and authoritarian, has played a major role in export-oriented capitalist development in the region. The so-called East Asian model of development is based on a strong state, paternalistic leadership, highly efficient bureaucrats, and obedient, diligent, and highly educated people. Behind these traits supposedly lies the Confucian value system. However, this line of explanation has several problems. First of all, East Asian development is not

a uniform process; it comprises such variegated patterns as state-led, liberal market-oriented, and even socialist development. Thus, it is not possible to identify a single development model that can explain the entire East Asian experience. It should also be noted that countries in East Asia have always been at different levels of development. For example, Japan sits in the center while some countries, notably Taiwan and South Korea, are in the semi-periphery, and still others are in the periphery. East Asian development is still ongoing and not complete, so that it is too early to talk about an East Asian development model (Lim, 1998).

Second, the recent economic crisis in East Asia raises the question of the effectiveness of the developmental state model, which has been used to explain the reasons for successful economic growth in East Asia. It seems that the model was effective in earlier stages of development, but is no longer effective in the new global market economy where protectionism, namely massive government intervention in the economy, is no longer possible. The changing global economy and economic development in the region has made the developmental state a liability rather than an asset. Once-efficient conglomerates are no longer competitive in the liberal market economy and government-business collusion has brought corruption and moral problems in its wake, which have been seen as some of the major causes of the recent financial crisis in the region.

Third, some of the Confucian values might be responsible for facilitating rapid economic growth in many of the newly industrializing countries in East Asia, but they cannot be regarded as a major factor for initiating capitalist development. It cannot be denied that capitalist development in East Asia was started in reaction to the challenge posed by modern Western civilization in its forceful contact with the East in the last two centuries. It was, at first, simply an acculturation process, transplanting Western ideas, materials, and institutions. Thus, in the earlier stages of modernization, many East Asian countries denounced old traditions as inferior to the modern, and equated modernization with Westernization. However, a paternalistic state, government guidance, emphasis on social order, harmony, discipline, and high regard for education, considered to be Confucian values, seem to have helped capitalistic economic development once it got started. Again, these values may not be directly responsible for economic growth and industrialization, but have facilitated the latter indirectly by serving as mediating forces for institutional transformation that has laid the basis for capitalist development.

Fourth, some elements of the Confucian value system, such as familism, communitarianism, emphasis on social order and harmony, and respect for elders and authority, are often cited by advocates of Confucian values, not only as positive factors for rapid economic growth in East Asia, but also as an alternative to the rampant ills of Western liberal capitalistic society, such as crime, drugs, and divorce. However, it should be noted that the same values have contributed to the region's recent economic crisis and have been used to justify political oppression and human rights violations. Finally, there appear to be some inherent limitations in using the cultural approach to explain economic development. The danger is that everything is reduced to cultural elements, even though culture is such an elusive concept, whose substance is hard to define. Nevertheless culture and values in empirical research are regarded as variables that have an independent effect and are stable over time. Culture is in constant flux, especially in an information age increasingly characterized by the compression of time and space.

Conclusion

As a conclusion to the above discussion, the following three points will be made regarding the issue of Asian values and the East Asian model of economic development. First of all, the recent controversies surrounding the concept of Asian values are largely ideological, as the term itself appears to carry different ideological connotations depending on who uses it. Despite the fact that the term literally encompasses the whole of the Asian region with very diverse cultures and value systems, in most cases, "Asian values" is confined to mean the Confucian cultural tradition found in some East Asian countries. Thus, the term can sometimes be confusing and controversial.

It is in this narrow sense, as traditional Confucian values, that Asian values are considered in the analysis of East Asian economic development. Nevertheless, the concept can still be misleading, since there are a wide range of Confucian values, and because they are changing rapidly or slowly depending on the context. Academics tend to treat Asian values, or Confucian values, as a variable that can be utilized in analyzing certain relations between variables, for instance, the relationship between Asian values and economic development. In this case, Asian values are treated as something static, something external to the dynamics of the relationship under question. However, this type

of research methodology tends to neglect the fact that a given culture and its values can and do indeed change over time. In fact, many studies and reports on values in East Asia address the issue to this effect (Yang, 1997). Therefore, it is necessary to analyze the dynamics of the values themselves before considering its relationship with other factors. Unfortunately, such studies are still rare and underdeveloped.

Secondly, though it was polemic and ideological, the debate between the Singaporean statesman, Lee Kuan Yew and Kim Dae Jung, then Korean opposition party leader, has, nonetheless, raised some intriguing questions and issues. In an interview, Lee Kuan Yew mentioned unacceptable social problems found in the United States, such as the availability and spread of guns, drugs, violent crime, vagrancy, and even unbecoming behavior in public (Zakaria, 1994). Furthermore, he has given examples of how the two countries solve such problems differently. According to American standards, the Singaporean way of solving these social problems is often seen as violating human rights, even though Singapore has proven effective in getting rid of social vices. One need not agree on the specifics of this argument in order to see the moral problem in capitalist development. More often than not, students of development are concerned only with economic growth or some quantitative aspects of development, neglecting the social and political aspects of development, or even the quality of life.

The issue of the ideological undertone of Lee Kuan Yew's argument notwithstanding, it is true that Western countries have social problems that are substantially different from those seen in Confucian societies. In this sense, Asian or Confucian values may play some role in explaining such cultural variations. However, it is absolutely unacceptable to assume that Confucian culture is superior to those found in the West. Both cultural traditions can complement each other and one does not replace the other. Thus, one of the tasks for social scientists is to find ways in which the two cultures can collectively solve social problems that are the inevitable fallout of capitalist development. Finally, most developmental theories or models tend to pick one or a few variables that might be regarded as key factors for development. The single-factor theory may be useful in the explanation of the developmental experience in relatively small and underdeveloped societies. However, in this intricately connected and complex world, where everything is influenced by and influences everything else, a single-factor theory can no longer hold. Moreover, a simplistic theory usually assumes a linear progression of development. However, it is evident from previous stud-

ies and experiences of development that the developmental process is not necessarily linear, but follows a very complicated pattern. Thus, a multi-factor historical model is needed. Manuel Castells gives just such an example when he says that "processes of economic growth and structural transformation are embedded in institutions, oriented by culture, supported by social consensus, shaped by social conflict, fought over by politics, and guided by policies and strategies" (Castells, 1998: 218). In explaining East Asian development, Castells takes into account historical and contingent factors. Thus, he notes that:

> (1) the first stages of East Asian industrialization were extraordinarily favored by the geopolitical context in which these economies took shape: the Asian cold war and the full support of the United States to these regimes; (2) the success of the developmental strategy was the construction of an efficient, technocratic, state apparatus; (3) the fundamental element in the ability of developmental states to fulfill their project was their political capacity to impose and internalize their logic on their societies (Castells, 1998: 277–278).

Of course there are many other factors to be considered in the experience of East Asian economic development, but this is at least a step in the right direction.

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BEYOND THE "JAPANESE STYLE OF MANAGEMENT"?: TRANSFORMATION OF THE CAPITALIST SPIRIT IN JAPAN TODAY[1]

Pil-Dong Kim

INTRODUCTION

Before the 1990s, the Japanese economy and Japanese enterprises were highly praised by scholars and the mass media alike (Vogel, 1979; Pascale & Athos, 1981, Abegglen et al., 1985). The management system and practices of Japanese companies were termed the "Japanese Style of Management" (hereafter JSM) and were hailed as the secret of Japan's economic success.

Since the early 1990s, however, the climate drastically changed unfavorably against Japan. Since the "extinction of the bubble economy" in the early 1990s and America's unparalleled success throughout that decade, the Japanese economy has frequently come under criticism and faced strong demands for reform both at home and from abroad. Many scholars as well as the mass media have called for the JSM either to be significantly reformed or entirely replaced. It goes without saying that the JSM became the center of the controversy because it was considered central to what is unique about Japanese capitalism.

Recently, demands for reform have become stronger, especially after the Japanese economy recorded negative successive economic growth rates in 1997 and 1998 for the first time since World War II. This has shocked Japan and wounded its national pride. At the same time, some newly industrializing countries (NICs) of East Asia, including Thailand, Indonesia, and Korea, were hit hard by the financial and foreign exchange crisis of 1997. Since these countries had long been regarded as followers of the Japanese model of development and had

maintained exceptionally high growth rates for a long time, the troubles in these countries brought the problems associated with the JSM to the attention of the international academic world and made the reform of the JSM that much more urgent.

Today, the demands for reforming the JSM are closely related with complex domestic and international factors that include the following: transition of the Japanese economy from rapid to slow growth; progress and diffusion of information technology; demands for deregulation; transition to an aging society; declining birth rate; globalization of capital and markets; and diversification and Westernization of employee's consciousness. Most of these factors are directly or indirectly related to the globalization process and its influence, which is gradually becoming stronger.

This article examines whether the managerial modes of Japanese enterprises are transforming, and determines how fast, if at all, the transformation is actually occurring. Although many critiques of the JSM have been aired and various reform bills have been presented,[2] questions are still being raised about whether or not these reforms are really being carried. Some scholars argue that JSM is not only congenial to the nature of Japanese companies but also contains universal elements (Itami, 1996; Kagono, 1998).

In this context, the article examines empirically the current state and the future direction of the JSM, based on recent data that has been made available. It is hoped that this study will provide an opportunity to ascertain if an economic system such as the JSM, which appears to be at odds with the rapidly globalizing styles of management and economic systems, can survive the age of globalization.

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[2] In this context, the author relied on the reports and policy proposals of the Keizai Doyukai (in Japanese): The 11th White Paper on Enterprise (1994); The 12th White Paper on Enterprise (1996); The 13th White Paper on Enterprise (1998); The 14th White Paper on Enterprise (1999); "Towards an Industrial Society in which Start-up Challengers with Volition Increase Doubled and Venture Businesses Flourished," a policy proposal presented on March 29, 1999 at http://www.doyukai.or.jp/database/teigen/990329.htm.

Methodology and Data

The definition of "Japanese style of management" varies according to scholars. Most commonly, the JSM is understood to have three salient features: permanent (or long-term) employment, treatment by seniority, and company unions. However, the JSM has many more elements. JSM, in a broad sense, comprises an employment system and practices, a manufacturing system, and other management practices. Even external forces that are believed to shape the JSM, such as culture, the government, and industrial organizations (Keys J. et al., 1994) can be taken into consideration. In this article, the JSM will be defined in a broader sense, even though greater emphasis will be placed on the employment system. Since my definition of the JSM includes the macroscopic dimension, understanding the shifts in the JSM can lead to a better understanding of the transition of Japanese capitalism in general.

The foremost purpose of this article is to examine empirically the changing features of the JSM. For this purpose, first of all, data from several surveys conducted by public and private organizations, including the Economic Planning Agency (EPA, 1998), Nikkeiren (Nikkeiren, 1996; 1998), and Keizai Doyukai (Doyukai, 1994; 1996; 1998; 1999a), will be used. Among them, the EPA report entitled *The Reconsideration of the Japanese Management System* (hereafter *Reconsideration*) is the most useful, because it broadly deals with the current state and future direction of the JSM. The report contains many survey items on various features of the JSM, including the employment system and practices, corporate organization, and corporate governance (EPA, 1998). This survey is the primary data source.

Second, data from interviews with top management in Japan will be employed. Top executives of fifteen companies were interviewed in 1998 (refer to Table 1). These interviews focused on the current state of corporate reforms, the changing values and attitudes of top managers, and their response to the globalization process. By listening to management voices, a better understanding was gained about their attitudes toward change in the JSM. In addition, recourse was had to interview data from the *White Papers* of the Keizai Doyukai (Doyukai, 1994; 1996) in order to supplement the other interviews when necessary.

Table 1. Enterprises and Their Top Executives Interviewed

No.	Industry (main products)	Interviewee	Number of employees	Capital stock/ the sales (yen)	Location
1	Trading	Executive director	7,000	174.7 billion/ 15,267 billion	Minato-ku, Tokyo
2	Precision machinery and tools	Former president	18,000	150.5 billion/ 1,400 billion	Ohta-ku, Tokyo
3	Automotive	President	9,300	26.4 billion/ 575.2 billion	city of Hino, (Tokyo)
4	Food	Executive	2,800	11.6 billion/ 140.8 billion	Minato-ku, Tokyo
5	Communi-cation	Chairman	1,350	8.5 billion/ 76.5 billion	city of Kawasaki (Kanakawa)
6	Textile	Chairman/ founder	600	210 million/ 7.4 billion	city of Ohme, (Tokyo)
7	Electronic	President/ son of founder	150	100 million/ unidentified	city of Ohme, (Tokyo)
8	Machinery	President	136	52.5 million/ 4.0 billion	city of Ohme, (Tokyo)
9	Chemical	President/ son of founder	170	68 million/ 2.5 billion	city of Ohme, (Tokyo)
10	Machinery and tools	President/ brother of founder	66	9.6 million/ 1,400 million	Ohta-ku, Tokyo
11	Machinery and tools	President/ founder	46	48 million/ 1,410 million	Ohta-ku, Tokyo
12	Precision processing	President/ founder	60	Unidentified/ 1,050 million	Ohta-ku, Tokyo
13	Machinery (vacuum pump)	President/ founder	28	10 million/ 920 million	Ohta-ku, Tokyo
14	Precision processing (grinding)	President/ founder	20	10 million/ 650 million	Ohta-ku, Tokyo
15	Metal manu-facturing	President/ founder	17	10 million/ unidentified	city of Ohme, (Tokyo)

JSM in Transition: the Changes of System and Practices

Reconsideration (EPA, 1998) is very useful because it contains question-naires on nearly all the components and sub-components of the JSM. It also contrasts "policy which is prevailing now" with "new policy which will be more significant in 5 years" for each item. Therefore the future direction as well as the current state of the JSM can be observed.

Employment Policy

First of all, the report shows the current state and future direction of employment policies, including employment pattern, treatment, recruit-ment and rearing of employees, and employees' welfare. The results are summarized in *Table 2* and *Table 3*.

Table 2. Current State and Future Direction of Employment Policy (unit: %)

A. Employment Pattern	Long-term employment	Closer to long-term employment	Closer to not assuming long-term employment	Employment, not assuming long-term employment
Policy now prevailing	53.7	41.0	4.4	0.9
New policy that will be more significant in 5 years	9.3	46.9	38.8	5.0

B. Treatment (wage system)	Treatment by seniority	Closer to treatment by seniority	Closer to treatment by ability	Treatment By ability
Policy now prevailing	9.9	46.8	33.9	9.4
New policy that will be more significant in 5 years	0.5	8.2	55.1	36.2

Table 2 (*cont.*)

C. Recruitment and rearing of employees	Recruitment and rearing from long-term point of view	Closer to long-term point of view	Closer to immediate effect	Recruitment and rearing in anticipation of immediate effect
Policy now prevailing	19.4	58.8	18.6	3.3
New policy that will be more significant in 5 years	3.6	35.4	53.4	7.6

D. Employee's welfare	Promotion of employee's welfare	Closer to promotion	Closer to restraint	Restraint on employee's welfare
Policy now prevailing	9.4	49.1	36.0	5.5
New policy that will be more significant in 5 years	1.5	23.8	58.9	15.9

Table 3. Current State and Future Direction of Employment Policy: Synthesis (unit: %)

Policy	Items (existing policy)	Long-term employment system		Treatment by seniority		Recruitment and rearing of employees From long-term point of view		Promotion of employee's welfare	
	Point of time	now	after 5 years	now	after 5 years	now	after 5 years	now	after 5 years
Existing policy*		94.7	56.2	56.7	8.7	78.2	39.0	58.5	25.3
New policy*		5.3	43.8	43.3	91.3	21.9	61.0	41.5	74.8

* Including "almost existing (or new)" policy

Both Table 2 and Table 3 clearly reveal a tendency to shift to the "new policy" in every question, though the current state is closer to the existing policy based on the JSM. However, a shift is most visible in the treatment of employees, while a shift is less evident in employment patterns. This is an interesting and important finding, because the two items have been thought to be the core elements of the JSM.

