

THE POLITIC OF GOOD GOVERNANCE IN THE ASEAN 4

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Abstract:

'Good governance' is an evolving and increasingly influential discursive agenda that introduces new ideas about public policy, specifically targeting managerial behaviour and promoting modern administrative strategies. Most scholars agree that as a notion, good governance combines liberal democratic principles with a 'new public management' (NPM) approach to economic policy-making. What is less clear is who the agenda actually targets. In other words, is the good governance agenda aimed at rulers in particular or the broader population? Implicit in the answer is whether good governance concepts are simply useful tools to help build political credibility, or the agents for better managerial and administrative outcomes.

In countries with advanced economies, good governance is invariably used to describe corporate and public administration strategies that invoke ethically grounded 'World's best practice' standards and procedures. However, in developing economies, good governance can take on quite different, and often unintended meanings. This thesis finds that in developing countries good governance is being expressed more as a political tool than as substantive practice and policy reform. This is occurring in an increasingly 'post-Washington consensus' environment that explicitly recognises the importance of the social impact of structural adjustment programs and broader issues of human rights. And importantly as far as this thesis is concerned, during Southeast Asia's current economic recovery, good governance has taken on a whole new relevance.

This analysis commences from the assumption that good governance is a discursively created phenomenon that can be understood as a complex notion with both structural and ideational elements. The term is couched in a structure that is both economically technical and socially normative. It has overlapping central tenets driven by regulation and the institutional environment, and should not be viewed as a set of constructs in isolation from the context in which it is being used. And it is based on assumptions about common sense attitudes and

shared common good objectives. And as this thesis will demonstrate, good governance functions within an unpredictable and often hostile political environment in which powerful actors are learning to use this new discourse to satisfy political expediencies. Put simply, good governance is nourishing a politics of its own.

The thesis uses the ASEAN 4 countries of Southeast Asia: the Philippines, Thailand, Malaysia and Indonesia, as individual and comparative case studies. The studies examine how the concept is shaping the institutional structure of these countries, and includes commentary on the role of good governance in the 2004 round of election campaigning. A genealogy of good governance will be developed in these local contexts, and more generally. This will assist in mapping the concept's evolution in relation to development trajectories and local politics.

The hypothesis under examination is – that the good governance agendas in the ASEAN 4 states primarily focus on improving representative rule rather than encouraging self-regulation. Two questions in particular are asked in each of the case studies for the purpose of testing this hypothesis. What defining features of good governance discourse have been instrumental in the emergence of the politics that surrounds the agenda, and how is the discourse used to expand or limit the democratic possibilities theoretically inherent in good governance strategies and processes? These questions are important because they're designed to bring clarity to the intent of government and the role that the governed play in states where good governance is an increasingly important political issue.

Good governance is more than merely a set of prescribed policies and practices. It is an agenda that reflects a specific set of 'neoliberal' ideas, predicated upon generally unarticulated assumptions about the universality of modern administrative practices supported by normative behavioural change. And it appears to privilege specific interests with potentially unjust implications for wider social formations. This assertion pivots on the finding that in various ways good governance discourages the advancement of open politics beyond nominal democratic procedures because it is theoretically grounded on

governance principles that are not easily transferred to developing countries with diverging political, cultural and historical experience.

Nevertheless, the attempt is underway. Ostensibly it is taking a form that is schooling targeted populations in what is 'good' and 'bad' in the economic interest of the nation. However, these efforts don't appear to be succeeding, at least not in the way the international architects of good governance intended. This thesis finds that this 'mentality' transformation project is clearly informed by Western experience. And this informs the theoretical approach of the thesis. Specifically, a 'governmentality' framework is used, largely because it has been developed out of analyses of rationalities of government in advanced liberal societies, in which the objectives of good governance are firmly grounded. And as this expanding research program has seldom been used to study government in developing countries, this thesis also puts a case for using governmentality tools beyond the boundaries of its modern Western foundations.

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I also take this opportunity to thank Meredith Edwards and the National Institute for Governance at the University of Canberra for sponsoring my attendance at an International Conference on Good Governance, held in Brunei Darussalam in September 2002. And my field trip to Thailand in January 2004 at the expense of the CRC for Construction Innovation was invaluable for providing some much needed resource material and for undertaking numerous insightful interviews.

Finally, but most importantly, I have family to thank.

Statement of Originality

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Signed:

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CHAPTER 1: THE PROBLEM

From corporate collapses of American mega-companies to the basket-case states of Sub-Saharan Africa, one maxim clearly enjoys universal currency. For reasons that simply make good common sense, few would deny that this modern, increasingly globalised world could do with a lot more 'good governance'. However, what is actually meant by good governance isn't as clear as the resonance that it quite obviously captures. Most frequently it is associated with the call for accountability and transparency, and is heralded as an anti-dote to corruption. That governance without its value laden descriptive is expected to deliver a new, more sophisticated administrative performance is less celebrated. This underestimation of the complexity of governance, and by implication – good governance – is problematic given the powerful transformative potential that the term appears to invoke.

There has been a lot written about good governance within several different contexts in recent years, ranging from aid program administration to executive management at the highest levels. For instance, good governance has become so important for aid donors and International Financial Institutions (IFIs) that it has not only been embraced as a precondition of assistance, but the assistance itself is being poured into building it. This is effectively creating a new development agenda of its own. Meanwhile, it is also being used as a corruption index for comparative benchmarking. Yet with so much use being made of good governance, there are surprisingly few studies that broadly examine the numerous implications of the term. This thesis addresses this need in relation to its impacts on domestic politics in Southeast Asia.

The thesis is premised on the assertion that good governance is a notion that attempts to unite technical and normative elements, and when applied in practice or even simply discussed, forms the nucleus of what is inevitably a value-laden political construct. What is argued here is that the emerging politics being shaped by the new initiatives that the term embodies requires unpacking. Specifically, unless the technical-normative constituency of good governance is more clearly understood by stakeholders, the practices of good governance have little chance of taking root in less advanced societies. This argument is

sustained on the basis that developing countries have hitherto been shaped by an enduring politics characterised by ideas that contrast markedly with concepts associated with good governance. And unless good governance can be more broadly understood at the local level, prominent domestic politicians will continue to manipulate good governance discourse to serve their own purposes.

Origins

In the latter half of the 20th century, a standard of living unknown to preceding generations was attained by what is referred to here as advanced countries. With this modernity however, an increasing disparity has also emerged between those who enjoy the 'fruits' of this unparalleled lifestyle, and those who have been denied access, disadvantaged, displaced, alienated or simply confined to a comparatively unrewarding production process. Efforts to correct this imbalance have escalated as this differentiation has been more frequently beamed into the 'modern' living room. These efforts have not only been reinforced by awareness, but have incorporated new objectives and delivery methods in a continuous drive to improve development policy.