Where does the difference derive from? One possible explanation is that it comes from different levels of culture-boundedness of the two elements. Japanese firms have been thought of as clans and enterprise communities whose strong cultures bind employees to them through reciprocal lifetime commitments (Fruin, 1992). This idea is rooted in the Japanese concepts of *ie* and *mura* communities, which have been operative since the pre-modern era. Though the *ie* community was outlawed, it was reformulated in the minds of the Japanese people after World War II. In addition, the grading system based on seniority is easier to change than the permanent employment system, because the latter has more fundamental connotations for community ideology.

Results from another survey reinforce these observations. Nikkeiren has classified employees into three groups in a report entitled *the Japanese Style of Management in a New Era*. The classification is: (1) the group that uses skills accumulated over time, (2) the group that uses skills, and (3) the group that has flexible employment status (Nikkeiren, 1995). Nikkeiren conducted two follow-up surveys in 1996 and 1998, asking personnel managers about the current proportion of each employment group. It also asked them to predict proportions in the future or after 3–5 years (Nikkeiren, 1996; 1998). Table 4 shows the proportions of the three employment groups.

Table 4. Proportions of Three Employment Groups (All Industries)(unit: %)

	Group that uses skills accumulated over time		Group that uses highly professional skills		Group with flexible employment status	
	1996 survey	1998 survey	1996 survey	1998 survey	1996 survey	1998 survey
Present	81.3	84.0	7.1	5.9	11.6	10.1
Predictions for future (after 3–5 years)	70.8	72.7	11.2	11.4	18.0	15.9

The current proportion of the group that uses skills accumulated over time at the time of the survey is very high (over 70 percent) in both 1996 and 1998, and the proportion predicted of that group is also high. This group constitutes the core of permanent employment in the Japanese system. On the other hand, the current proportion for the other two groups is very low (under 20 percent, including both groups), and it is predicted that the proportion will increase by only a fraction in three to five years. The results show that the permanent employment system is hard to change.

Corporate Organization

The characteristics of JSM can be observed in several aspects of corporate organizations: decision-making methods, organizational hierarchy, and independence of operating divisions. The JSM is often characterized by bottom-up decision-making, hierarchical organization with multiple layers, and weak independence of operating divisions. An interesting question to raise here is whether these characteristics are changing or not.

Table 5. Current State and Future Direction of Corporate Organizations (unit: %)

A. Decision-making method	Decision-making by bottom-up	Closer to bottom-up	Closer to top-down	Decision-making by top-down
Organization now prevailing	3.2	21.7	51.0	24.1
Organization to be more significant in 5 years	1.3	17.2	57.6	23.9

B. Organizational structure	Organization with multiple layers	Closer to multiple layers	Closer to flat structure	Organization with flat structure
Organization now prevailing	18.6	46.7	27.1	7.5
Organization to be more significant in 5 years	1.2	12.1	58.7	27.9

Table 5 (*cont.*)

C. Independence of divisions	Divisions with low independence	Closer to low independence	Closer to high independence	Divisions with high independence
Organization now prevailing	10.8	36.1	41.3	11.9
Organization to be more significant in 5 years	1.2	9.9	55.6	33.3

Table 5 shows that Japanese corporate organizations already experienced or are expected to experience remarkable changes. Top-down decision-making (including "closer to top-down") is already more prevalent than bottom-up decision-making (including "closer to bottom-up"), which has been thought to be salient to the JSM. On the other hand, organizations with multiple layers are prevailing now, and that flat structure is expected to become more dominant in the future. Independence of operating divisions is also expected to become stronger in the future.

Corporate Governance

Recently, in the debates involving corporate reforms, special attention has centered on issues of corporate governance (Doyukai, 1996; 1998; 1999a). Corporate governance involves the relationship among stake-holders who are involved in the management of an enterprise. Shareholders, executive managers, employees, supervising authorities, the main bank, and stock cross-holding companies can be included in the category of stake-holders.[3] One of the JSM's characteristics is that employees, internally promoted managers, supervising authorities, and the main bank are more influential than shareholders.

Reconsideration categorized the stake-holders involved with corporate governance in two groups (four existing agents and four new agents), and surveyed knowledgeable personnel on the current state and future direction of their influences. The results are shown in Tables 6 and 7.

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[3] Some sources, in addition, includes even customers and the local community. Hazama, *The Sociology of Management*, 2nd ed. (Tokyo: Yuhigaku Press, 1997 [in Japanese]).

Table 6. Current State and Future Direction of Corporate Governance:
Existing Agents

	Internally promoted managers		Main bank		Stock cross-holding companies		Supervising authorities	
	now	After 5 years	now	after 5 years	now	after 5 years	Now	after 5 years
Influence will be stronger	82.6	74.8	34.2	38.3	25.3	26.2	29.1	17.4
Influence will be weaker	17.3	25.1	65.8	61.7	74.8	73.8	71.0	82.7

Table 7. Current State and Future Direction of Corporate Governance:
New Agents (unit: %)

	General shareholders		Domestic institutional investors		Overseas institutional investors		Latent shareholders	
	now	after 5 years	now	after 5 years	now	after 5 years	Now	after 5 years
Influence will be stronger	12.1	60.4	14.3	58.1	9.8	52.2	7.9	46.4
Influence will be weaker	87.9	39.6	85.8	41.8	90.3	47.8	92.1	53.7

First, among the existing agents, the influence of internally promoted managers was very strongly reflected (82.6 percent), while the influence of the other three agents (the main bank, cross-holding companies, and supervising authorities) was reflected relatively weakly (but still more strongly than that of new agents). However, the expected change of proportions after five years in each agent is not particularly remarkable, which means the influence of existing agents will most likely not change very easily.

On the other hand, the influence of new agents is very weak at present, though it is expected to become significantly stronger in five years. Nonetheless, the proportion is smaller than that of internally promoted managers.

More decisive tendencies were observed from the responses to the question of which group of agents would probably be more influential in five years (refer to Table 8). The proportion responding that the existing agents group will be more influential (62.5 percent altogether) greatly exceeds the proportion responding that the new agents group will be more influential (37.5 percent altogether). This shows that the reform of corporate governance is proceeding very slowly.

Table 8. Agents Expected to be More Influential in Five Years (unit: %)

Existing agents will be quite influential	Existing agents rather than new agents will be influential	New agents rather than existing agents will be influential	New agents will be quite influential
10.6	51.9	34.6	2.9
62.5		37.5	

In addition, Table 9 shows that 80 percent of respondents still prefer the stronger influence of existing agents rather than that of new agents. If that is the case, has the true mind (*honne*) of Japanese entrepreneurs really undergone any significant change?

Table 9. Optimum Combination of Existing and New Agents (unit: %)

Influence of existing agents is strong	Influence of existing agents is stronger, but the influence of new agents also partially exists	Influence of new agents is stronger, but the influence of existing agents also partially exists	Influence of new agents is strong
15.3	64.7	17.0	3.0
80.0		20.0	

Visions and Responses of Top Executives to JSM's Changes

From here on, the changing reality of the JSM will be examined by means of interviews with top executives. The characteristics of the interviewees and their companies are summarized as follows. Most of

the companies that were interviewing are located in metropolitan Tokyo[4] and have relatively good management. Five companies (Nos. 1–5 in Table 1) are big ones, four companies (Nos. 6–9) are medium-sized, and six companies (Nos. 10–15) are small ones.[5] It must be pointed out that a large number of small and medium-sized companies are in the machinery and metal manufacturing industries.

Current State of the JSM

Most of the top executives agree that the JSM still remains important in Japanese companies, whether they approve of it or not. But they have different opinions on the significance of the JSM. Many of them think that the JSM should be gradually induced to make changes while preserving the companies' merits. However, others are divided—negative (Nos. 8 and 10) or positive (Nos. 7 and 11)—in their attitude toward the JSM. Those who take a positive position toward the JSM do not necessarily deny the need for managerial innovation.

Trials of Management Reforms

Nearly all top executives agree that reforming the JSM is necessary. Big companies concentrate their efforts on the innovation of corporate organizations. Common targets or methods are reduction of decision-making costs, including a reduction of executive officers and hierarchical layers, and the introduction of an electronic documentation system using intranet or Internet communications. Changes involving the wage system are also an outstanding issue. Many companies are willing to introduce a new compensation system, including an annual salary system. Reform of the seniority grading system is more easily accepted than that of a long-term employment system.

   On the other hand, small and medium-sized enterprises strive to incorporate various measures of management salient to periods of low economic growth rates. Some of them have put their efforts into innovating corporate organization and strengthening merit systems (No. 10), while others have chosen to maximize the advantages of traditional methods (Nos. 11 and 12). One company has long adopted the self-evaluation system where all members evaluate their own performance

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[4] Only one is located in the city of Kawasaki, Kanagawa prefecture.
[5] Small and medium sized companies are all located in the ward of Ohta and the city of Ohme.

(No. 11). One CEO who wanted to avoid managerial bankruptcy adopted a model from a Swiss company (No. 8).

Measures and Methods of Restructuring

The way in which top executives view restructuring is an effective indicator of the JSM's transformation. The basic stance on the issue of restructuring appears to be conservative. Most of the executives who were interviewed responded that there has not been and will not be any reduction of employees by compulsion, though natural attrition or a cutback in hiring new employees is possible.[6] Such a stance is likely to be fiercely adhered to by the small and medium-sized companies or clan (*tozoku*) companies.[7] This is a particularly interesting fact, since it has been assumed that the JSM, including the permanent employment system, can be typically applied to big companies that have good working conditions. However, this finding suggests that the ideology of permanent employment has become pervasive among small and medium-sized companies as well.

Notwithstanding this, several companies have experienced restructuring recently. Such a move has at times been regarded as the secret of successful corporate reform. In the final analysis, therefore, the responses on restructuring described above show an ambivalence regarding the ideology of the JSM which is premised on permanent employment, on one hand, and its reality on the other, which involves employment restructuring. Put differently, the ideology of the JSM has constrained the manager's freedom to implement corporate reform and restructuring. Based on this fact, the significant influence of the JSM culture—which Japanese managers have imbibed and accepted as a historical process since the end of World War II—becomes apparent.

Globalization of Management

It has at times been said that management reforms will eventually be oriented to the globalization of management. But many top executives are negatively inclined toward abolishing the JSM and introducing an American style of management. Most of them emphasized harmony between the Japanese and American styles of management, even though

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[6] Part-timers and temporaries are excluded from discussion.
[7] Most small- and medium-sized companies with which I interviewed belong to clan companies (refer to Table 1).

they admitted that the environment of management is changing and
incorporating the American or global standard is necessary. On the
other hand, one of the executives interviewed was very critical of the
idea of introducing American management (No. 7). One executive
who is positive toward management reforms said that negating the
JSM will eventually lead to failure (No. 11). Another executive, who is
critical of the JSM, warned against blindly copying the American style
of management (No. 10).

From this point of view, even though the introduction of the
American style of management and the implementation of a global
standard are recent trends, it is undeniable that real changes in these
directions will be very slow, since there is abundant resistance to such
changes. Furthermore, the ideological and emotional elements seem
operative in that resistance.

On the other hand, it is also evident that many entrepreneurs are
actively adapting to the changes in the international environment, and
are looking for a renewed or reformed JSM. To this end, some of them
have organized study groups for management reforms by industry or
region, and have applied the results of study and discussion to their own
company. Therefore, it is evident that the JSM has not been discarded
altogether, though it is certainly facing review and change.

Venture Businesses and Entrepreneurship

One good method to understand the new features of Japanese capi-
talism is to study "venture businesses" (VB), because they are believed
to embody vitality and entrepreneurial spirit. Recently, the National
Institute of Science and Technology Policy (NISTEP) published a sur-
vey report on start-up firms and their entrepreneurs (NISTEP, 1999).
The survey was conducted by sending questionnaires to the executive
managers of 2,400 companies that are listed in the *Nikkei Venture Business
Yearbook* (1998 edition).[8] The survey results aptly demonstrate the current
state of VBs in Japan. The main results are as follows.

First, the proportion of enterprises that were founded within the past
ten years is relatively low (17.6 percent). The number of enterprises
whose ratio of R&D expenditure to total revenue is 10 percent or

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[8] The response rate was 42 percent (1,007 managers).

higher is not high either (16.6 percent). These results show that venture businesses are not yet fully developed in Japan.

Second, executive managers of VBs are rather old, 53 years on average, and about half of them are the founders. The average age when they founded their businesses was 37.4 years.

Third, there are two categories of entrepreneurs. The first has not had higher education but has worked hard and diligently, based on the practical experience obtained over a long period of time. The other is the hi-tech elite entrepreneur who first entered big companies with a background in high-technology education and then made a spinout. Among the categories of entrepreneurs, the former is predominant in Japan today.

Fourth, the proportion of VBs that have joint projects with universities and national research institutes is 27 percent and 16 percent respectively. Although these figures are not very small, they still fall short of expectations. This is because details of the research cannot be known in the case of universities, and research topics are not suitable to industrial needs in the case of national research institutes.

In summary, these results show that VBs in Japan are emerging buy have not reached their peak yet. The total number of VBs is not very large, and the number of VBs in a stricter sense is even smaller. More importantly, the development of VBs in the hi-tech industries such as information, communications, and bio-engineering has been very slow and the proportion of hi-tech elite type entrepreneurs is small. In addition, the founders are rather elderly, and bright students still prefer big companies. The start-up rate of new businesses is only one-third that of the United States and lower than the rate of business closing (Doyukai, 1999b). In these circumstances, there is little wonder why it has been observed that there is hardly any entrepreneurship in Japan (Lux, 1997). These facts, it is believed, are in part caused by the overly conservative managerial climate in today's Japan.

Conclusion

Thus far, this paper has examined the changing realities of and surrounding the JSM. The survey and interview data demonstrate that it is difficult to regard the changes as reflecting the advent of a renewed JSM or the abandonment of JSM altogether, though the JSM has been experiencing transformation in many aspects. The mode and the

speed of that transformation vary with its constituent elements in the ways noted below.