Some analysts tell us that development policy shifts are strongly correlated to the appointment of new chiefs at the IMF or the World Bank.¹ Whether this is the case or not, it makes reasonable sense to keep trying new things when old methods fail to reach expectations. Compounding the poverty burden meanwhile are the financial crises that have struck the developing world over recent decades. The fallout from the collapse of Soviet communism and the demise of the Cold War and superpower posturing in the Third World has also had significant impacts. Moreover, influential scholar Jack Klugman tells us that:

“[t]he old model of a technocratic government supported by donors is seen as incomplete. Most development practitioners

¹ See for example Jocken Kraske (1996) *Bankers with a Mission: The Presidents of the World Bank, 1946-91* (New York: Oxford Uni Press) pp.4-5, 287-8; Bruce Rich (1994) *Mortgaging the Earth: The World Bank, Environmental Impoverishment and the Crisis of Development* (London: Earthscan); Martha Finnemore (1997) 'Redefining Development at the World Bank' in F. Cooper & R. Packard (eds) *International Development and the Social Sciences* (Berkeley: Uni of Calif. Press) pp.203-27. The former World Bank President, Lewis Preston, has even admitted to a 'flavour of the month' syndrome determining Bank policy, *Independent on Sunday*, (London, 10 May 1992).

now believe that aid and policy effectiveness depend on the input of a whole range of agents—including the private sector and civil society—as well as on the healthy functioning of societal and institutional structures within which they operate.”²

It is with this backdrop that good governance has emerged as the latest ‘flavour of the month’.³ Indeed, in a plenary address to the Second Global Forum on Reinventing Government held in Brasilia in May 2000, World Bank President James Wolfensohn cited a Bank study based on detailed personal accounts from 60,000 men and women living in poverty in 60 countries, stating that:

“the poor, not unlike others, are concerned about their families, their children, their safety, and about opportunities. They are not looking for charity. What they want is an environment in which they get equal chance, in which they get an opportunity, and this comes down to the question of governance.”⁴

It is acknowledged in this thesis that good governance largely emerged out of the World Bank’s experience in Sub-Saharan Africa. However, the agenda benefits from empirical evidence from developing countries that have embraced good governance and subsequently enjoyed sustained economic growth. It follows that the ‘East Asian miracle’, predicated on a quite different development formula, was problematic to the good governance agenda. The economic crises that shook the region beginning in 1997 therefore provided a window of opportunity for those promoting the new agenda to discredit existing governance structures in developing Southeast Asia. Indeed, policy-making in the region has been prised open by technical, informational and monetary assistance with a view to embedding good governance practices in countries that display all the hallmarks of achieving their self-stated goal – ‘fully developed’ status. This view conceptualises Southeast Asia as a development laboratory crucial to the future resonance of good governance initiatives elsewhere.

² J. Klugman (2000) ‘Overview’, *Poverty Reduction Strategy Sourcebook: Draft for Comments*, April 20, 2000, p.1. Available on the web at <http://www.worldbank.org/poverty/strategies/sourctoc.htm>.

³ R.A.W. Rhodes (1997) *Understanding Governance* (Buckingham: Open Uni Press) p.49. However, many authors assert this. For the IMF see Louis Pauly (1999) ‘Good governance and bad policy’, *Review of International Political Economy* 6:4, p.402; on the World Bank see David Williams and Tom Young (1994) ‘Governance, the World Bank and Liberal Theory’, *Political Studies* 42, pp.84-100.

⁴ James Wolfensohn (1990) ‘World Bank President Addresses Second Global Forum on Governance’ News Release No: 2000/372/LAC. Available on the World Wide Web at www.worldbank.org

What is 'good governance'?

The questions 'what is 'good governance'?', and 'where does it come from?', are intrinsically woven together. Although the concept escapes precise tracking to an original founder, the sense in which it is commonly understood in development studies clearly points to the World Bank as a prime instigator. Indeed, it is argued that the architects of good governance and those who are its major proponents have crafted the notion according to their own experience and expertise. This in itself points to clear distinctions in the understanding of the notion by comparison with broader concepts of governance. And the World Bank's definition of governance provides a good starting point for understanding the differences with various conceptions of good governance. The Bank defines governance:

“...as the manner in which power is exercised in the management of a country's economic and social resources. The World Bank has identified three distinct aspects of governance: (i) the form of political regime; (ii) the process by which authority is exercised in the management of a country's economic and social resources for development; and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions.”⁵

This threefold classification of form, process and capacity emphasises the domestic orientation of governance. The Bank's definition of good governance is less clear, although it holds to the domestic framework of its governance formulations. For instance, the International Monetary Fund's (IMF) Managing Director in 1992, Michel Camdessus, described good governance as “accountable and active governments that enjoy the trust and support of their societies”.⁶

Adrian Leftwich sums up World Bank thinking outlined in the 1992 publication, *Governance and Development*, declaring that good governance involves:

“an efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; an independent public auditor,

Wolfensohn was referring to the World Bank's 3 volumes of *Voices of the Poor : Can Anyone Hear Us?*; *Crying Out for Change*; and *From Many Lands* (New York: Oxford Uni Press).

⁵ World Bank (1994) *Governance*, p.xiv.

⁶ Camdessus, M. (1992) *IMF Survey*, 14 December.

responsible to a representative public legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure, and a free press.”⁷

In the voluminous literature that has emerged from the World Bank addressing governance issues since 1992, it has become clear that characteristics of good governance are attached to 5 essential institutional components drawn from the 3 aspects of its definition of governance. Regime-type, or the executive branch of government, is measured by accountability. Process is viewed in terms of bureaucracy, the rule of law, and policy-making. Specifically, bureaucracies are expected to be professional and efficient, the rule of law should be universal and appropriate, and the policy-making process, open and transparent. And finally capacity is seen as a product of civil society, which can contribute to good governance when it is enabled to participate.⁸

Before examining the Bank’s definition of good governance any deeper though, it may be helpful to highlight the particular characteristics that set the notion apart from other conceptions of governance. Marie-Claude Smouts emphasises the distinction between ideas of governance as multi-faceted managerial improvements in relatively well performing pluralist democracies, and that of the good governance prescription for ailing and rapidly developing economies.⁹ She argues that this latter conception has more to do with principles associated with *New Political Economy*, or *New Public Management* (NPM), that tend to focus on micro-economic reform and rational choice in the public sphere.¹⁰ And again, in a study of “governance as ‘good governance’” R.A.W. Rhodes concludes: “‘good governance’ marries the new public management to the advocacy of liberal democracy”.¹¹ And the apparent economic success of modern Western government (or more specifically as we shall explore later – governmentality) helps to explain why good governance advocates emphasise this particular

⁷ Adrian Leftwich (1993) ‘Governance, democracy and development in the Third World’ *Third World Quarterly* 14:3, p.610.

⁸ See Nauro F. Campos and Jeffrey B. Nugent (1999) ‘Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America’, *World Development* 27:3, pp.339-40.