First, the seniority grading system has been experiencing a very rapid transformation, whereas shifts in the long-term employment system are very slow. Likewise, the employee recruitment and rearing system from a long-term point of view has been experiencing gradual changes, whereas retreat from employee's welfare is still apparent. Second, decision-making by consensus is changing rather slowly, while simplifying the organizational hierarchy and strengthening the independence of operating divisions are relatively rapid. Third, in corporate governance, the influence of new agents is expected to grow. At the same time, however, the influence of existing agents, especially that of internally promoted managers, is expected to remain high. Therefore, the speed of reform is more or less slow, in spite of vocal desires for reform. Fourth, although attitudes on the JSM reforms vary, many people think that the JSM should gradually incorporate changes while preserving its intrinsic merits.

Therefore, while the technical aspects of the JSM have been changing in tune with the globalization process, the culturally-bound core elements are more consistent. For example, the lifetime employment system will not change easily, while the wage system based on seniority is changing more or less rapidly. After all, although the JSM faces pressures for change at home and abroad, and is in part being transformed by the efforts made by Japanese managers, the transformation process that is taking place in Japan is far from being an abandonment of the JSM or a take-off on a new stage that is qualitatively different.

This is because the traditional elements of Japanese culture (especially that of the *ie* and *mura* community) were a part and parcel of the JSM mainly practiced by big companies, even if they were reformulated after World War II. In addition, the ideology of the JSM has been diffused among managers of small and medium-sized companies through the popularization of the JSM theories supported by Japanese economic success.[9]

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[9] The JSM was not a dominant reality in any statistical sense, even in the case of big companies. But it has had a broad influence on the minds of Japanese managers as an ideology until now. Nikkeiren formulated the ideology of the JSM as "humanistic management" and "management from the long-term point of view" in Nikkeiren, 'Japanese Style of Management'. The concept of the JSM did not change even in 1999, as shown in a speech by the president. See Hiroshi Okuda, "Don't Be a Prisoner of Success," speech presented to the Global Management Forum, Nihon Keizai Shinbun, October 8, 1999.

Furthermore, the national pride that resulted from Japan's success up to the 1980s still predominated in the 1990s. Discussions on the JSM are often accompanied by emotional or political connotations. Contrasting the JSM with the "American style of management" or the "global standard" is often associated with an attitude of confrontation or rivalry. Although Japanese entrepreneurs do not have a uniform idea about the relationship between the two, globalization represents reversed Orientalism and is therefore anathema to some of them.

It should be recognized here that Japan's strength has always been its ability to adjust well to changing environments (Lux, 1997). In fact, an important part of the Japanese capitalist spirit is its ability to make flexible adjustments in the face of changing environments. An expression that best captures this spirit is "unchangeableness and adjustment" (*fueki* and *ryuko*), a principle of poetic writing made famous by Basho Matsuo, an eminent poet of the Edo period.[10] Viewed from this point of view, Japan's inability to adjust to globalization and the failure of its corporate reforms might be temporary. It is critical and will be interesting to observe how Japanese capitalism will change and overcome its current challenges.

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[10] The phrase has a more or less conservative connotation. When interviewing top executives in Japan, I have frequently heard them use this phrase as their maxim.

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NEW TREND OF CAPITALIST CULTURE IN KOREA: THE SPIRIT OF ENTREPRENEURS AND ENGINEERS

Yi-Jong Suh

INTRODUCTION

This article discusses the transformation of Korean capitalist culture after the Asian financial crisis of 1997. For many domestic as well as foreign scholars, the crisis is considered to be a turning point in the socioeconomic history of Korea. According to some scholars, Korea's development is thought to have come from the compressed developmental paradigm of the 1960s and therefore, can be resolved only by structural changes to that paradigm.

After the onset of the economic crisis, the government tried to resolve the financial problems and their socioeconomic consequences. The policies initiated by the International Monetary Fund (IMF) rescue package and implemented energetically by the Korean government have concentrated on building a new socioeconomic system. These policies are highly sensitive to and reflect the global economic environment. In particular, this was demonstrated by the introduction of global standards in the banking system and the transparent governance structure in the corporation groups known as *chaebol*. However, debates about the new spirit of the actors have taken us nowhere, nor have these debates helped entrepreneurs and workers adapt to the new system. Both entrepreneurs and workers are resisting the new system in the face of its "brutal" command for all-out adaptation. For a more stable institutionalization process or for an alternative path of system building, the emergence of a new capitalist culture should be debated. An analytic foundation for such a debate will be developed in this article.

This study deals in particular with the spirit of entrepreneurs-managers and engineers as important capitalist actors. A comprehensive framework is offered for a cross-national comparative study in East Asia (Korea, Japan, and China). I will use both qualitative and quantitative research methods for the period from late December 1997 to December

Table 1. Characteristics of Interviewees According to Age and Ownership

Ownership	Age	40–53	54–59	60–
Owner-Entrepreneur		H, F, M, R	O, V, W	K, J, G, B
Professional Manager with any Ownership		P	I	S
Professional Manager		L, T, E	C, N, Q, D	U, A, X

* The names of entrepreneurs and managers are represented by letters.

1999. In 1998, the first year of the study, the research methodology focused on the spirit of entrepreneurs and managers in Korea based on interviews and surveys. Interviews took from two to two-and-a-half hours per person. The interviewees are twenty-five entrepreneurs and managers from various industries, out of whom twenty-four are used in this article.[1] The characteristics of the interviewees are balanced in age and distribution of ownership, as is shown in Table 1.

In 1999, the second year of the study, the focus was on the spirit of engineers in Korea, because engineers were expected to play a major role in producing value in the knowledge-based economy (Suh, 1996). To this end, the quantitative questionnaire method was based on a modified version of a previous comparative study done on the habitus of engineers in Germany and Japan. 1,200 questionnaires were randomly distributed, of which 700 copies were collected. The data was analyzed with SPSS in a comparative framework.

Capitalism and Capitalist Spirit in Korea: Theoretical Background

Sociocultural Embededness of Capitalism and Capitalist Spirit

First, the theoretical background of the relationship between the economy and culture should be clarified in order to draw implications from the dramatic transformation seen in the Korean capitalist economy. Although there are several standards that can be used to measure culture

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[1] The result from a Korean-American top manager who was interviewed was not employed as a part of this article's data because of the different origin of his culture.

and economy, this article regards culture as an independent factor for economic change (Alexander & Seidman, 1990; DiMagio, 1993). Thus, for practical purposes, culture is not a concept to be analyzed but an explanatory variable. This article also focuses on the active role of culture in economic transformation, instead of focusing on various cultural representations in Korean society.

The relationship between capitalism and culture is grounded in the assumption that capitalism is historically considered as a specific socio-cultural product. Thus, the interaction between the social and the cultural deserves special attention. In contemporary studies of economics and political economy, the role of culture is minimized as a meaningless factor under the dominant influence of economic interest, with the exception of its role as an ideological tool for social mobilization. This view is most clear in the Marxist interpretation of "culture as super-structure." Although material interest is critical, it does not determine economic action and social structures in any given country.

On the other hand, culture is now overemphasized in human and social sciences, where a "cultural turn" has even been heralded (Bonnell & Hunt, 1999). Culture is considered to be a deep proto-structure apart from social actions, as well as a historical pass-through with omnipotent explanatory potential. This view, which is manifest in post-structural and post-modern cultural studies, has been dominated by the French theoretical milieu of "culture as deep structure" derived from Emile Durkheim's writings. It is clear that such theoretical strategies can be used to observe the modern society in a radicalized manner. However, there is the danger of exaggerating the cultural factor.

The emphasis of this article is on the empirical research of culture. Many theoretical and abstract studies of culture dominate the field in contemporary academia, but without utilizing a rigorous and empirical methodology. For a better empirical study of culture, the questions of the limits of culture and the extent of its role in social and economic change must be discussed. In today's cultural turn, one of the main theoretical tasks should be to define what culture is, and how the specific role of culture can be defined apart from its social factors (Bonnell & Hunt, 1999).

Contemporary debates show the valuable contribution of Max Weber, who thought that the cultural and the social interact with each other, and that culture can be defined as an independent factor in cross-national comparative studies. Culture is never independent of social changes. For a long time, there have been controversies surrounding Weber's main

theme (*Hauptthema*). These controversies show that this point has been made ambiguous since Talcott Parsons' interpretation of Max Weber was espoused (Tenbruck, 1975). Now the close linkage between the cultural and the social must be brought to light once again.

The interaction between the social and the cultural has an unavoidable bearing on the method of empirical analysis. Weber's classical study on the capitalist spirit, which began with the question of how and why the rise of capitalism was dependent on the capitalist spirit, still has meaningful implications for empirical research on contemporary capitalist culture. Although his study was based on religiosity in pre-modern societies and its historical truth has been controversial to this day, special attention should be paid to Weber's cross-national comparative study. In this article, Weber's "methodology of thematizing the capitalist spirit" is employed and adopted as the theoretical basis for explaining the transformation of contemporary capitalism into the information- and knowledge-based global economy, especially in regard to the crisis-prone socioeconomic transformation in Korea.

The methodology of research for the capitalist spirit can be reformulated as follows. First, the capitalist "spirit" (*Geist*) is an ideal-typical concept of habitus with an ethical basis, which drives (*antreiben*) actors into practice. According to Weber, sociology is a science of social action with a special emphasis on understanding and explaining its meaning. His stress on subjective meaning and understanding aimed at criticizing objectivism as seen in Hegelian totalism or organism in historical and social sciences. But Weber never intended a rush into subjectivism. In a production structure of the meaning of social action, the point of contact between the subjective meaning of actors and the objective meaning of the system is central. This article will argue that the point of dialectic contact between the subjective meaning-giving (Sinngebung) and the objective meaning given (Sinngebundenheit) by system compulsion (Systemzwang) is the ethical level of meaning in social actors. Weber emphasized that the foundation of the driving force for action is on the ethical level of action, not in the "practical" or "methodological" level of action (Suh, 1996). In this scheme, we can say that the capitalist spirit is on the ethical level of the capitalist spirit-bearers' action-oriented consciousness, where the objective meaning is internalized and socialized by the capitalist system, and is contradictorily diversified with differentiation of the modern capitalist system.

Second, the role of culture is observed in any change a social system undergoes, such as the rise of the capitalist system and its transformation. The great transformation from the agrarian feudalist economy to the industrial capitalist economy demanded a massive number of actors who could adapt to the new capitalist system. The process required the specific ethos of actors as a cultural and ethical base needed for the production of massive pro-capitalist action, as is shown in Weber's comparative study of religion. This active role of culture is seen in the qualitative change of capitalism itself as well, for example, in the change from industrial capitalism to an information-based global finance capitalism. However, once the capitalist social system became stable, culture interacted so closely with the social system that it is not easy to observe and analyze its role clearly.

Third, the role of culture can be empirically defined and methodologically analyzed in a cross-cultural comparative study. Cultural difference is more clearly seen as an independent factor for social change when all other social conditions are equal. In the extensive cross-religious studies on the global scale, Weber paid special attention to the role of Confucianism and Buddhism in the rise of capitalism in East Asian countries. Many cross-cultural studies on the culturally embedded development of East Asian capitalism now follow Weber's ideas (Berger & Hsiao, 1989).

Capitalist Spirit and the Spirit of Actors

Capitalism is constructed by various participants as bearers (Träger) of system elements and by their relations or interactions, although the system is not a simple sum of the elements. Therefore, the spirit of capitalism can be empirically embodied in the spirit of various actors, such as owner-managers (entrepreneurs), functional managers, white-collar workers, unskilled workers, and consumers. It should also be noted that the actors have an unequal influence in the functioning of the capitalist system and thus hold asymmetrical powers.

The role of capitalists deserves special attention because of its dominant and influential power. Weber defined the social category of capitalists as engaged in a special form of action: rational economic action, which is based on the precise calculation of the relationship between means and profits that can be mobilized (goal). According to Weber, the meaning of modern capitalism is distinct from the speculative capitalism

observed in the Roman Empire. His concept of modern capitalists is similar to Joseph Schumpeter's concept of "entrepreneur," which is defined as "a man with risk-taking and decision-making under his responsibility" (Wiley, 1983). But it is no longer innately homogeneous because of qualitative differences that exist according to the ownership status. Especially since the end of the 19th century, capitalist corporations have been increasingly organized and bureaucratized into giant organizations, where a single shareholder can make no direct decisions or wield power without the help of professional managers. Therefore, this article focuses not only on owner-entrepreneurs, but also on high-level managers, who participate in the top-level of strategic decisions.

Besides this differentiation, the social category of capitalists is, if seen empirically, diversified into various subgroups of capital factions such as land capital, industrial capital, and financial capital. Moreover, the social character of each capitalist subgroup has been historically changing. However, this differentiation has not been amply considered in this article due to the limited number of interviewees.

A worker is an integral and constituent part of modern capitalism and an important economic actor. The social category of the worker has been, in a similar way, defined as the way of action: rational working discipline based upon a rational labor contract. The worker is differentiated according to the level of skill or professional knowledge and job category, such as management or supervision. In particular, high-level workers with technical knowledge have had a meaningful influence in the development of contemporary capitalism. As today's capitalist production is based increasingly on information and knowledge, knowledgeable workers play a pivotal role in the value production of companies. These knowledgeable workers include "engineers," who are important capitalist actors. The concept of engineer, defined as "high-level technicians in shop-floors with technical education at college-level or more," includes two qualitative characteristics: technical education at college-level or higher, and employment as engineers in industry or research and development institutes. This article assumes that the capitalist system can come into existence as a culture in and of itself and be developed by the spirit of capitalists and workers as two central actors of capitalism.

Capitalism and the Capitalist Spirit in Korea
Before the Economic Crisis of 1997

Confucianism and the Rise of the Capitalist Spirit

If the capitalist spirit presupposes social recognition of profit-oriented activities, Confucianism can be explained as the religious base of the capitalist spirit in Korea. Pre-modern Korea during the Chosun dynasty (1392–1910) was spiritually dominated by Neo-Confucianism, *Sungrihak*, as a basis for moralizing social relations. Neo-Confucianism provided a meta-philosophical world-view (*Weltanschauung*) that focuses on the dialectical interaction between the meta-principle, *li*, which is immanent in human nature and is supported by heaven (*chon*), and the materialized principle, *ki*. As the long historical controversies between "*li*-ism" and "dualism of *li* and *ki*" show, the orthodox morals and the more flexible morals, which were the social principles of the Chosun dynasty, confronted and were opposed to each other. However, they had a common social vision of negating any motives prompted by material interests and bringing the moral motive to the fore, although the latter was more flexible than the former. With this kind of ideology in the background, commercial activities in the beginning of the Chosun dynasty were basically repressed by the feudal government.