⁹ Marie-Claude Smouts (1998) ‘The proper use of governance in international relations’, *International Social Science Journal* 1, pp.81-90.

¹⁰ See also Adrian Leftwich (1994) ‘Governance, the State and the politics of development’, *Development and Change* 25, pp.363-86. For a critique on the *New Political Economy* see G.Meier (ed) (1991) *Politics and Policy Making in Developing countries: Perspectives on the New Political Economy* (San Francisco: ICS Press).

¹¹ R.A.W. Rhodes (1997) *Understanding Governance*, p.50.

interpretation of the notion. This is despite the political climate in many developing countries contrasting vividly with that in the West, leading to problematic outcomes for the intended marriage. And this culturally-framed political disparity points to an important underlying theme of the research project.

As well as the World Bank and the IMF, the Asian Development Bank (ADB) and the United Nations Development Program's (UNDP) definitions of good governance are also worthy of comment here, given their influence on the Southeast Asian region.¹² The ADB emphasises the need for a transparent and predictable policy environment, together with an impartially enforced regulative framework protecting property rights, and thereby limiting the power of the state to act arbitrarily. This focus on process implies a downgrading in the importance of regime type, and rests on the idea that governance is a bridge to liberalism, which in turn is assumed to be the basic precondition for a vibrant civil society, paving the way for capacity building.¹³ Meanwhile, the contribution that the UNDP makes to the debate is its insistence on linking good governance with the notion of Sustainable Human Development (SHD), and by implication sees a stronger and more immediate role for civil society.¹⁴

Interestingly, the Bank and the Fund's official definitions of good governance are at pains to avoid political references.¹⁵ The Bank's Articles of agreement prohibit political bias within its operations, and this is an impediment not faced by other international organisations and bilateral development agencies. It is also reasonable for the Bank to assume that in at least some Southeast Asian countries, political overtures are likely to be resisted on the grounds of economic imperialism. The multilaterals' position, which appears to be rather

¹² For a lengthy list of definitions articulated by various institutions see Thomas G. Weiss (2000) 'Governance, good governance, and global governance: conceptual and actual challenges' *Third World Quarterly* 21:5, pp.797-8.

¹³ Hilton L. Root (1996) *Small Countries: Big Lessons; governance and the rise of East Asia* (Oxford: Oxford Uni Press), p.176-7.

¹⁴ UNDP (1995) 'A UNDP Policy Paper: Strategy on Governance' (New York: United Nations).

¹⁵ The notion of good governance can be traced through the Bank's publication of Elliot Berg's World Bank Report (1981) *Accelerated Development in Sub-Saharan Africa: an Agenda for Action* (Washington DC: The World Bank); The World Bank (1989) *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington DC: The World Bank); The World Bank (1992) *Governance and Development* (Washington DC: The World Bank); The World Bank (1994) *Governance: The World Bank's Experience* (Washington DC: The World Bank); and The World Bank (1997) *World development Report 1997: The State in a Changing World* (New York: Oxford Uni Press).

difficult for them to adhere to strictly, emphasises that the nature of political regimes is unimportant, as long as such regimes are congenial to the governance agenda. However, this caution does not appear to be as binding when it comes to less developed states. For instance, both the Bank and the IMF have consistently emphasised in their dealings with Cambodia and Laos that 'politics matters'.¹⁶

The distinctiveness of the good governance concept has prompted many who have written about it to furnish their own definition acquired from pre-existing literature, the World Bank, and numerous other sources. Peter Larmour for instance cites the Australian Minister of Foreign Affairs in the Howard Government, Alexander Downer, in defining good governance as "open, transparent, accountable, equitable and responsive to people's needs".¹⁷ Like other definitions, the broad scope of these prescriptions highlight the inherent elusiveness of the meaning of good governance and the implications for the development of a 'Multilateral Bank-wide' definition. In this regard, Hilton Root's arguments in his book *Small Countries: Big Lessons; governance and the rise of East Asia*, are particularly illuminating, pointing out that the book distils the knowledge arising from the dialogue between the Asian Development Bank and its borrowing member states.¹⁸ Root quotes Augustine of Hippo's exclamation (5th century AD) that "I know what time is, but if you ask me, I cannot tell you," explaining that:

"Good governance, a much sought after precious commodity, similarly evades definition. It arouses the sharpest disagreements and inspires the greatest introspection. Social welfare depends upon it, yet no one agrees on its definition. Some nations believe it to be too subjective to be discussed with outsiders. Other governments believe it to be too volatile a topic to be discussed even among citizens. Some governments are willing to discuss governance, providing the word is not mentioned in the discussion. Some assume their own experience provides the universal thread, while others believe their case is unique, its evolution impenetrable from the outside. Yet today it is obvious that beliefs and assumptions must be put aside and a dialogue opened, as

¹⁶ IMF (1999) *IMF Economic Reviews: Public Information Notice* Nos. 1 & 3 (Washington D C: IMF).

¹⁷ Peter Larmour (1998) 'Making Sense of Good Governance', *SSGM Discussion Paper* No. 98/5 (Canberra: ANU). He cites from DFAT (1997) Promoting good governance and human rights through the aid program (Canberra, 27 August).

¹⁸ Root (1996) *Small Countries: Big Lesson*, p.ix.

progress toward world development clearly hinges on progress in good governance.”¹⁹

While specific insistence on explicit democratic reforms cannot be found in Bank prescriptions, the subtle use of carefully selected language helps to express their concerns. Thus, good governance according to the World Bank is a way of talking about the right kind of mixture of abstract ideals and management objectives.²⁰ The resultant discourse has grown with the agenda, and many of the politically sensitive taboos were lifted following the broadening of good governance initiatives around 1997. For instance, since the late 1990s, the Bank has repeatedly declared that the actual form of a political regime is a primary aspect of governance, implying that some forms are better than others at delivering good governance.²¹ Not only is this claim evidence of a deeper understanding at the Bank of the pivotal role that politics plays in good governance, it is a good example of careful language selection. Another prominent example of language selection occurs within bilateral framework dialogues, with the use of the term ‘good government’. Donor countries in particular use this term interchangeably with good governance, and by doing so greater emphasis is placed on political leadership in contrast to power distribution, and represents a somewhat muffled call to democratise in order to provide more efficient distribution.²²

In the second chapter of this thesis, a clearer understanding of good governance will be gleaned from the views of those outside the Bank who have written about the notion. This will also underscore how various definitions of good governance appear to emphasise aspects of the concept that appeal to different interests. However, for the purpose of building a better contextual foundation for the literature surveyed, the origins of good governance will firstly be discussed as a narrative history. This narrative is based on the assumption that good governance is a function of discipline imposed by dominating, or at least influential sources of power. It follows that an important aim of this thesis

¹⁹ Ibid., p.145.

²⁰ Ibid.

²¹ World Bank (1994) *Governance*, p.xiv.

²² Richard Crook and James Manor (1995) ‘Democratic Decentralisation and Institutional Performance: Four Asian and African Experiences Compared’, *Journal of Commonwealth and Comparative Politics* 33:3, p.310.

is to uncover what these powerful sources are, and how they exert this power within a context of providing desirable governance.

While the entire thesis concerns itself in one way or another with answering the question, ‘what is good governance?’ a working definition is posited and will be progressively tested. That is: good governance is a relatively narrow, regionally specific ‘neoliberal’ construction based on a set of norm producing assumptions designed to underpin an alleged innate goodness and efficacy of the market, the need for ethical professionalisation of public and private administration, and the benefits of an effective regulatory framework.

Good governance has five main components that can be conceptually divided into two overlapping spheres of influence: structure and ideology. Specifically, administrative reform and the rule of law have a structural basis, meaning that they have a material relationship with the state and can be understood as the political overtures of the conditionality tradition within NPM. Thus, concern for human rights is subsumed into rule of law, and the World Bank’s call for improved public sector management collapses into administration reform. Discourse and capacity building on the other hand are value laden and thus ideological in orientation, and are aimed at constructing a governance environment that will result in increased transparency, openness, accountability and participation. And these less tangible notions of legitimacy and competence

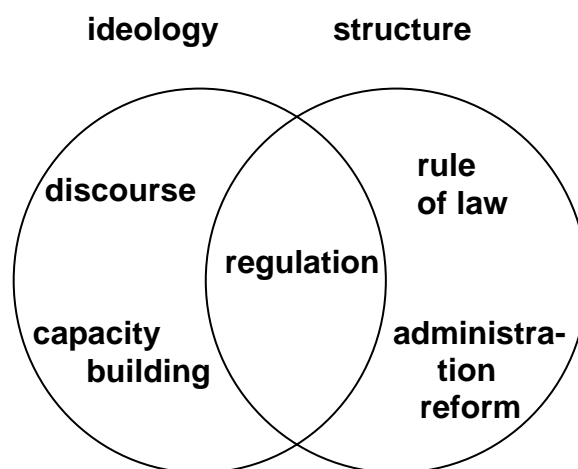


Figure 1. Conceptual model of good governance describing four of its major components and the two overlapping spheres of influence.

are incorporated in the rubric of capacity building. And finally, these two spheres of operations have important functional interactions and conflicts that focus on regulation. Formal structural regulation emanates from the state, steering populations in a particular policy direction. Meanwhile, self-regulation is determined by what populations think about the dominant structures, and are viewed as ideologically driven attempts by individuals and institutions at self-government efforts. Put another way, the regulative 'middle' forms the technical normative nucleus within an erratic and potentially hostile political environment. It is this interplay that has profound implications for the direction of development policy, and strikes at the heart of what this thesis attempts to analyse.

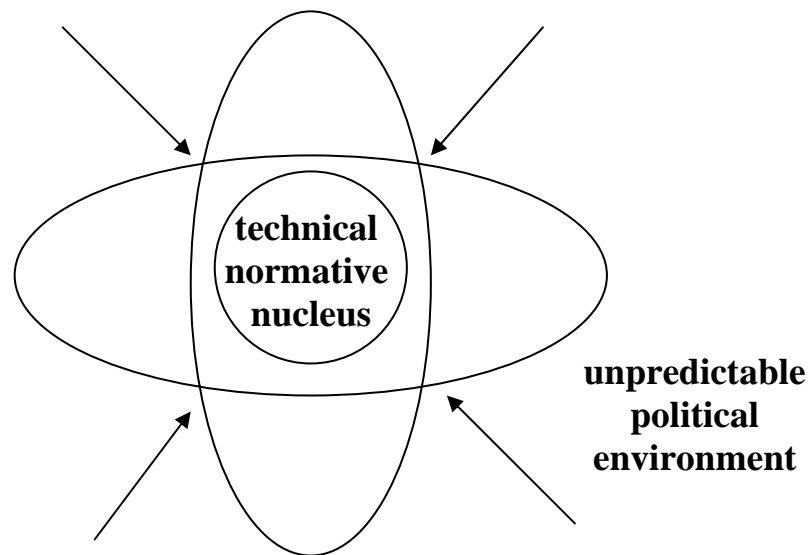


Figure 2. Model positioning the regulative component of good governance within its operating environment.

What figure 2 (above) illustrates is that the nature of regulatory regimes of states are formed by the exposure of policy making to the political process, or more specifically, how populations respond, and even think about, rule from above and beyond. If insulated from politics, good governance remains essentially unaffected by the cultural, social, historical and political factors that have shaped the context where it is expected to take root. This obviously limits the agenda's ability to be absorbed, moderated and practised.

And the *politics* of good governance is not evenly distributed. Good governance itself commences from the international sphere and radiates toward communities. However, it is demonstrated by this thesis that the politics of good governance tends to be reinvented at the level of national government, and from this locus can control much of the domestic agenda. It is found that governments can have coercive and disciplinary influence on local responses, while they reconfigure the messages coming from international actors. Nevertheless, and particularly during times of crisis, local action can trigger major responses at the national level.

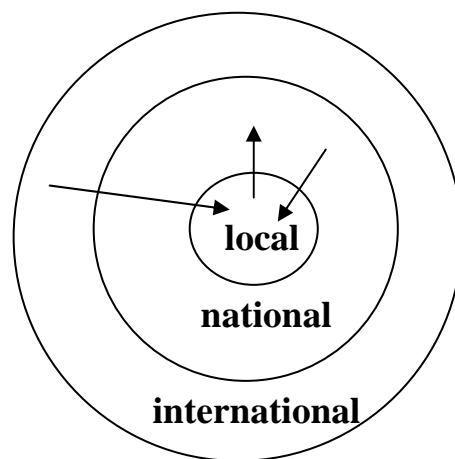


Figure 3. Model depicting the directional influence of good governance politics.

A central feature of good governance is the claims it makes concerning prosperity and development. To this effect it is aimed at outcomes that are designed to streamline a market economy by providing benefits in terms of nurturing effective legal, administrative and institutional frameworks, improving accountability and transparency, and by the strengthening of civil society. In short, good governance seeks to privately and publicly manage the

development process, and promotes collective economic concerns over individual political rights.²³

A final remarkable feature is that good governance is clearly not a blueprint in any precise or systematic sense. NPM is emphasised, but good governance remains yoked to a conceptual normative program that appeals ideationally, and therefore appears to compete with politics rather than embracing the political process. This thesis demonstrates that this failure of the internationally driven agenda to engage politics is a primary reason why it appears to be so vulnerable to the vicissitudes and turbulence of local politics

Other important terms:

- Politics

In his treatise *Politica*, Aristotle famously declared, “Man is by nature a political animal.”²⁴ So what exactly is meant by politics? It is often said that politics has to do with who gets what, when, and how. A more sophisticated definition that essentially means the same thing is that politics is a process whereby economic and social problems are resolved, and power is distributed and exercised. This broad view assumes that politics is actively pursued by at least some members of society to secure preferred policy outcomes that impact on entire populations. A broad study of politics therefore involves an examination of the history, structure and the on-going struggle shaping rules, regimes and institutions.