Due to the growth of socioeconomic interests and conflicts in the late Chosun dynasty, a small subgroup of the dominant feudal class, the *Yangban*, began to assert a more pragmatic Confucianism, *Silhak*, originally developed from the flexible dualism in reaction to the strict moralist Neo-Confucianism. This new subgroup had several new theoretical features, including social recognition of material interest and economic growth (e.g., increase of agricultural products), all of which orthodox Neo-Confucianism did not endorse. These Confucian reformists were ideologically divided into the agriculture-oriented school, *Kyungsehakpa*, and the commerce-and-technology-oriented school, *Bukhakpa*. On the one hand, the agriculture-oriented school, mostly local landlords who had been estranged from the feudal monarchy, reinterpreted Neo-Confucianism on the basis of classical Confucian ideals. They promised agricultural reforms such as equal land distribution under feudal dominance. However, they were basically concerned with the agricultural value-centered socioeconomic idea that economic value is created foremost by agricultural activities and then by craft

production, but never by commercial activities because commerce meant the simple transfer of products.

On the other hand, scholars in the commerce-and-technology-oriented school came from a small subgroup of enlightened feudal bureaucrats in Seoul. They favored national and international commercial trade and development of productive technology over the craft-oriented production of those times. In the 17th century, political debates focused on the rapidly increasing activities of the free and private merchants, who were opposed by the officially chartered monopolistic merchants. In this social context, scholars had a basic understanding of changing international situations, including the fate of China, through books and visitors from China. These scholars thought critically of the socio-economic and political proposals of Neo-Confucianism. They devised an alternative program that would permit national and international commercial activities, and propelled technological development not only in agriculture but also in craft-production.

The theoretical basis of the two groups developed further during the reign of King Jungjo in the mid-18th century, by a group of intellectuals led by Yak-Yong Chung (1753–1813) and others, and later by Hanki Choi (1803–1877), who studied in China. These scholars methodologically improved their world-view not only through the renewal of Confucianism, but also through the radical adoption of Western science and Christianity.

The cultural dominance of Neo-Confucianism with its flexible variants provided the ideological and cultural background for the birth of the capitalist spirit in pre-modern Korean society. Its slow but independent growth could not flourish due to a huge amount of political and economic pressure from international powers. On the threshold of modernization, ideological and cultural helplessness was followed by an isolationist policy and a strong fear of international contacts. Opening of the country was followed by political conflicts among radical reformers, gradual reformers, and conservatives. Subsequent intervention by Japan intensified these conflicts.

Realistic and enlightened intellectuals concentrated all their efforts on the development of industry (*Siksan-Hungup*) together with industrial education. Due in part to these efforts, modern capitalist activities boomed, and the capitalist spirit was able to take hold. The reform-oriented groups aimed at raising industries with national capital, but they were strongly repressed under Japanese colonial rule while other intellectuals became armed rebels in northeastern China. The capitalist

commercial and industrial activities served as a patriotic tool for keeping Korea economically independent of Japanese commerce and industries. The capitalist spirit of those times, especially in small and medium industries, can be characterized as "the spirit of national liberation."

After Korea's liberation in 1945, the process of shaping capitalism in the southern part of the country was severely hampered by ideological conflicts, the four-year-long Korean War, and the partition of the country into a capitalist one and a socialist one, controlled by the United States and the Soviet Union, respectively. Since Korean capitalism was not ideologically and politically legitimized, throughout the 1950s, the Korean economy was sustained by the political and economic support of the United States. South Korea was in a very unstable economic situation with dramatically volatile commodity prices, dependence on American aid and goods, and an outrageously high exchange rate. Capitalists often accumulated their capital by buying goods and reselling them at high prices, and buying the aid goods more cheaply than the normal price through informal connections with bureaucrats. Capitalism in the 1950s and the beginning of the 1960s can be characterized as "capitalism without a capitalist spirit," which worked within a weak socioeconomic environment.

Notwithstanding the delayed development of capitalism, the capitalist spirit in South Korea rose ideologically and culturally, step by step with pragmatic Confucianism and Western cultural influence. Finally, commerce and industry, including its profit-pursuit principle, was recognized socially and culturally, although the manner of profit-orientation was heavily criticized.

Development of the Capitalist Spirit in the 1960s–1980s

Under a development-oriented military regime, South Korean capitalism took off in the early 1960s. As the industrial focus shifted from consumer industries to heavy and chemical industries in the 1970s, large corporations were created for export-driven development strategies by government subsidies. In order to create a competitive edge in the international market, the system of conglomerates (*chaebol*) was also strengthened. By all measures, capitalism in South Korea dramatically developed until the 1980s mainly because of its mass-production industries.

How did organized industrial capitalism in South Korea develop so rapidly? Questions concerning the reasons for this success have been

raised in many academic and political discussions. Economists usually count the favorable international economy and governmental policies as the most important factors. However, one might ask what would have happened without the strong spirit among the capitalist entrepreneurs, who actively managed domestic resources and international business, taking advantage of the favorable international economy and government policies.

The favorable socioeconomic environment or system is only one side of the success story, since various activities such as active entrepreneurial management and hard work—the essence of the capitalist spirit—may be considered more important. According to Chung Ju-Yung (1915– 2001), however favorable the management environments may be, today's glory can instantly fade away without an unyielding frontier spirit and creative activities. He wrote in his autobiography: "If anybody were to ask about Hyundai's success in the global economy, I would answer that the indomitable driving force and unyielding frontier spirit made it possible. Success or failure of business depends on the thinking style and will of those men." (Chung, 1991: 6) This kind of strong will, the driving force for capitalist development in those times, depended largely on how the pursuit of profit and other capitalist related activities could be spiritually legitimized, mobilized, and organized. Better organization of capitalist activities required better mobilization and organization of the capitalist spirit.

The capitalist spirit was developed through a cultural adaptation process, including cultural inversion. Traditional Confucian values were concerned only with interpersonal relationships, such as between parents and child, husband and wife, the elderly and youth, and king and vassal, in the family, nation, and rural community. This is not synonymous with the concept of "Gesellschaft" as proposed by F. Tönnies (1887) or "secondary group" as proposed by C.H. Cooley (1926). Such a cultural heritage functioned as grounds for legitimating and disciplining modern commercial and industrial activities. These activities incorporated cultural resources as a motivating force for more vigorous activities. The combination of the capitalist spirit and Confucian values resulted in the legitimization of activities in modern corporations through family-oriented and nation-oriented Confucian values. For example, capitalist entrepreneurs commonly used family-oriented values in legitimizing industrial relations within companies. They also emphasized the "contribution to the nation by commercial and industrial activities" (*Saupbokuk*). As Chung Ju-Young of Hyundai

once said, "I think that we, Hyundai, have grown with our nation and have played a role in providing an unprecedented level of dynamics and creative will to the national economy and industries." (Chung, 1991: 134) Another successful capitalist, Byung-Chul Lee (1910–1987), recalled: "I took a big risk by starting a semiconductor company in order to bequeath a rich country to the next generation, not just to have another company of my own." (Lee, 1989: 89) It is clear that large capitalists used national values in an almost spiritual manner. However, it should also be recognized that they pushed the acculturation process to solidify the *chaebol* system, maximize their resources beyond their capacity, and represent the national interest in international economical environments. In the beginning, the *chaebol* system was inevitable in the formation of the capitalist spirit, but it has since become quite inefficient.

On the other hand, small and middle-sized companies have legitimized industrial and organizational cooperation through family-oriented values. This is obvious in slogans mentioning the Hyundai-family (*Hundai-Gachok*) or urging employees to "consider the workplace as my home" (*Gongjang-ul Nae Jip-churum*). Values such as harmony, sincerity, and honesty are among the most frequently cited statements for the purpose of enhancing corporate identity. So-called "life employment" can be regarded as a social result of the acculturation of community-oriented traditional social values, in which a person is naturally considered a life-long member of the community. It should be emphasized that the system was not introduced formally or legally, but appeared spontaneously.

In the mid-1980s, social values became weaker as young men and women were intensively educated on individualism and international open-mindedness. The cultural transformation in everyday life resulted in the rise of the labor movement and increased tension between traditional personnel management and those social values in the organization that are required for a flexible corporate organization. In the 1990s, the so-called "Can-Do Culture" began to lose its influence as cultural propaganda even though it was sustained by export-oriented growth policies.

Since the 1980s, the development power bloc between large corporations and government has been on the verge of a crisis. First, the crisis arose from social pressures, such as the labor and civil movements for democracy and social equality, which had been growing continuously since the late 1970s. The growth of social pressures in the 1980s resulted in an increase in labor costs that, in turn, raised prices of export products.

Various social movements for democracy challenged the power bloc as they became radicalized and called for socialist programs. After the end of the economic boom in the early 1980s, official debates began on democratization and diversified political powers, which would result in a soft-landing towards political democracy.

Second, the crisis came from the radical transformation of the international political-economic environment, including the rapid change from the cold war-based international economy (Johnson, 1998) into a neo-liberal global economy after the collapse of the Soviet communist regime and the unification of Germany (Pieper & Taylor, 1998). National-security logic surrounding East Asia could no longer justify subsidized industrial production and exports. The change was intensified by the worldwide shift into an information-based economy. The new economy, centered on the free market and flat organizations, does not depend on the traditional system of production by a country. The rising service economy was accompanied by the internationalization of the financial economy. In particular, the "high-tech financial system" allowed a free flow of international capital.[2] In a financial system with advanced information technology and a global network, a massive amount of capital, including speculative hedge funds, could flow beyond national boundaries on a real-time basis.

The financial crisis, namely the liquidity crisis in 1997, grew out of the developmental paradigm based on the peculiar capitalist spirit that had been operative since the 1980s and was decisively intensified by failures of governmental control of foreign investment.[3] The developmental characteristics of capitalist culture show why the government and corporations did not respond effectively to the changing environment.

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[2] Refer to testimony by Alan Greenspan, Chairman of the Federal Reserve Board, on change in the international financial system caused by new technology, before the Committee on Banking and Financial Services, U.S. House of Representatives (January 30, 1998), and the Committee on Foreign Relations, U.S. Senate (February 12, 1998). However, many experts said that he did not fully understand the dynamics of the high-tech financial system.

[3] Main economic actors such as private corporations and the government in Korea were satisfied with the economic success of those times. They increased exports, but would not reform the economic system in order to realign themselves with multilateral changes. Even around the time of the dramatic fall of the baht, Thailand's currency, the Korean government tried to protect the falling exchange rate, but were helpless because of stiff financial policies such as the fixed foreign exchange rate and a weak market system.

THE NEW TREND OF THE SPIRIT OF ENTREPRENEURS AFTER THE CRISIS

People are questioning whether the new system introduced by the IMF after the crisis will work well in Korea. The changing spirit of major economic actors must be examined here based on the statistical analysis of the 1998 interviews referred to in the introduction. Within these interviews, a new trend of entrepreneurial culture and spirit can be found.

Reflections on the developmental paradigm

A critical reflection or evaluation of the developmental paradigm before the crisis is the necessary first step to building a new capitalist culture. The originality of the new culture depends on how comprehensive and revealing this reflection can be.

First, concerning the causes of the financial and economic crisis of 1997: many managers interviewed agreed that the economic crisis in 1997 arose out of the preexisting developmental paradigm. The most important cause is often said to be the absence of an administrative system pertaining to foreign currencies, the nonexistence of economic policies on foreign exchange rates, and the large debt commitments of companies like KIA Automobile. Many managers of large corporations regarded the peculiar socioeconomic structure of *chaebols* as the culprit. However, it should be noted that almost all these critics failed to recognize international factors such as international capital flows.

Second, as to policies for resolving the crisis: Survey respondents differed in their perceptions of necessary policies for crisis resolution.

Table 2. Relations between Causes and Policies

Policies cause	Management of Foreign currency	Economic policies	Economic structure	Social structure
Financial System, inc. FC	(STKHUPLFV) FCJMWX	T		
Economic Policy System	JM	JMPGBEQLD RFASTVOWX	MC ST	
Economic Restructuring		JMCIBELD KSTRFVO	MCPGIBEQAQ WXSTKDRNHU	HU
Social Restructuring			KQH	UGINA

Managers with more specific perceptions tended to demand practical economic policies for problem solving. On the other hand, managers from large corporations tended to put more weight on economic and social-structural factors.

Reflexive Perception of the Existing Corporate Systems

First, concerning the relationship between ownership and management: many entrepreneurial managers were against management by the owner. Before the crisis, the owner-manager system was praised since the manager could make a prompt decision (Shin et al., 1995). However, the respondents gave negative feedback on this system because the owner could easily abuse his power. They were also critical about the inheritance of management positions between family members and demanded a more active Mergers & Acquisitions market and professional Management.

Second, concerning *chaebols*: many entrepreneurs recognized the historical role that *chaebols* played in the rapidly developing economy in the 1960s and 1970s. However, entrepreneurs from small and middle-sized companies responded negatively to the *chaebols*' monopoly of economic resources and over-investment that stifled competition. Almost all entrepreneurs agreed on the eventual restructuring of *chaebols* into professional corporations, while some entrepreneurs from large corporations were more concerned about issues concerning institutional transparency and protection from lawsuits by petty shareholders on insider trading.

Third, as for the social responsibility of corporations: after the crisis, those who were interviewed became more responsive to international standards than before the crisis. Their attitudes varied with age (P <. 01):[4] younger managers considered corporate responsibility to be limited to corporate activities and externally restricted to a minimal level within legally defined boundaries.

Fourth, on organizational culture: many managers were more open-minded about organizational culture, but apparently without a clear direction. They preferred flexible formalization of tasks and a bottom-up structure, especially an information technology (IT)-based communication structure. However, some of the industrial managers

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[4] The difference is statistically credible at the criterion of 99%.

were careful in evaluating the contribution of IT on productivity. Motivation systems depended more on wages than on promotion.

Many entrepreneurial managers insisted that a lay-off policy should be introduced during times of crisis, but agreed that there were no clear criteria for how to implement such a policy. They were also sensitive to the implications of lay-offs in Korea, since lay-offs at organizations thought of as a community could be experienced by laid-off employees as equivalent to being exiled or banished. Thus, mangers maintained that lay-offs should be used as a last resort.

Social Environment for Corporate Activities

First, concerning the social innovation system: After the crisis, managers began to regard research and development (R&D) more seriously as a pivotal management activity for value production. They were greatly concerned about the social system of R&D and strongly demanded reform of the system in areas of industrial cooperation of R&D, allocation of R&D resources in industries and public institutes, and industry-oriented reform of universities, among other things. They also argued that the social system of intellectual property should be kept in order.

Second, on the role of the government and bureaucrats: managers expressed negative attitudes about bureaucratic and governmental intervention in the market. They did not rate the knowledge of civil bureaucrats highly, although a small number of managers recognized the role of government in an unstable market.

Third, as to the role of labor unions and welfare: managers agreed on the need for labor unions, but argued that unions should be restricted to a limited role, especially in wage bargaining. They criticized past social and political activities of labor unions, and expected them to disappear in a post-industrial society.

New Perceptions of the International Socioeconomic Environment

First, regarding the global economic system and American-style management: attitudes in this area showed a marked difference according to age; younger managers tended to recognize the dominance of the U.S.-initiated global economic system, and tried to manage their companies according to this global system. On the other hand, older managers worried that national capital was fading away, and criticized the dominance

of the American management system, which allegedly placed an over-emphasis on competition and was oriented to shareholders only.