Politics also clearly operates at a more subtle level of perception. Indeed, the way issues are perceived may either induce or negate action.²⁵ Thus, politics includes the contest to control ideas and language, and assumes that these constructs are powerful tools for determining attitudes to change and reform. It is played out in a context that theoretically is open to all, but is undertaken by few. Those active in politics, which traditionally hail from elite social and

²³ Morten Bøås (1998) ‘Governance as Multilateral Development Bank Policy: The Cases of the African Development Bank and the Asian Development Bank’, *European Journal of Development Research* 10:2, p.128.

²⁴ Aristotle (translated and published 1941) *The Basic Works of Aristotle*, R.McKeon Ed. (New York: Random House), p.1129.

²⁵ M. Crenson (1971) *Unpolitics of Air Pollution; a Study of Non-Decisionmaking in the Cities* (Baltimore: John Hopkins Press).

economic circumstances, find themselves in a powerful position in terms of determining the political course. However, with communication technology and access expanding, and education levels increasing, political elites are coming under increased pressure from traditionally apolitical stakeholders. This is why the control of political discourses is currently assuming great importance for those who seek to influence the direction of politics.

- Discourse

Language helps to construct reality by making it meaningful. However, both language and meaning (linguistics) are undoubtedly shaped by the context in which it is created. Discourse is understood as this wider view of language, specifically the concurrence of linguistics and context.²⁶ This understanding by implication denies the universal meaning of chosen language and forms of expression, and suggests that unhinged networks of social relations potentially contrive various meanings.²⁷ In this view, particular groups attributing distinctive meanings to language construct discursive formations.

It is the coexistence of competing discursive formations that explain different understandings of specific terms. For instance, 'common good', 'efficiency', and 'accountability', which are ideas central to claims of good governance, are inescapably ambiguous because they are represented differently by various social formations. Paradoxically, this ability to reconfigure ambiguous terms also helps to explain their universal appeal simply because they disregard context.

- The ASEAN 4

There are important nuances in the way good governance is interpreted in Southeast Asian countries. To gain a clear regional picture, it is important that we first examine these differences in detail so that these can be adequately explained. Studying all ten Association of South East Asian Nations (ASEAN) states would complete the picture, however there is a great variation in Southeast Asia in terms of development, politics and many other determinants. In order to compare the politics of good governance in countries ranging from the military junta ruled Myanmar to economically advanced Singapore, the

²⁶ See Michel Foucault (1972) *The Archaeology of Knowledge* (London: Tavistock).

canvas will be all too large for hypothesis testing. Instead, the 4 large emerging economies sometimes referred to as the ASEAN 4, have been selected not only for reasons of coherency in terms of shared common features, but because these states are models for the less developed countries in the region. The ASEAN 4 countries are an unofficial sub-grouping of Thailand, Malaysia, Indonesia and the Philippines. With the exception of what is now at least the clearly more advanced, and by comparison, geographically diminutive island state of Singapore, these 4 states were ASEAN's founding members in 1967. ASEAN has since proved to be the most enduring inter-governmental organisation in the Southeast Asian region, and has continued to "deepen" in terms of political integration, and "widen" through numerical expansion of its membership.²⁸

The ASEAN 4 title simply identifies these countries as the 'second tier' of Asian NICs (newly industrialised countries). Commencing in the late 1970s, labour-intensive export production began to gravitate away from Japan to cheaper labour sources in East Asia. The first tier of countries to step-up manufactures included Korea, Hong Kong, Singapore, and Taiwan, and became known as the NICs. What could be called a second wave of industrialisation then took hold in China and the ASEAN 4. This second tier movement completes a regional wide process of technological expansion, specialisation and intra-regional trade, albeit with several gaps, not the least of which are the more recent ASEAN members, Vietnam, Cambodia, Laos and Myanmar, and indeed parts of the ASEAN 4 countries themselves. Comparative studies of the ASEAN 4 therefore provide us with a lens on a possible third tier of industrialisation, assuming of course that other countries in developing Asia aspire to follow in the ASEAN 4's footsteps. Such a lens could be useful for exploring state-society complexes, local-global relations and the like. It is certainly important for understanding responses to the late 1990s Asian economic crisis, and agendas, practices, behaviour, attitudes and supporting discourses seeking to safeguard the region from future crises, more generally.

²⁷ Pierre Bourdieu (1985) 'The Genesis of the Concepts of Habitus and of Field', *Sociocriticism* 2:2, pp.11-24.

²⁸ Mark Beeson (2002) 'ASEAN: The challenges of Organisational Reinvention', chapt. 10 in *Reconfiguring East Asia: Regional Institutions and organisations after the crisis*, M.Beeson (ed) (London: Curzon).

- Modernisation

Modernisation is a systematic theory, or even more, a paradigm of development assistance that dominated academic thought and practice throughout the 1950s and 1960s. It was predicated upon interventionist policies that aimed to structurally advance de-colonizing countries, thereby “leading virtually to the creation of a new sort of person — rational instead of superstitious, oriented toward achievement rather than status”.²⁹ Put another way, the modernisation approach to development attempted to develop strategies based on comprehensive planning and economic analysis to bring “backward” economies into a position where “normal” economic conditions applied. Pioneers of modernization theory such as Albert Hirschman did not see their role as prescriptive, but as thinkers and writers studying social change in a much broader sense. Nevertheless, the resultant growth of development economics and its formative influence on bilateral assistance agencies, international organisations, and non-government organisations, helped to build a global community of expertise.³⁰

- Neoliberalism

Signs of discontent with development orthodoxy began to appear in the late 1960s. Initially articulated by P.T. Bauer in his 1971 publication *Dissent on Development*, by the 1980s this critique became the cornerstone of a new orthodoxy of development liberalism. Instead of supporting ‘interventionist’ policies, many Western development interests embraced a set of ideas supporting economic policies that specifically encouraged entrepreneurialism, championed the efficacy of markets, and highlighted the costs for society as a whole arising from constraints instituted by states. In short, neoliberalism emerged as a critique of interventionism or welfare economics in terms of how the role of the state is conceived and how its citizens are administered.

²⁹ Frederick Cooper and Randall Packard (1997) ‘Introduction’ in F. Cooper & R. Packard (eds) *International Development and the Social Sciences* (Berkeley: Uni of Calif. Press), p.17.

³⁰ *Ibid*, p.14.