Second, as to the future of Japan and China: younger managers perceived the potential of the Japanese and Chinese economy in a negative light and believed neither had a bright future. Older managers were more positive and as a result, they expected enhanced economic cooperation among the East Asian countries.

The New Trend in the Spirit of the Engineers after the Crisis

The spirit of the engineers after the crisis has been analyzed in three categories, based on Kant's theoretical framework. The three categories of what is called the "Ethik" are the consciousness of technical knowledge (*Ich und Nature*), self-consciousness (*Ich und mich Selbst*), and social consciousness (*Ich und Andere*). Analysis in the area of technical knowledge deals with attitudes toward technical knowledge in relation with nature. The area of self-consciousness classifies engineers into various types. The area of social consciousness attempts to determine the extent and form of social solidarity.

Consciousness toward Technical Knowledge

First, concerning knowledge consciousness: Compared with their colleagues in Japan, it is significant to note that engineers in Korea have a relatively strong belief in the positive role of technical knowledge in society and in technical solutions for environmental problems.

Second, as to science orientation and industrialism: Korean engineers have a strong belief in effectiveness rather than science. Belief in effectiveness is of two types: one is a more effectiveness-oriented industrialist belief. The other is a seemingly contradictory belief, as it is oriented towards wisdom (rather than science) in relation to effectiveness. The latter seems to be adaptable in a post-industrial society.

Compared with Korea, Japanese engineers displayed a stronger spirit of value-compromise[5] and Chinese engineers showed a stronger scientific tendency probably due to modern features of socialism.

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[5] However, this result should not be generalized because the response, in reality, could have come from a strategic consideration of Japanese engineers, who wanted to avoid either extreme in the survey.

Engineers and Self-Consciousness
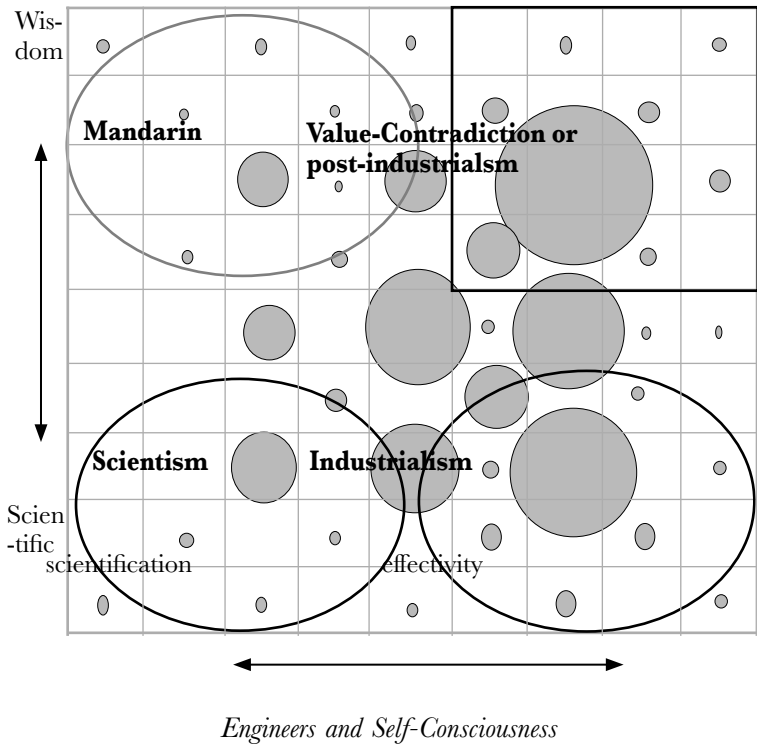
First, concerning engineers or managers: Korean engineers have shown a relatively strong tendency towards considering themselves as specialists, thereby shunning any intervention in their professional work. Korean engineers answered negatively to the question, "How would you feel if you suddenly had to move to the department of personnel management, which is irrelevant to your job as an engineer?" (See Table 3.) To improve their specialist identity, Korean engineers tried to study further at institutions of higher education. Nevertheless, their identity was oriented toward "specialists with some management knowledge."

Table 3. Responses to a Work Situation

	Korean	Japanese	Chinese
– equivalent to dismissal	20.8 % (141)	12.4 % (62)	8.1 % (48)
– case of poor judgment	29.0 % (197)	26.7 % (133)	31.9 % (190)
– would accept	47.1 % (320)	45.6 % (227)	51.8 % (308)
– would accept with pleasure	3.1 % (21)	15.3 % (76)	8.2 % (49)
Total	100 % (679)	100 % (498)	100 % (595)

= 94.17 P < .001

Second, concerning alienated consciousness: Korean engineers displayed a relatively alienated consciousness and a medium degree of satisfaction compared with Japanese engineers.

Third, as to views of labor unions: Korean engineers were positively inclined toward labor unions and expected them to be an agency not just for wage bargaining but also for a wider range of activities, including protection of autonomy in the workplace and participation in management.

Fourth, as to political orientation: Korean engineers showed a medium degree of political interest and preferred political parties with a social welfare clause in their platforms.

Fifth, consciousness concerning life-style: Korean engineers have both individualistic and family-oriented characteristics.

Conclusion

This article has characterized the structural changes of capitalism after the IMF crisis from a cultural perspective, based on Weber's definition of capitalist culture in his study of economic culture. The cultural perspective can serve as a bridge between the economic system and actors by revealing the meaning of economic activities, which arise from systematic and objective meanings as well as subjective meanings.

The capitalist spirit in Korea is now changing. The venture boom from the beginning of 1999 calls for radical structural reform in corporate culture. A good deal of research shows that the capitalist spirit is changing. Entrepreneurial managers regard the crisis as a typical structural problem of the existing developmental paradigm. They believe that the *chaebol* system is no longer valid. They think that pro-competition systems—including mergers and acquisitions—should be introduced, organizational culture should be more open and flexible, and innovation systems should be socially reorganized for more effective and efficient production. Engineers have shown a strong belief in the positive roles of technology and effectiveness in use, and a high level of pride in their jobs as professionals; but they still desire management training and hold significant expectations for labor unions.

This article is exploratory, relying on a limited number of respondents for statistical analysis. However, meaningful implications can be found for the future development of capitalism in Korea. This article is an example of a theoretical and empirical study on the relationship between

economy and culture. It is meant to provide an analytical foundation for research into the cultural basis of economic change, at a time of capitalist structural change since the IMF's involvement in Korea.

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THE EMERGING CAPITALIST SPIRIT
OF PRIVATE ENTERPRISES IN CHINA:
CAPITALISM WITH CHINESE CHARACTERISTICS[1]

Seung-Wook Baek

Introduction

The Chinese economy looms large on the global scene as well as in East
Asia with the rise of the so-called "Greater China economic zone." The
People's Republic of China managed to avoid the East Asian financial
crisis and appears to be in position to reproduce the experience of the
"East Asian miracle." Though many scholars are skeptical about the
potential success of the Chinese economy, due to the problems of state-
owned enterprises (SOEs), soft-budget constraints, corruption, increasing
unemployment, and financial insolvency (Walder, 1995; Lardy, 1998),
it cannot be denied that China has a critical part to play in the future
of the East Asian economy alongside Japan.

   Since the 1950s China has followed development strategies that are
different from those of other East Asian countries, and its socialist legacy
remains prominent. It is this particularity that leads some scholars and
politicians to regard China as a socialist country. Needless to say, the
Chinese government is itself an outstanding advocate of that argument,
promoting the concept of "socialism with Chinese characteristics" to
justify it. The argument is supported by the fact that the communist
party controls the state and that China still maintains the principle of
giving priority to public ownership, even if the implications of this prin-
ciple have changed. However, some scholars argue that since China has
abolished numerous socialist legacies, it no longer ascribes to socialism,
but a variation of bureaucratic capitalism (Meisner, 1996).

   No one, however, denies that the Chinese Communist Party (CCP)
is leading its country in a transitional process toward a new economy

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whereby China is increasingly integrating into the world economy and is introducing far more capitalist elements by accelerating market-oriented development. Contrary to the government's official position, this form of development appears, in some respects, to be "capitalism with Chinese characteristics."

Recently, the Chinese government has been pushing a new policy to reform the SOEs, aiming at "seizing larger ones and freeing smaller ones" (*zhuada fangxiao*). Whilst this policy does not mean giving up the existing dual system of public and non-public ownership, it may make room for other types of ownership, including private enterprises. Though private enterprises are subordinated to public ownership, they nevertheless display different and more capitalist characteristics and thus point to a possible alternative route for the transformation of China's future economic and social structure. Private enterprises are the leading elements of the emerging capitalist spirit in China. Accordingly, this article will focus on the characteristics of Chinese private enterprises to understand their capitalist spirit.

The Reemergence of Chinese Private Entrepreneurs

Economic Reform Policies and the Formation of Private Capitalism

Before the introduction of economic reform policies in 1978, the concept of entrepreneurs as real owners did not exist in China, though there were managerial groups in enterprises. Capitalist entrepreneurs had disappeared as a result of the socialist transformation.

The Chinese economy in the pre-1949 period had a dual structure consisting of big capital, and medium and small domestic capital. The former, known as the "Four Big Families," was a prop for the Nationalist regime, and the latter was subordinate to big capital. The CCP led by Mao Zedong classified Chinese capitalists into two groups and applied different strategies in dealing with them. Big capital, called bureaucratic capital, was regarded as an enemy of the revolution and thus became the object of confiscation by the state. Small and medium capital, called national capital, was regarded as an ally of the revolution and thus became the object of controlled development.[2]

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[2] Among the latter, small-scale, self-employment in urban areas reached 7.24 million in 1949 (Kraus, 1991: 58).

During the First Five-Year Plan period (1953–1957), however, even national capital lost ground in the process of development. Since private enterprises were the target of the socialist transformation, they were first changed into cooperatives and then to collectives in the state-capitalist manner. The owners of those enterprises were promised compensation at an annual interest rate of 5 percent. At the end of 1956, the socialist transformation was basically accomplished; and the private sector and capitalists ceased to exist as a class in Mainland China (Kraus, 1991). In the early 1960s, during the readjustment period, private sectors were allowed to develop;[3] but during the Cultural Revolution, they were accused of restoring capitalism and banned once again.

With the introduction of economic reforms in 1978, *getihu* (self-employed firms) were allowed to develop. *Getihu* were promoted for several reasons. First, they did not impose fiscal burdens on the government, since it could do without them. Second, *getihu* channeled accumulated capital to productive activities in rural areas. Third, they were expected to solve unemployment problems in urban areas. Fourth, they encouraged the development of tertiary industries that have lagged behind heavy industries. Fifth, *getihu* were not expected to do harm to the public ownership sector (Pearson, 1997; Shi, 1993).

Getihu have become an important economic element for the contemporary Chinese economy, alongside other enterprises in private and semi-private sectors such as foreign-invested enterprises (FIEs) and township and village enterprises (TVEs). Some *getihu* grew on a large scale and became big enterprises. In need of a new legal scheme for dealing with the growing number of *getihu*, the government promulgated the Provisionary Regulations on Private Enterprises in the PRC in 1988. These regulations broadly defined a private enterprise as any enterprise employing over eight employees, and thereby allowed for the further development of such enterprises.

Comparing *getihu* and private enterprises, we may find more than a quantitative difference in terms of the number of employees. In terms of management style, origins of managers, and invested businesses, private enterprises tend to assume the structure of real enterprises, whereas *getihu* remain small-scale and self-employed. Many early *getihu* people had once operated similar small-scale shops before the revolution. Therefore, owners are generally older, have little knowledge of

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[3] In 1965, self-employment in urban areas increased to 1.04 million (Ibid.: 59).

technology, and operate their business using family ties (Bruun, 1993). In comparison with *getihu*, private entrepreneurs tend to be from the new generation with little experience in operating their own firms, using their educational and vocational background to begin their new businesses. Moreover, *getihu* are businesses that require little fixed capital such as retail, food, repair, and services. Private enterprises, on the other hand, prefer to invest in the manufacturing sector (Pearson, 1997; Wu, 1997). Some entrepreneurs in private enterprises complain as follows: "People confuse them with *getihu*. *Getihu* are unqualified and ignorant with no talent, and they try to do everything without any rational calculations. They are only adequate for managing small shops, but we are businessmen, the private entrepreneurs" (Zhang & Liu, 1995: 286; Li, 1998: 262).[4]

The Present Situation of Private Enterprises

At the end of 1987, private enterprises among the 13 million *getihu* numbered 115,000 and employed 1,847,000 people. In addition, another 60,000 enterprises and 960,000 employees were employed in joint ventures and 50,000 enterprises and 800,000 employees in collectives were classified within the private sector. Adding these three categories together, the total number of private enterprises and employees in 1987 amounted to 225,000 and 3,607,000 respectively (Zhang & Liu, 1995: 54–57). In June 1996, the number of private enterprises and their employees increased to 709,000 and 10.142 million, respectively (Wu, 1997: 289–90). As of June 1999, private enterprises and their employees reached 1.28 million and 15.03 million, respectively (Zhang, 2000: 225).[5] In summary, over the time span of approximately ten years, private enterprises had grown nearly five times.

At their early stages of development, more private enterprises than *getihus* were involved in the secondary industries. According to the 1992 statistics, 62.4 percent of private enterprises operated in the secondary industries and another 24.1 percent operated in commerce. However, more and more private enterprises have been recently advancing into

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[4] Private enterprises developed through five consecutive stages: (1) Initial development (1978–1982), (2) Rapid development (1983–1985), (3) Stable development (1986–1988), (4) Adjustment and consolidation (1989–1992) (Zhang and Liu, 1995: 36–53).

[5] Remarkable as the growth of private sectors may appear, the share of private sectors (private enterprises plus *getihu*) in total employment is still very low. In 1996, it was just 3.4 percent. China Statistical Yearbook 1997 (Beijing: Zhongguo tongji chubanshe), p. 32.

the tertiary industries. As of June 1999, the share of secondary industries among private enterprises decreased to 41.4 percent, while the share of tertiary industries increased to 56.3 percent (Zhang, 2000: 228).

Significantly, though private entrepreneurs regard themselves as a different social group from *getihu*, in terms of scale and technical expertise, many private enterprises are remarkably similar to *getihu*, especially since numerous private enterprises are still small-scale. The average number of employees per private enterprise was just 11.73 as of June 1999 (Zhang, 2000: 228).

Supply of Private Entrepreneurs through the Existing System

An Old Person for a New Job

The supply of good managers and entrepreneurs in private enterprises are limited and do not match the number of these private enterprises, which has rapidly increased in recent times. Furthermore, the state interferes in the process of entrepreneur formation and chooses to support certain persons over others.

China presently has three main routes for supplying new entrepreneurs (Goodman, 1996; Zhang & Liu, 1995: 197–205). First, some entrepreneurs are from rural cadres and managers of former communes, production brigades, production teams, the party, and brigade enterprises. In rural areas, many township and village enterprises are registered as collectives that belong to a township or village government or villager committee. In reality, however, these enterprises are managed like private enterprises. Those who do not have good connections with local governments have great difficulty in managing enterprises since they need local cooperation for the construction of infrastructure, marketing, and the supply of utilities, raw materials, and labor.

Second, many new entrepreneurs in urban areas are former managers of state-owned enterprises. They make up the majority of the newly formed entrepreneur class because of their experience and background. Most of them retain their positions as managers even after enterprise reforms, and some of them lease or buy former state-owned enterprises and become the actual owners.[6] They use their personal and formal connections with upper-level organizations in the hierarchy or use

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[6] Some of them are being transformed into real large stockholders utilizing the opportunities of the SOE reforms.

purchasing and marketing networks of their former companies to oper-
ate their own enterprises. Many successful stories of *xiahai* (plunging into
the sea—i.e., seeking) are those of former managers from purchasing
and marketing departments.

Third, some small producers from various backgrounds have also
turned into entrepreneurs. They usually begin their businesses as *getihu*
and then extend their scale of operation. They are peasants, job-hungry
graduates, the unemployed, and laid-off workers. Compared with the
former categories, they have fewer social networks, resources, capital,
and accumulated technology; therefore, they have difficulty in enlarging
the scale of their businesses.

The varying backgrounds of these entrepreneurs are recorded in a
survey of enterprise managers in Beijing and Guangdong.[7] The survey
results show that many entrepreneurs are former managers from the
public ownership sector. Among twenty-one recorded cases, four were
former high-level managers who later made contracts on management,
then acquired their enterprises and became the actual owners. Two
began their new businesses after retirement—one was a former factory
director and the other was a police chief in Shenzhen. Another four
among them retained their positions as high-level managers after some
enterprise restructuring. The survey shows that new entrepreneurs are
establishing themselves within the existing public ownership sector and
among those who do not wish to give up their former positions. They
seem to prefer retaining their positions to leaving their jobs, unless they
can fully use former connection networks after retirement.

Other outstanding cases are the venture enterprises run by intel-
lectuals. In the same survey, three enterprises were reportedly founded
by intellectuals in the fields of science and technology. All of them
were small-scale companies, and the managers had been researchers

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[7] The survey was taken in July 1998. It was coordinated between the Institute for
Social Development and Policy Research at Seoul National University and the Institute
of Sociology at the Beijing Institute of Social Sciences. The survey is composed of
two parts: interviews with managers mainly in private enterprises and a questionnaire
survey for engineers. There were twenty-one interviewees, among them 10 in Beijing
and 11 in Guangdong. Most of them were working in the manufacturing sector. The
number of collected questionnaires for the engineers was 603. Similar surveys that
share the main scheme were done in Korea and Japan in 1998 and 1999, and their
results are used in this paper. I am grateful to the Institute of Sociology and Wang Yu
and Dai Jianzhong for their cordial help.

in various state institutes and had acquired the necessary technological know-how there.[8]

Pseudo-collectives

Recently in China, the boundary between public and non-public ownership has become blurred. This is reflected in the fact that many private enterprises are registered as collectives while many small and medium state-owned enterprises have been transformed into private enterprises.

Private enterprises use *guanxi* (connections) networks to obtain favorable conditions such as cheap loans, tax exemptions, cheap raw materials, and non-competitive markets. One important phenomenon that utilizes the *guanxi* networks between enterprises and local governments is that of the "pseudo-collectives." Pseudo- collectives are private enterprises that disguise themselves as collectives, a common practice among rural TVEs. Pseudo-collectives take two forms. Some collectives are transformed into real private enterprises with actual ownership, though they are still registered as collectives. Conversely, other enterprises that have begun as private ones buy the official title of collectives.

Pseudo-collectives have emerged for the following reasons (Wu, 1997: 305–06; Liu & Liu, 1995: 225–35). First, there are political benefits to be gained. As the government offers more benefits to public ownership sectors, some private enterprises want to disguise themselves as collectives to receive political benefits such as easy registration, bank loans, low taxes, and less supervision. A second objective is insurance for personal security. As there is still antipathy toward private enterprises and China has experienced huge social upheavals in the past, many private entrepreneurs are afraid of the possibility of an unexpected reversal of the present reform policies. This fear has manifested in consumption fever by the people on one hand, and by the purchasing of titles for collectives on the other.

Third, local governments actually encourage pseudo-collectives for their own interests. Local governments seek to increase their fiscal revenues by attracting foreign investment, and collecting profits and tax from their subordinate collectives. As local governments are limited

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[8] Three other entrepreneurs in the survey had once been ordinary workers. They had usually begun their businesses in the retail and trade sectors and later moved to the manufacturing industry.

in their ability to manage these collectives directly, they usually lease them or sell their titles. These pseudo-collectives have the duty to pay contracted profits or management fees annually or monthly. In exchange, they are protected from arbitrary interference of local governments. Besides pseudo-collectives, pseudo-joint ventures also display similar functional characteristics. Thus, it is sometimes very difficult to distinguish private enterprises from collectives, an aspect of capitalism with Chinese characteristics.

Three Traits of Private Enterprises—Capitalism with Chinese Characteristics

Patriarchal Management

Private enterprises in China are characterized by family-based management. That is because many private enterprises begin as small shops managed by family members in the first place. As these enterprises grow, these managers, fearing that their business secrets or illegal practices may be disclosed or revealed, perpetuate management in the hands of those whom they feel they can trust: other fairly members.

In this context, the category of family can extend beyond blood-family to include "social family" with trusted persons as "uncles" to the family. According to a survey, over 95 percent of private enterprises are managed by families or "social families" (Zhang & Liu, 1995: 108–09). A company surveyed by the author in Shenzhen is typical in this respect. This successful venture company in Shenzhen Special Economic Zone produces information-related products and invests heavily in research and development. The president is the chairman's son, and the vice-president in charge of financial affairs is the chairman's daughter.

In these family enterprises, the decision making-process is overly concentrated in one owner-manager or his family. Most managers interviewed consider the separation between ownership and management as an inefficient mechanism or no more than a Western way of doing business. In most enterprises, important decisions such as long-term strategies, technological development, wages, and selection of middle-level managers are usually undertaken solely by the chairman or president. Therefore, the staff is permitted to provide the owners with little more than information and suggestions. Although the government is encouraging developing enterprises to adopt modern corporation mechanisms and principles of good corporate governance, and now

more than half of the private enterprises are operated in the form of corporations, private owners predominantly hold absolute power over companies by functioning as both chairmen and CEOs at the same time.

The decision-making process is more centralized in private enterprises than in the SOEs because government organizations still exercise a considerable degree of control over the SOEs. (An example is the case of nonferrous metal companies and nonferrous metal bureaus at local governments). Even though SOEs has been classified into that of "general corporations" on the one hand and "subsidiary and affiliated corporations" on the other, no substantial change has really been made to the close relationship between government organizations and SOEs. Furthermore, in the SOEs, workers and staff councils or trade unions sometimes have a voice in matters concerning housing distribution and wage allocation.

While owner families have great power in private enterprises, some delicate issues remain problematic. Among these, ownership and succession are the most outstanding. Private entrepreneurs generally veil their practices under the guise that it is not them, but all their workers and staff who are the rightful owners. Succession has not yet come to the fore as an important social issue in China because private enterprises are relatively young, and the concept of ownership is not yet well established.

Paternalistic Management—Enterprise as a Family?

A Chinese socialist legacy that still has a great impact on enterprise culture is the *danwei* (work unit) system (Lu & Perry, 1997; Xiaomin & Zhou, 1999). The *danwei* has provided people with almost everything, including jobs, social security, food, childcare, public services, and recreation. People have become so dependent on the *danwei* that it transformed into a small community all unto itself. In other words, the *danwei* has taken on the image of a big family. Since higher and middle level cadres within a *danwei* have had much discretionary power, a unique relationship between cadres and rank-and-file workers has emerged, called "clientelism" (Walder, 1986).

Although the *danwei* system weakened during the 1980s and 1990s, it cannot be denied that even the non-public ownership sectors, which are excluded from the *danwei* system, are still influenced by the *danwei* legacies. In private enterprises, the influence of the *danwei* system can

be found in the paternalistic form of management. Many enterprises provide free or cheap housing for workers who come from other regions. Furthermore, some enterprises are equipped with recreational facilities. In these companies, lay-offs are seldom used as a method to discipline workers who have been enjoying relatively stable employment. However, small shops hesitate to provide these services and only pay the insurance premiums defined by the law.

Most enterprises, however, do not refer to this paternalistic management style as being part and parcel of enterprise culture, explaining instead that it is a style of management personal to their owners. (One documented exception was found in an SOE in Beijing where a department called CI Strategic Management Committee was, in fact, in charge of cultivating enterprise culture). Although this management style has been attributed to personal discretion of entrepreneurs, it is also a result of direct and indirect local pressure. The pressure derives from local governments or local organizations such as party branches and trade unions[9] that require a safety net for workers. It is less the result of intra-factory relationships between factory workers and management. As the paternalistic management is ascribed to the personality of owners, trade unions play a minimal role in forming this culture. Their activities, if any, are usually limited to organization of recreational events.

Though most private enterprises have paternalistic cultures, their discipline is stricter than that of the SOEs. Private enterprises have strict criteria for employment, promotion, wage, and workshop discipline. The power relationship between owners and workers in private enterprises is asymmetrical, and owners usually use coercive methods to suppress their workers. "Scientific management," though commonly used as a general slogan, in reality, conceals the unprincipled and arbitrary rules practiced by higher and middle level managers.[10] Since coercive and commanding characteristics, armed with a strong patriarchal attitude,

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[9] Compared to local trade unions, trade unions in individual companies have little power. Their activities, if any, are usually limited to recreational organizations. It is very difficult to establish trade unions in private enterprises. And trade union cadres of private enterprises are usually nominated by top managers. The conditions of trade unions in public ownership sectors are not much better (Baek, Seung Wook, 2000).

[10] Though the government policy of wage reform in the 1990s is to put into operation "position and skill wage system," it is hardly practiced in private enterprises. They usually pay wages in the form of simple outcome wage (the basic wage plus an extra outcome wage).

are more prevalent than a caring and paternalistic environment in these enterprises, some Chinese scholars call this management "coercive management of the clan code system [*zongfazhi*]" (Xinzong, 1990: 176; Li, 1998: 267). The paternalistic culture of private enterprises helps to solidify the notion of enterprise as a common collective or a family unit. This feature is confirmed by a survey of engineers in three East Asian countries; the results are below.

Table 1. The Meaning of the Workplace (% who agree)

	China	Korea	Japan
A community with a common interest	39.7	22.4	20.1
A place to demonstrate my ability	40.2	38.4	40.8

As shown in Table 1, more Chinese engineers replied that the workplace is a community with a common interest for the workers. The percentage of Chinese respondents who share this sentiment is double that of the Japanese. Thus, it can be said that Chinese engineers tend to display a stronger inclination for collectivism. According to Table 2 below, relatively few Chinese engineers prefer cooperation to initiative, but instead prefer collectivity to individuality.

Table 2. Preference Between Two Different Values[11]

−100←>100	China	Korea	Japan
Cooperation←—>Initiative	−8.82	12.16	15.87
Individuality←—>Collectivity	15.89	10.62	−3.99

These statistics may be a reflection of the socialist legacy or perhaps the changed values of contemporary Chinese engineers. However, Table 3 demonstrates that there exists an attitude that goes against this collectivism. Contrary to our expectations, fewer Chinese see their colleagues as members of a community with common interests that they share with each other.

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[11] Respondents were asked to choose between two different values. Then I rearranged given values into a scale between −100 to 100. Minus means that respondents had less of a preference for the given value.

Table 3. The Meaning of Colleagues in the Same Company (% who agree)

	China	Korea	Japan
Just another person in the collectivity	25.3	9.6	7.8
A member of the community with a common interest	27.9	70.1	38.2

These statistics show that though Chinese engineers see their workplaces as a collective community, they do not necessarily regard their workplaces as a community where all its members share common interests. They still show strong vertical identification with their enterprises, but not horizontal identification with their co-workers, though the latter are not necessarily regarded as competitors either.

The Uneasy Symbiosis between Bureaucratic Capitalism and Private Enterprises

Many companies have mixed feeling about their relationship with local communities and local governments. On the one hand, local governments give the companies great non-market benefits. On the other hand, incessant demands from the local governments are a big burden for these enterprises.

Many companies see their relationship with local communities as mutually beneficial. Enterprises contribute to local development while local communities solve many problems for the companies. This complementary relationship is often found in enterprises in suburban areas. According to the author's survey, a company in Foshan was found to be a collective in its legal form, but in reality was a private enterprise. When the company started, it was provided with free land by the local government as a joint venture. Low taxes or tax exemption were other benefits that result from this relationship. A company in Beijing, which was formerly a commune enterprise, was later registered as a collective that belonged to the village government. The local government exempts various indirect taxes from the company in return for receiving one percent of the total sales amount as a management fee. Companies in Nanhai and Humen are providing relatively high levels of social welfare for workers. For example, a company in Nanhai was praised as a model for trade unions by local trade union cadres, although it is owned by private entrepreneurs. Increasingly, enterprises understand the importance of being socially responsible and maintaining good relations with local governments.

Notwithstanding this, enterprises also complain of the endless demands from local communities, including the various arbitrary demands for contribution and allotment. Multiple agents from various departments visit these enterprises and make trouble. Among government organs, the more difficult demands are made by the Customhouse, Tax Administration, and the Industrial and Commercial Administration Bureau, in charge of registration and revocation of private enterprises. A company in Shenzhen has complained of numerous and unreasonable requests. Despite paying a monthly management fee to the district government, it receives ten telephone calls a day from various government departments that demand contributions. Compared with SOEs, however, private enterprises cannot be regarded as having it too hard. An SOE in Shaoguan reportedly undertakes about 40 percent of fiscal revenues for the local government.

The main organization for Chinese entrepreneurs is the All-China Federation of Industry and Commerce (ACFIC: Gongshanglian).[12] It is not really a private organization of entrepreneurs *per se*, but a division of a government organ that was founded to supervise enterprise activities. According to the deputy-president of the Shenzhen ACFIC, its main activities are to mediate between foreign capital and domestic companies, to arrange bank loans and factory sites, to supply labor, to provide public relations and to supervise local enterprises. The staff of ACFIC retains its status as government officials.

ACFIC was established in October 1953 to form a united front led by the Chinese communist party. The party combined the Association of Commerce, the Association of Industries, and the Public Hall of Trades (*tongyegonghui*). During that time, the ACFIC was entrusted to lead the "national capitalists" towards a state-sponsored capitalist direction. Even though its activities were interrupted during the Cultural Revolution, the ACFIC resumed its work in October 1979 (Zhenguo, 1997: 293–95). It now has 800,000 members, and has set up 2,634 sub-organizations in most prefectures, cities, and counties (Wu, 1997: 350–51).

Though the ACFIC is a division of a government organ, it has relatively little power compared to the Industrial and Commercial Administration Bureau. It elects delegates of entrepreneurs to the

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[12]   Some regions use different names other than gongshanglian. For example, Shenzhen, which is adjacent to Hong Kong, uses zongshanghui to give a comfortable image to overseas Chinese.