- New Public Management (NPM)

NPM is in many ways shorthand for the institutional economics of an essentially revisionist neoliberalism founded on the notion that “institutions matter”, and that collective outcomes should guide decision-making processes. In other words it is an administrative ethos that attempts to differentiate between good (in a common good sense) and bad (with negative collective outcomes) self-interested behaviour. In this way the injection of moral criteria has insulated the economic and political objectives of neoliberalism from potentially damaging aspects of *laissez-faire* liberalism.

- Governmentality

Michel Foucault argued that the modern state “can only be understood in its survival and its limits on the basis of the general tactics of governmentality”.³¹ He explained that such ‘tactics’ have both discursive and technical components that have emerged out of Western, historical experience and liberal traditions. This framework is invoked here because organisations such as the World Bank are arguably attempting to construct this governmentality in the ASEAN 4 as a means of embedding the ‘good governance’ agenda. It is pointed out though that the fundamentally different histories of the developed and the developing worlds are problematic for this project. This explains why the governmentality tools used in this thesis to analyse the politics of good governance point to a clash in political rationality.

Methodology

The thesis proceeds on the basis that there is a fundamental divergence between the instrumentalist designs of neoliberals promoting good governance and the political ideas and aspirations of actors and stakeholders. In other words this is a study of the political economy of good governance. An examination of the politics and economics of good governance in the Southeast Asian case studies to follow shows that there is also much internal tension in both these aspects. We will find that the politics of good governance is largely being fought out domestically between reformist elements in society and

* Thanks to Mark Beeson for his insightful comments, significantly improving this paper. The usual caveats apply.

governments with authoritarian and/or privileged leanings. Meanwhile, advocates of pre-existing and co-existing systems of exchange resist market-centric economics. A conventional theoretic approach to understanding all these dynamics is therefore difficult to sustain.

For instance, an instrumental rationalist perspective will help us understand the international agenda of good governance, but will present problems for explaining the nuances of local politics in all its complexities. An instrumentalist approach would be based on an assumption that ‘government’ is more or less free to act in a manner it so chooses, because it is equipped with the power to coerce.³² This arguably may have been the case during Cold War hostilities when sovereignties were less compromised by the influences of globalisation, and more motivated by geo-political concerns. However, pressure is mounting on even the most authoritarian of regimes from trade interests, international finance and human rights groups to name just a few, encouraging a rethink of theoretical paradigms. So while instrumentalism can still make a valuable contribution to explanatory frameworks, new approaches such as social constructivism have emerged out of dissatisfaction with the instrumentalist view. As a rapidly increasing literature is pointing out, modern governments rule “on the basis of an elaborate network of relations formed among the complex of institutions, organizations and apparatuses that make it up, and between state and non-state institutions”.³³

Social constructivism is particularly useful for understanding the complexities of institutions, practices and ideas relating to good governance. Moreover, a constructivist platform helps us to see a particularly striking aspect of the good governance agenda: that there are efforts underway to transform how non-Western governments think and act. While the transfer of policies and institutions is not new, reshaping the presuppositions upon which governments in the developing world rest appears to be accelerating with the language and techniques of good governance. Of course, this is not only a ‘developing world’ phenomenon. Indeed, the calculated directing of the conduct of both

³¹ Michel Foucault (1979) ‘Governmentality’, *Ideology & Consciousness*, No.6, pp.5-21.

³² Hal Colebatch (2002) ‘Government and Governmentality: Using Multiple Approaches to the Analysis of Government’, *Australian Journal of Political Science* 37:3, p.418.

government and society reflects a growing interest in the analytical approach of governmentality in predominately Western countries, based on some of the writings of Michel Foucault. This provokes the central theoretical questions examined here: can we employ the governmentality analytical approach to this study, and what does the study tells us about governmentality frameworks themselves? This is taken up in chapter 4.

Apart from helping us understand the modern complexities of government and the way human conduct is being directed, governmentality tools are useful for explaining how conduct is becoming more governable allowing transitions to self-government and a reduction of attention on government. It is important to note though that governmentality studies are strongly linked to liberal democratic traditions, and focus almost exclusively on the modern Western experience. However, there remains scope for employing the governmentality approach to developing societies that are committed to modernisation strategies and are grappling with neoliberal thinking and NPM initiatives. This thesis does just that using the good governance problematic in the ASEAN 4 states as case studies.

This thesis

The thesis is organised in a way that systematically deconstructs good governance with a view to understanding the politics and trajectories of the agenda in the ASEAN 4. It aims to clarify the discourse associated with good governance, examine its origins, and determine how it works and in whose interests it serves. It does this by employing governmentality tools based on social constructivist understandings of the organisation of ideas and language. Arguably this will provide a balanced appraisal of both sides of the structure-agency debate in terms of the use and dissemination of good governance discourse and resultant agenda formations.

Chapter 2 provides an historical account of the term 'good governance'. Supplementing this genealogy is a review of the critical literature, specifically

³³ N. Rose and P. Miller (1992) 'Political Power beyond the State: Problematics of Government', *British Journal of Sociology* 43:2, p.176.

aimed at collecting a broad range of views concerning the notion. This creates a platform for looking at the current salient issues associated with discussions about good governance.

There is a lot of baggage that accompanies the good governance agenda, and unpacking this the primary tack of chapter 3. Good governance is shown to be associated with neoliberalism, and this, it will be argued, is an important factor in understanding its relationship with the notion of 'the good'. The current demand for good governance will also be explained in terms of the construction of a normative transformation project that is ultimately persuasive in its appeal to common sense logic. Good governance discourse will then be situated within a conceptual framework incorporating the various elements of international social justice, including notions of utilitarianism, universalism, distribution, and pluralism. These ideas inform debate over development issues, with implications for public choice and normative theory. Moreover, it will be shown how relevant theory not only explains the transformative process envisaged by the good governance project, but also reinforces the central position of a constructed discourse in the promotion of the agenda. In short, good governance is positioned as an influential neoliberal discourse informing the policies of modern development practices. Determining how this works out in practice represents the crux of the thesis.

And this is all essential background discussion for overlaying governmentality frameworks on good governance concepts in chapter 4, for the purpose of generating relevant theory. Governmentality approaches are being developed by an expanding research program focussed on the rationalities of government in the modern West inspired by some of Michel Foucault's later work.³⁴ This approach is particularly useful because its analysis of what has occurred in the West is replicated by the explications and implications of good governance concepts. More specifically, good governance ideology prescribes a shift in mentality from being governed (structures of domination) to self-governance

³⁴ Mitchell Dean and Barry Hindess (1998) *Governing Australia* (Cambridge: Cambridge University Press), p.2.