Chinese Council for Political Consultation, and plays a mediating role between government and business, and between foreign and domestic capitals. However, it does not have enough power to attract strong interest from the private enterprises.

<div align="center">*Little Investment on Technological Development*</div>

Many private enterprises emphasize workers' skills and applicatory technology, called "*gongyi*". They prefer imported or standard technology that needs little investment in research and development (R&D). All these enterprises then have to do is to slightly modify existing technology. In many cases, for private enterprises, technology means quality control or management of "human capital." The president of a company in Shenzhen has claimed that development of technology is an important task, but that it is not the most urgent need for the company since it does not directly save costs in the short term.

Technology is rarely developed independently by individual enterprises. Complex technology is usually imported, and it is practical rather than high-tech technology. Sometimes technology is transferred through the overseas training of Chinese engineers. Another source of technology is the former researchers in the state institutes who bring necessary and useful technological skills to the companies. Even venture enterprises in the field of science and technology do not spend much money on R&D. Managers of Chinese enterprises say that importing technology is much more efficient for industries than the independent development of technology, since those enterprises do not have the time or the ability to develop their own technology.

For these reasons, the SOEs are better equipped to develop technology. However, SOEs do not usually carry out R&D by themselves, but entrust it to independent higher-level organizations.

Even the engineers in China are less involved with technology development, as they seem to consider technology development the responsibility of the state. According to Table 4, compared with engineers in other East Asian countries, Chinese engineers see state policies and education as the most important elements of technology development. Chinese engineers also tend to think that the most important contributors to technological development are top-managers or directors (35.9 percent) while Korean and Japanese engineers consider general engineers the most important contributors (31.2 percent and 30.3 percent).

Table 4. The most important element of technological development
(% who agree)

	China	Korea	Japan
National technological policy	46.4	31.4	17.2
Education at the university	12.9	4.3	7.0
Consciousness of technical agents	8.2	18.4	27.7

Chinese engineers show much more negative attitudes in the fields of engineers' tasks than Korean or Japanese engineers. As shown in Table 5, about 42 percent of the respondents do not agree that production is their task. The Chinese have a more generally negative attitude than the other engineers concerning the question of whether they regard technical policy-making and technological development as their responsibility.

Table 5. Tasks that cannot be considered the responsibility of an engineer
(% who agree)

	China	Korea	Japan
Technical policy-making	24.7	12.6	5.4
Technological development	20.7	3.4	0.4
Applied research	19.9	3.4	0.4
Production	41.8	15.7	12.3
Claim service	52.9	31.4	28.8

Conclusion

At present, private enterprises in China are in their embryonic stage. Each enterprise has its own particular set of triumphs and tribulations. Private enterprises are easily influenced by nationwide political fluctuations, although private enterprises in Guangdong are given more freedom of development than those in Beijing. Economic contraction in the past decade since 1994 has also had a huge impact on private enterprises, largely because of the insolvency.

Ten years after their initial development, private enterprises in China have acquired certain characteristics. First, new entrepreneurs are mainly supplied from the existing public ownership system—from the government, party officials, and former managers of the SOEs. They

use their personal connections with local communities and local governments as an important resource. Second, many private enterprises are operated by the owner's family members and show strong familism, while some venture enterprises use colleagues to complement technology with management skill. In contrast to private enterprises, family-based management is not the general trend in SOEs, although they show stronger paternalism. Third, private enterprises find themselves in an uneasy symbiosis with bureaucratic capitalism. Finally, they show little concern for high-technology development on their own, and depend on the technology that has already been developed overseas.

China appears to bear some resemblance to certain East Asian countries in terms of its developmental characteristics, such as strong familism, bureaucratic capitalism, little investment on R&D, and authoritarian government. Notwithstanding these common East Asian characteristics, China has its own historical legacies and unique experience. The collectivist legacy that today's China inherited from its socialist experience has left many imprints, manifested in the "work unit system." The overseas Chinese networks are also a unique historical legacy that makes the Chinese way of development different from that of other countries. In addition, China has been a latecomer in the East Asian market. "Globalization" does not allow China to maintain the protected development strategy that was typical in the East Asian model of economic development. "Globalization" might even prevent China from proceeding as a developmental state. These similarities and differences make "capitalism with Chinese characteristics" an apt description of the Chinese way of development.

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THE CULTURE OF CAPITALIST DEVELOPMENT
IN EAST ASIA[1]

Kyong-Dong Kim

Introduction

The debate between the culturalists and institutionalists over the explanation of the dynamics of capitalist development in East Asia seems to have subsided, notably after the so-called IMF crisis when the financial pinch hit some parts of the region rather suddenly and severely. Perhaps the main difficulty with the controversy may be found in the fact that the very source of the debate is misguided. In other words, those concerned with this debate may have been beating around the bush a bit too long, for as Peter Berger once aptly quipped, whether Max Weber is proven right or wrong may not be so terribly important after all (Berger, 1988: 3–11).

Weber's primary concern was to understand why East Asia had not developed the modern version of rational capitalism that the West had. But the focus should be on understanding the phenomenon of rapid capitalist development in East Asia in the latter half of the twentieth century and how we can characterize that particular form of capitalist development. In this endeavor, legitimate claim can be made to include an apparently culturalist question, namely, what are some of the major cultural resources that have intervened in the process of capitalist economic development in this region?

This specific question will be clarified within the broader matrix of the culture of capitalist development in East Asia. The objective of this article does not concern Weber's original quest for the source of rationality or lack of it in East Asia's experience of capitalist economic growth. Rather, it examines some meaningful cultural explanations

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for the phenomena. However, since culture is such a broad and vague concept, this article employs a relatively restricted conception of culture, focusing on what is called the "content of mind" of individuals who are more or less directly involved in the economic growth effort.

One effective approach to a better understanding of the dynamics of capitalist economic growth in East Asia is to examine it within the broader context of the region's modernization experience. In this article, therefore, the meaning and dynamics of modernization will briefly be summarized, followed by an exploration of the special features of East Asian capitalist development that employs the theoretical framework of modernization.

Modernization Revisited

Modernization is a distinctly historical process of the modern era. On the one hand, it involves a dialectical change in the twin processes of acculturation on the international scale, initiated by the early modernizing societies of Western Europe and the United States. On the other hand, modernization entails indigenous efforts by every late-modernizing country around the world, including parts of Europe itself, to make adaptive changes in the face of this tide of international acculturation (Kim, 1985; Kim, 1994: 87–106). In this sense, not a single society outside the West can claim to have originated its own modernization process without Western influence; but at the same time, it was not simply a process of Westernization either. Modernization was always a combination of acculturation imposed by Western modernizers and adaptive changes undertaken by each society exposed to its influences. It should be noted, however, that the process of acculturation has usually been one-sided, hence the use of the term "tilted acculturation." Western culture has filtered into these societies, to which they have had to respond selectively. In this respect, a few principles of selectivity and flexibility should be proposed here.

First, once exposed to alien cultures, selective responses take place in accordance with the existing cultural configurations. Acceptance of the foreign culture does not occur in *gestalt*. Some elements clash with preexisting cultures, others may be merely overlooked, while still others may be welcomed and readily accepted, perhaps due to a certain affinity between the two cultures. This can be called the principle of cultural selectivity.

Second, while certain cultures respond according to the given context in which they meet, the acceptance or rejection of certain elements of the other culture may be determined by the political dynamics of the recipient society. If cultural selectivity can be characterized as sort of a spontaneous response on the part of the people who are at the receiving end, political selectivity is a more deliberate process that reflects the political interests of the forces involved in cultural interaction. This is the principle of political selectivity.

Third, according to the principle of cultural flexibility, the process of acceptance and indigenization of outside cultures largely depends on the degree of flexibility inherent in the culture of the recipient society. If, for instance, a given society's culture is loosely organized and relatively flexible, foreign elements can easily be absorbed into the existing cultural field and indigenized without much resistance or pain of adjustment felt by the native people. A more structured and rigidly managed culture, however, would respond with greater resistance. A selective response would be more closely managed by the political process of selective acceptance, or rejection. In the latter case, the culture shock felt by the recipient society may be greater and the clash of cultures may be more pronounced.

Fourth, in parallel with cultural flexibility, the degree of structural flexibility of the society also influences the process of acculturation and adaptive change. The more tightly organized and rigidly controlled the societal structure is, the greater the difficulty when it comes to adaptive change. More room for ready acceptance and indigenization of outside cultures would be available in a relatively more flexible social structure. This is the principle of structural flexibility.

Fifth, the extent of cultural openness is critical to the process of adaptive change. In terms of the attitude of the people responding to the acculturation process, a culture with an open-minded stance would be more flexible in accepting the elements introduced, whereas a more closed culture would have greater difficulty in adopting foreign elements.

Sixth, as regards the substantive nature of culture, what may be called a degree of cultural preparedness plays a role in responding to the acculturation process. Some cultures may have certain traits that allow the people to have an open mind about other cultures, while others may be lacking such traits in general. It is in this connection that we can examine the degree of institutional preparedness to adopt certain institutions from outside.

These "principles" help us examine the nature of change experienced by societies that have undergone the process of modernization at a later stage. However, in order to gain a better understanding of these dynamics, additional factors should also be examined. A closer look at the needs and demands of the people and society are necessary, for each society naturally attempts to meet the more urgent of such needs in responding to outside stimuli. Societies also need to mobilize all available resources, both human and material, to pursue the goals of modernization, and in doing so would have to employ some principles of social organization that may be located in existing socio-cultural resources.

Korean Modernization and the Culture of Capitalism

Origins of Korean Capitalist Development

There were two main waves of modernization in Korea, first in the late 19th century, and the second in the latter half of the 20th century. Capitalist economic development had not yet occurred in the first wave, but materialized in the second. The seeds of a capitalistic economy may have already been planted even before the imperial advances of the 19th century. However, such development has no relevance to this article since the economic change never materialized in full. A rudimentary and distorted form of capitalist economy had been introduced to Korea in the first few decades of the 20th century by the Japanese colonizers who had successfully launched their own economic modernization program several decades earlier. Nevertheless, this effort was never intended to promote real capitalist economic growth in Korea, and Korean capital was never a significant factor in this stage of misguided modernization. Therefore, indigenization and further development of the economy on the capitalist principle was not to be expected under colonial rule.

The main interest here lies in understanding capitalist economic growth in the second wave of modernization that started in the wake of World War II. Korea for the first time in thousands of years was directly exposed to international acculturation not mediated by any colonial or imperial forces, but brought about by liberators—the United States Armed Forces, whose mission in Korea was to occupy the land and manage the deportation of the defeated Japanese. They stayed on for three years looking after the process of independent nation-building. Since the nation had been divided arbitrarily by the world powers,

formation of government came to be realized in two separate states in 1948. To the south, the Republic of Korea was under the supervision of the United Nations and the United States, while to the north, the Democratic People's Republic of Korea followed the Soviet scheme.

Since North Korea became a socialist state, this study concentrates on capitalist development in the South alone. By the time an independent state was created, South Korea's economy was in shambles. Virtually nothing had been left behind by the departing Japanese and the country did not have a chance to recover under U.S. military rule. The Korean War erupted in 1950 at this embryonic stage of nationhood. During and after the war, the Korean economy almost entirely relied upon American aid. By the end of the 1950s, a group of U.S.-trained bureaucrats in the economic ministries decided to embark on planned economic development. This effort materialized only after considerable political turmoil, at the end of which the Park Chung-Hee regime came to power through a *coup d'etat* in 1961. The second wave of modernization began at that point.

Even before that time, the general nature of the economy was a capitalistic system imposed by the U.S. authorities and adopted by the political leadership with little or no choice under the newly emerging cold-war framework. Beginning in 1962, when the first five-year economic development plan was launched, the Korean leadership declared a new principle called "Guided Capitalism". In essence, this was conceived as a guiding principle for economic growth programs, under which the state was to play a significant role in promoting economic growth by actively participating in the world capitalist market, both in the area of capital formation and international trade.

Throughout this period, the Korean state provided opportunities for entrepreneurial activities on the part of the private sector and actively involved itself in planning, regulating, and often commanding the market sector. A significant number of entrepreneurial forces and managerial organizations had already been flourishing since the end of World War II, and in particular during and after the Korean War. The state was able to mobilize these institutions for the growth effort. The state itself was manned by a corps of technocrats with sufficient training for such a task. The general populace was more than ready to involve itself in any action that was aimed at eradicating the unbearable and chronic poverty that had afflicted the country for several centuries. So where did the culture of capitalism in Korea originate? Hypothetically speaking, it can be said that Korea borrowed capitalism from outside,

mainly from the United States and partially from Japan. Before the introduction of outside influences, Korea's culture and institutions were not sufficiently prepared for capitalist economic development, nor was the political culture or social arrangements flexible enough for indigenous modernization. The elite force that was responsible for conceiving, planning, and executing growth programs, both in the state and private market sectors, was either trained in the United States and Japan or under their tutelage. Whatever cultural resources were available to them to work with came chiefly from these foreign sources. The most obvious reason for this foreign reliance was that Korea had to depend on other nations for capital, managerial and technological know-how, raw materials and other resources, export markets, and the social capital of international connections.

Nevertheless, Korea still maintained some remnants of the pre-colonial tradition, no matter how much of it had been discarded, compounded, and distorted through the course of colonization, liberation, war, and its aftermath. Many claim that these traditional legacies are mostly Confucian in nature. However, this claim has validity only to the extent that Korea under the *Choson* Dynasty had been pervaded by Confucian culture. Until specific legacies and their actual role in the process of the second wave of modernization are historically and empirically identified, no other conclusions can be made. The more important point to make is that whatever they might have been, these traditional legacies have been selectively utilized by the planners and organizers of the capitalist economic development whenever such traditional elements came to be perceived as relevant and useful for the specific objectives at hand.

In the course of cultural and political selection, traditional elements in Korea were selectively employed under circumstances where they already had been re-shaped or reinforced by colonial rule and the international acculturation that followed the post-World War II period. The argument that traditional Confucian culture has positively contributed to capitalist economic growth in Korea appears misguided in this context. If there were any truth to this argument, it might be that some of it has been selectively utilized by various actors at the time in order to promote their program of change.

A Mixed Cultural Heritage

Methodologically, as mentioned earlier, one cannot deal with all the dimensions of culture, as culture is an all-encompassing concept. Therefore, it seems appropriate to start with some focal elements, in particular with what may generally be called the "content of mind" of the people involved in the process, including values, attitudes, perceptions, world views, and the like (Spengler, 1961). Since it would be a difficult task to attempt to cover all the content of mind in one sweep, some boundaries should be delineated to concentrate on views concerning the economy, corporations, management principles, technology, and other social conditions. Institutional arrangements are not included in this article, but should be considered as the background, providing context for the content of mind. Furthermore, it should be noted that no judgment is to be made regarding whether or not these contents of mind have negatively or positively affected the behavior of individuals in the course of rapid growth and its after effects, in the form of sudden financial crises experienced in the late 1990s. The main objective here is to assess the nature of the content of mind as such, for even this sort of preliminary study does not exist in the field.