(techniques of the self). And this idea is a central tenet of governmentality approaches.³⁵

This leads us to the first of our case studies, presenting opportunities to demonstrate how the theory and concepts discussed in the previous chapter play out in the volatile interface between domestic and international politics in the ASEAN 4. It is found that the politics of good governance in Thailand is very much informed by the contesting and affirming of its 1997 constitution. The case study employs the concept of 'new constitutionalism' to describe the locking-in of reforms geared to accommodate the interests of global capital, Nowhere is this more evident in the 1997 document than in the changes it endorses aimed at upholding notions of transparency, accountability and the rule of law. But instead of a reformist government equipped with the new constitution taking a firmer grip on power, Thai's have embraced a populist authoritarian leader who implicitly rejects the neoliberal inferences of good governance.

In Malaysia the idea of good governance has assumed significant proportions with the retirement of Mahathir and the landslide election of his hand-picked reform-minded successor promising more open and efficient government. It remains to be seen whether this equates to the dismantling of what was clearly a constructed 'East Asian' governmentality that competed with distinct neoliberal patterns of power and rule. Interestingly, the rise of good governance as an effective electoral platform occurred despite Mahathir's resistance of International monetary prescriptions during the economic crisis and the endogenous policy-making mindset this reinforced. As is the case for Thailand, international good governance efforts in Malaysia have been reconstituted to suit local political imperatives, resulting if anything in delayed reform.

Good governance in Indonesia is the focus of chapter 7. While there is a much more consolidated attempt to implant good governance through the many development projects and NGOs operating in Indonesia, its impact appears to be limited by the lack of legal reform and institution building. This is a result of

³⁵ H.K. Colebatch (2002) 'Government and Governmentality: Using Multiple Approaches to the Analysis of Government', *Australian Journal of Political Science* 37:3, p.425.

fundamental structural and societal weaknesses, and poses the question of the relevance of good governance and rule of law projects in a state where the leadership is seldom and arbitrarily brought to account. In conceptual terms, neoliberal good governance efforts appear to be struggling because of the absence of pronounced horizontal linkages. This is accentuated by the finding that government continues to blur the lines between good and bad, while remaining committed to a national project constructing a mentality that discerns good from bad.

The final case study looks at the Philippines. Nowhere in Southeast Asia have notions of good governance been so enthusiastically embraced across society and throughout government, at least superficially. It is therefore somewhat surprising that unethical management practices remain entrenched in Philippine society. So while there is a high level of commitment to the principles of good governance, there is also widespread resistance to reform from powerful elites and local oligarchies. But it is here where neoliberal good governance reforms perhaps have the most potential for effecting reforms, given the commencement of a fresh 6 year term for the internationally compliant Arroyo Administration, and supplemented by the extensive network of external agencies that help influence policy making. Yet even here the generic international development-inspired good governance model has been reconstituted as a comprehensive 'statist' strategy that views the state as the disseminator of power and resources for the collective good. This sort of paternalism continues to systematically undermine the social contract between the government and the Filipino people.

Chapter 9 comprises the thesis conclusions gleaned from discussing and comparing the 4 case studies. This is undertaken with a view to drawing some regional lessons for understanding the politics of good governance, and provides a basis for testing the main hypothesis: that good governance is permeated by a certain political rationality that if resisted, can lead to outcomes that privilege specific interests to the potential detriment of citizens who are further removed from political processes. And resistance to good governance efforts is possible because in the ASEAN 4 states at least, the agenda is primarily focussed on improving representative rule rather than encouraging

self-regulation. The case studies present much evidence to support this assertion, suggesting that a normative rationality transformation project requires more than enthusiastic embrace by political elites. It is the outcome of a complex assembly of institutions that systematically resist structures of domination by initiating pre-emptive self-regulation strategies.

The final chapter also takes the opportunity to spell out the implications of the thesis, while suggestions for further research trajectories are outlined. All up, the thesis findings indicate that for the good governance agenda to succeed in the way its architects intend it to requires a whole of society project that in the ASEAN 4 may take generations, assuming these countries continue to pursue this objective. In the meantime, the overwhelming commonsense appeal of the notion will continue to drown out cautionary voices, allowing the agenda to pursue a momentum all of its own. This contributes to the clouding of the Southeast Asian region in terms of public policy processes. And it also emphasises how studies such as the one undertaken here play an important role in helping to track the way the region responds to the powerful messages being broadcast globally. This thesis only makes a very small step towards understanding the wider politics of development. However, it is a major leap forward in analysing the role of good governance in this broader scheme.

CHAPTER 2: FROM INCEPTION TO RECEPTION

A genealogy of good governance

Bringing history ‘back in’ helps us to piece together narratives that can assist in laying a foundation for improved policy-making.¹ A genealogy of good governance, by definition, identifies the context of its emergence. This helps us to understand the existing conceptions of the term and has implications for its continuing evolution. The point here is that an historical analysis of the origins of good governance describes the process that has allowed ideas about good governance to dominate competing development agendas, arguably privileging the interests of its proponents.

While the World Bank may have been the first to widely use ‘good’ as a descriptive of governance performance, there is a longer history of using good to describe government. For instance, the Good Government League was launched in the United States in 1912. The League was an organisation that reflected the ideals of the modern day organisation Transparency International, and was “a collection of patrician and business leaders devoted to honest government”.² Interestingly, the anti-corruption and reform movement that the League initiated resulted in the election of the youthful US senator Huey Long as Governor of Louisiana in 1928. A bitter opponent of Roosevelt, ‘The Kingfish’, presided over an administration that was anything but good. As Governor, Long embraced authoritarian and gangster-style political tactics, the opposite of what the League had in mind. Long was assassinated in 1935, but not before relieving 70% of Louisiana’s population from taxation and blowing out the state debt accordingly.

Another history of the more overtly political term – good government – is drawn from the colonial project of the 19th and early 20th centuries in which attempts to transplant an essentially European administration was undertaken. In colonial outposts, performance in economic and legal terms became synonymous with

¹ Charles Gore discusses this point, citing examples in recent development literature. See Charles Gore (2000) ‘The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries’ *World Development* 28:5, p.800.

² H. Williams (1970) *Huey Long* (New York: Alfred Knopf), p.133.

measures of competency, reinforcing the legitimisation of colonial rule and the 'civilising mission' more generally. This became more explicit in the discourse of decolonisation following World War II, when good government became an administrative maxim pedalled by departments of colonial affairs.³ It implied that indigenous administrations were incompetent, and that self-government was deleterious to colonial societies. This interpretation is related to the argument of Richard Crook and James Manor, who have drawn an association between an original emphasis on good government and the development of bilateral aid policy. Explicitly, adopting good government meant making substantive progress in converting inefficient autocratic regimes to plural democratic systems.⁴ This explains the tendency for some Western states in their bilateral policies to regularly refer to 'good government' objectives in preference to, or at least inter-changeably with, the term good governance. However, it is a mistake to assume that the terms share common meanings and implications.⁵

A case could be made for the significance of many nineteenth century political economists, such as John Locke, Adam Smith, David Hume, David Ricardo, Thomas Malthus and Jeremy Bentham, for laying the initial foundations of good governance ideas.⁶ Collectively, the influence of their thinking allowed dominant classes to uphold a liberal economic orthodoxy. It is suggested that a relatively uncritical acceptance of this orthodoxy facilitated a transformative project advocated by these prominent political critics. In some respects, these economists and moral philosophers inspired to greater and lesser degrees a post-modern movement that in part disregarded the lessons of history in order to construct a new market oriented economic space. And once created, the economic and social resources that filled this space had to be protected and nurtured, explaining the primacy of the rule of law and the central tenets of development.