The fact that one must be careful in making the claim of a particular connection to the Confucian heritage should be reiterated here, since it is not as simple as it might seem at first glance. When dealing with the cultural features of current capitalist development in Korea, we encounter a very complex mixture of factors: the old dynastic tradition, which may be encapsulated in a Confucian framework and yet in itself is not a pure brand; the unfortunate yet very powerful imprint of Japanese colonial rule; the strong and direct impact of modern Western civilization, essentially American in nature; and the unique adaptive efforts on the part of the Korean people.

This mixture makes it rather difficult to identify the precise source of the main cultural features of present-day capitalism in Korea. Therefore, this article takes a pragmatic stance and focuses on the cultural significance of Korean capitalism. The hypothesis here is that these cultural features are quite mixed, not even commonly shared by major players in the process of change. Some of them are uniquely Korean, some more or less Western and global, and some are even a mixture of both.

Analyzing "Confucian" Elements

In order to illustrate this notion of "mixture" in the Korean cultural context, the apparently Confucian elements such as authoritarianism, statism, collectivism, connectionism, educational aspirations, among others, will be analyzed first. To begin with the authoritarian principle of social organization, the colonial experience merits recognition, as it must have reinforced the traditional form of authoritarianism and hierarchical relations. However, the present form of authoritarian views and practices does not merely reflect purely Confucian ideals of hierarchical order in society. Instead, it strongly resembles Japanese-style military-bureaucratic authoritarianism and also has its roots in the ascendancy of the armed forces due to the Korean War, as well as the military background of the modernizing elite throughout the 1960s.

The phenomenon of distorted statism should also be scrutinized in the same manner. Under the patrimonial state of the Chosun Dynasty, the king was the state: He owned everything, and he wielded absolute power, which was highly centralized. The elite nobility, primarily the learned gentry, were fundamentally driven to become successful scholar-bureaucrats. But they had to compete among themselves for the power held firmly in the hands of the ruler through personnel recruitment, placement, promotion, remuneration, and participation in centralized decision-making circles. There were no such entities as the market or a civil society independent of the ruler and the ruling class, who belonged to the gentry.[2]

The Japanese took over using a modernized version of statehood with a strong state dictatorship that was totalitarian in nature. Since ancient times, Japan had been a society ruled by an armed military class that eventually took over the modernized state and gave it all its power. Even emperor-worshiping was practiced under militaristic rule. Thus, historical legacies and influences are not confined to the Confucian tradition; the powerful imprint of Japanese rule cannot be easily overlooked in interpreting the cultural sources of present-day state-centered political culture in Korean society. Modern state institutions heavily borrowed from the United States, with strong military inclinations owing their form and structure to the initial U.S. military occupation after liberation and American intervention during the Korean War.

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[2] On patrimonialism, refer to Max Weber, 1951; Roth & Wittich, 1968; Jacobs, 1985.

Connections and close interpersonal relations are important in all societies, East or West, in any given time in history. The true nature of "connectionism" in Korean society, however, must be understood in context. In a close-knit society where blood relations have traditionally been important, collectivistic orientations are mainly centered on familial specificity. The elite gentry class was divided into political factions armed with Confucian ideologies and theories, and the opportunities for upward social mobility were severely limited, exacerbating the competitive atmosphere. In this sense, personal connections did indeed occupy an exceedingly important position as a form of social capital. With the advent of colonial rule, the weight of connections became much heavier for anyone with ambitions, as opportunities for Koreans correspondingly became exceptionally limited. After independence, the Korean people, having gone through a turbulent history of ideological struggles, war, political turmoil, and rapid industrialization and urbanization, developed a strong instinct to rely upon connections in times of exigency.

The emphasis on education was unmistakably a Confucian value. The primary purpose of learning was to gain status in the state bureaucracy and political literati. Ideally, of course, learning was a means to improve oneself, but self-discipline was the method to employ if one wanted to become a good magistrate. Since aspirants with ambitions exceeded available positions, competition was widespread. Thus a culture of status-orientation was embedded in the societal value of education and learning. When the Japanese arrived, they deliberately restricted opportunities not only for education, but also for occupations, particularly specialized professions. In short, upward social mobility was limited, which only strengthened the Korean people's traditional yearning for education and status attainment. Even after independence, when universal education was instituted, education became an important channel for mobility in a rapidly industrializing society.

Strong authoritarian tendencies can still be found in modern Korean organizations, both in the public and private sectors. That means further change is needed in society, especially at a time of fast-moving telecommunications and the information technology revolution. Statism is also hurting the economy, which is facing the engulfing tide of globalization with its pressures for liberalizing the financial and commodity markets. Connectionism has been singled out as one of the villains responsible for the financial crisis in the late 1990s. Cronyism and corruption in the government, as well as large corporations, paralyzed the economy.

Over-zealous aspirations for education have now reached a point where the formal educational institutions have become crippled, no longer capable of providing urgently needed education and training for the rapidly changing world. In short, Korean society as a whole is facing the tremendous task of adapting to an unprecedented flux, and it is the minds of the people that change has to take place from the very bottom up in order to meet the challenge. Korea at the moment is undergoing a very painful process of soul-searching in its struggle to pass through this difficult period into a new era characterized by uncertainty.

Entrepreneurship, State Bureaucracy, and Nationalism

Now, let us touch upon some other elements of the contents of mind that are relevant to capitalist development. The first thing that comes to mind is entrepreneurship, as it is only natural to ask where such tendencies came from. We do have plenty of enterprising individuals who have succeeded in promoting economic growth in Korea. In fact, this legacy has existed since the traditional era. The answer as to why entrepreneurs in that period were not able to make the economy grow in the capitalist mode can be found by examining the cultural context, including institutional constraints.

In other words, the patrimonial political culture and institutional arrangements were not at all amenable to any aggressive devotion on the part of entrepreneurial individuals among the merchant class, who additionally faced social stigmatization from the elite of the gentry class. Many successful merchants were looked upon with jealousy and were exploited rather than encouraged by the elite.

The same explanation can be offered, as was done generally by Max Weber, in the case of traditional China. How much of this cultural-institutional factor was Confucian in nature should be carefully scrutinized before any conclusive remarks are made. Certainly, one cannot deny that there were strong Confucian elements in it. It was not, however, Confucian teachings as such that directly affected China's entire economy. It was rather a mixture of Confucian ideology, the status system, and other political elements that must have created the type of structure unique to China.

In the actual process of modernization, then, the driving force behind rapid economic achievement in Korea was a combination of individual entrepreneurship and state bureaucracy. The special component of the content of mind, namely, entrepreneurial orientations, was

to flourish only with the backing of the institutional apparatus of the state bureaucracy. The force that made this combination possible was political selection, which is a reflection of the political culture.

Another factor to be noted in connection to East Asian economic development is the presence of strong nationalism or national sentiments. In all three countries, nationalistic fervor was one of the most outstanding motivational elements pushing the elite to engage in modernization and the people to actively participate in the national effort to pursue economic growth. The historical reasons for the rise and operation of such strong nationalistic sentiments in the process of modernization are not necessarily identical in the three East Asian states. One could, however, safely claim that it was the strongest in Korea, followed by China and Japan. This variation has something to do with the extent and nature of the invasion by foreign powers, and the experience of imperial encroachment.

How might one connect this force of nationalism to a Confucian heritage? Even if a strong assertion of nationalism among some of the leading reformed Confucians like Chong Yag-Yong was to be found, especially in relation to China as the Confucian master country, it would be rather difficult to find any systematic connection between Confucianism and nationalism. Nationalism has much more to do with the historical experience of modernization than with Confucianism and its influence. It is therefore interesting to note in this context, that even the leading entrepreneurs in Korea, and in the other two countries, were as strongly motivated by this nationalistic desire in their economic pursuits, as they were by their individual need for achievement.

China and Japan

Japan is considered to be a unique model of modernization in East Asia, as it apparently met the tide of acculturation more methodically than its other two neighbors. According to the definition of modernization outlined earlier in this paper, it can be surmised that Japan enjoyed greater flexibility culturally and structurally, and was more open and better culturally prepared for the indigenization of the modernization process. This was partly due to the feudal system adopted in Japan, compared to the patrimonial system prevalent in Korea and China. The modernizing elite even chose to utilize some traditional cultural elements, including very practical Confucian teachings, in promoting modernization.

Certain indigenous institutional settings and economic practices in Japan might have been more amenable to promoting capitalist economic growth, compared to China or Korea. Still, one should recognize that the crux of modernizing culture, or the culture of capitalist development—including techniques and institutions—was primarily borrowed from the West. Even the strong statism adopted by Japan's elite corps today is a mixture of the old military bureaucracy and the western-styled modern central state. The corporate culture is also a unique blend of cronyism and paternalism, which have traditional sources, and the very modern institutional and technical framework is adopted from the West. The central difference, in sum, should be found in the relative success of Japan's ability to adapt to changing circumstances.

However, at the dawn of the new millennium, Japan is also facing the grave task of adapting to the challenge of globalization. This is mainly due to Japan's failure in making further adaptive changes commensurate with its earlier success. Additionally, Japan's obstinate adherence to certain traditional cultural elements has come into conflict with adjustments that need to be made.

China is also a unique case, as it had initially succumbed to the surge of international acculturation in the form of imperial infiltration and failed to push forward on a program of modernization. The victorious elite corps of the civil war adopted a Chinese version of socialism and communism instead of capitalism as an alternative system for modernization. The culture of capitalism in Mainland China is relevant only in the period after Mao's reign. Even after that, the Chinese experience has exhibited another unique case of capitalist development under the guise of "market socialism." In reality, it stands for a hybrid policy of adopting the market principle in the economy while retaining the one-party rule by the communist elite corps in the state sector. In this respect, the Chinese case offers a really interesting model of capitalist development.

As Weber himself acknowledged, China had its own propensity for a strong capitalistic tradition. But the problem was that institutional and structural constraints couched in the patrimonial political economy hindered any indigenous capitalist economic growth. Cultural and structural rigidity also stood in the way of incipient modernization. In the post-Mao era, this rigidity has been reduced primarily by shrewd political selectivity, freeing the economy so that the traditionally entrepreneurial Chinese could enjoy newly provided opportunities, on the one hand, while retaining the patrimonial rule of the communist party

in the political sphere. In the process, an interesting mixture of both Chinese and western influences can be found. Much has been adopted from the West in the economic sector, while efforts to resort to some traditional elements, including the so-called Confucian heritage, are evident in the political arena, in addition to the original Soviet-type principles of organization and rule.

At the moment, China's dilemma lies in meeting the challenge of globalization both economically and politically not only in order to survive as a viable capitalist economic entity, but also to ascend into the circle of advanced nations and claim its position as an international power. However, China must allow for greater political-structural flexibility for this to happen. Despite the turbulent path China has had to follow so far, its adaptive ability to indigenize the modernization process has been impressive, and its success in resolving this dilemma should be recognized as an exceptional case of adaptive change.

Conclusion

The debate regarding the relevance of the Confucian heritage to East Asian development and the controversy regarding Asian values have thus far missed an essential point. Some of these discourses have gone so far as to coin such words as "Confucian capitalism" or "Confucian democracy," which are misnomers at best. Such concepts as capitalism and democracy should first be defined and understood in ideal-typical terms before any adjectives are added to them. In other words, there is something inherently unique about capitalism and democracy and their true meanings have to be retained in our attempt to describe and explain the appearance of modified forms of capitalism and democracy in various societies throughout human social history.

The three countries in East Asia examined here, for instance, have all adopted and practiced capitalism as a socio-economic system and democracy primarily as a set of political norms manifested in institutions that have undertaken compulsory, and at times unnecessary but expedient modifications. These adaptations have been made through the process of cultural and political selection in accordance with their own needs for adaptive change as a part of the modernization process. Confucian elements have surely seeped into the operation of the system, sometimes by default and sometimes by design. Nonetheless, the label "Confucian" must not be tacked onto this system simply because the

Confucian heritage may have somehow played a role in the process. In
reality, Confucian elements may have had both a positive and negative
influence on the process. Either way, labeling the phenomenon in East
Asia "Confucian capitalism" goes too far, without adequate substantia-
tion. This is because Confucian is not the only factor playing a critical
role in the region. More importantly, the role of Confucianism has not
yet been studied systematically and satisfactorily. It is more appropriate
to simply state that East Asian societies have adopted and practiced capi-
talism or democracy utilizing their own modes of adaptive change.

A more meaningful and perhaps even more interesting question is to
ask what all this has to do with the differential development of civiliza-
tions. In this regard, an observation made by an expert on Weber is very
intriguing and worth noting. In an essay on Weber's views on the Orient
and Occident, Benjamin Nelson raises the following questions:

> Where, one must ask, would Weber have stood in the worldwide debate
> now in progress on the issues of the possible ultimacy and irreversibility
> of the Western pattern of development? Did Weber teach, as some now
> seem to claim, that Western development represents the highest form of
> civilizational achievement which has yet appeared in mankind's social
> evolution? Is Weber committed to the view that Western patterns were
> not only unique but necessary and irreversible? (Nelson, 1991: 96–106)

Nelson then offers his own provisional opinion as follows:

> Weber did contend that the West had, so far, seen a unique develop-
> ment in respect to the complex structures of institutionalized rationality,
> rationalism, fraternization, and universality. He never meant to claim
> that these structures were independent of Eastern influence, ultimate in
> point of development, irreversible. So far as I can tell, he would have
> had no trouble in admitting that the West could go East and the East
> could—and would—go Western. (Nelson, 1991)

It must be acknowledged here that the modern world has been domi-
nated by Western civilization, particularly through the experience of
modernization. Modern capitalism and democracy by the same token,
as we now know, developed and flourished first in the West and has been
subsequently disseminated throughout the world. As Michael Novak
very proudly bragged, capitalism and democracy have been the West's
positive contributions for humanity at large (Novak, 1994).

Another issue that should be raised here concerns the pernicious
effects of both capitalism and democracy as practiced currently through-
out world. These are moral issues by nature involving value judgment

and humanistic goals. How far can capitalism go before it destroys the very fabric of human morality and communal society? Is there any alternative to this mode of economic operation? By extension, what are we to do to ameliorate a capitalist paradigm that is morally corrupt so as to make it benign and beneficial to the human soul and body, so that the quality of life for humanity may be substantially improved?

It is in this context that the relevance of a civilizational interface can be explored, so that conscientious soul-searching may lead us to find answers to the questions raised above regarding remedies for the malaise of capitalism in practice. Now may be the time for Eastern civilizations to speak up and render a helping hand to this process of soul-searching. Furthermore, one should endeavor to promote inter-civilizational dialogue in the hopes of creating a new civilization through a dialectical *Aufheben* in this new millennium, and to restore the true spirit of capitalism without the negative elements that have caused human suffering so far. Our search for the spirit of capitalism in East Asian development has been conceived, at least in part, in this noble spirit.

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