Efforts to ensure the protection and growth of economic space did not suffer wholesale resistance from mainstream elements within industrialising centres.

³ For a study of the British decolonisation period see J.M. Lee (1967) *Colonial development and Good Government* (Oxford: Clarendon Press).

⁴ Crook and Manor (1995) 'Democratic Decentralisation and Institutional Performance', p.310.

⁵ R.A.W. Rhodes (1997) *Understanding Governance*, p.46.

⁶ For a detailed discussion of the influence of these writers see Karl Polanyi (1944) *The Great Transformation* (Boston: Beacon Press), pp.103-29.

Indeed, somewhat of a 'Bonapartist' approach can be identified in European social progress during the industrial age, whereby the lot of the poorer classes was progressively, although only modestly enhanced for the purpose of maintaining the status quo.⁷ This reduced the likelihood of revolution brewing within the disenfranchised classes, who were becoming increasingly interwoven into the fabric of a changing society. While any number of canonical writers can be linked to the foundational concepts that elevated economics as the ultimate standard of modernised order, the separation of economics as an exclusive discipline, which informs much of post-World War II development practice, has a more clouded origin. Rather than being influenced by intuitive heterodox thinking, the discipline of economics appears to have followed an emerging scientific tradition of reductionism and the division of related fields of study. Thus, economic space, which had been elaborately furnished with philosophical theory in the 18th century, was progressively stripped of its more servile and relativistic transformative elements. This cleared the way for a neo-classical economics based on assumptions about the naturalness of economic rationality inherent in human organisation. Instead of building a socio-political framework to compliment the new economic paradigm, the emergence of neo-classical economics perhaps inadvertently focussed the transformation project on the construction of universal behaviour that demonstrated a 'natural' economic rationality. In short this is understood to be the pursuit of self-interest.⁸

Indeed, it came to be argued that given a suitable mix of institutions and policies, the idea of self-interest as a socially destructive agent was replaced by the assertion that it actually advanced the collective social good. The acceptance of this assumption in effect signalled the triumph of liberal enlightenment that had been progressively challenging authoritarian monarchical structures since the 12th century. It also successfully inverted Machiavellian republican notions with respect to the priority of collective citizenry over the private domain.⁹ In regard to orthodox post-Second World War 'development economics', the conversion of self-interest into social goods

⁷ See Peter Baldwin (1990) *The Politics of Social Solidarity* (Cambridge: Cambridge University Press), p.39. Baldwin does not endorse bonapartism as a useful explanation of European social development, merely as an identifiable policy of the 19th century.

⁸ For an interesting discussion on this point see David Williams (1999) 'Constructing the Economic Space,' *Millenium* 28:1, pp.79-99.

⁹ See Douglas Klusmeyer (1996) *Between Consent and Descent* (Washington D.C: Carnegie), 26-7.

was initially thought to be achievable by removing the constraints on the accumulation of capital measured in terms of investment on infrastructure, and in human health and education. This explains the emphasis by development agencies on technology and education transfer in the 1950s and 1960s.¹⁰ When attention turned to market concerns with the re-emergence of ‘neo-classical economics’ and the principles of monetarism towards the end of the 1970s, economic management priorities reverted to restoring a ‘natural’ macro environment. This was assisted by structural adjustment policies directed at the microeconomic level. In development terms, this was an attempt to make ‘them’ more like ‘us’ by entrenching core values allegedly shared by creditor states, for the purpose of generating creditworthiness. Finally, the realisation that “institutions matter” has brought about the most recent development phase concentrating on the reduction of transaction costs. And it is this context that has cemented interest in governance as a major pillar of ‘new institutional economics’. And international organisations have undertaken the normative workload that creditor states have been unable to tackle effectively due to overriding sovereignty issues. And while it is conceded that the relevance of these developments to the emergence of governance frameworks may not be immediately clear, what remains important is the message that governance concepts have been superimposed on pre-existing constructs that maximise economic space. In this view, governance is nothing new in terms of the character of social and political action. What is new is the way this action is organised, or at least thought about.

As is the case with nearly all histories, answers to questions about the origins of the various economic projects experimented with in developing countries over the last five to six decades can largely be found in the histories of the preceding orthodoxy. This narrative concentrates on the neo-classical structural adjustment period in an effort to explain the advent of good governance. It is not being suggested that the Keynesian influenced founding stage of the Bretton Woods system does not have a significant bearing on the contemporary development project, but for the purpose of understanding the thesis presented here, it makes more sense to devote most of our attention to the period directly preceding the formation of good governance. This is not only because of the

¹⁰ Williams (1999) ‘Constructing the Economic Space’, p.84.

contemporaneous nature of this economic period, which as far as the IMF is concerned is arguably still with us given the fund's persistence in defending the structural adjustment conditionality of the Asian financial recovery packages handed out in the late 1990s.¹¹ But more importantly, this has been a period in which development policy makers of neoliberal persuasion progressively realised that the economy required detailed attention. Overwhelmingly, policy began to incorporate neo-classical ideas on the understanding, whether articulated or not, that the economic order was not in fact naturally regulated, but an elaborately sophisticated construction. In this view, good governance is the political defender of economic space that has increasingly been cast as the mortar holding the foundation stones of development together.

The counterrevolution that overthrew the orthodoxy preceding neoliberalism stemmed from the work of a conservative school of economists led by Milton Friedman, who argued that government efforts to reduce structural unemployment only resulted in higher inflation. The solution was to allow steady non-inflationary growth in monetary supply, reduce the role of government, and let the markets find their 'natural' functioning levels, rather than fine-tuning the economy as other economists suggested. When Paul Volcker was appointed chairman of the US Federal Reserve in 1979, and when this was followed shortly after by the accession to office of the Reagan (and Thatcher) administration, monetarist ideas were implemented. And contrary to projections, this caused a sharp rise in interest rates.¹² This proved disastrous for less developed countries (LDCs) that had been encouraged to borrow heavily to finance infrastructure development under the prior orthodoxy.

The new global economic architects also argued that the relaxation of macro policy was to be accompanied by structural adjustment in order to boost productivity and economic growth that had stagnated under the welfare state policies of the 1970s and earlier. However, it wasn't until the release of the Baker Plan in 1985 that structural adjustment became an acknowledged major component of credit to LDCs.¹³ It was then that micro reform officially became

¹¹ See the interview with Michel Camdessus in the *Far Eastern Economic Review*, Dec 16 1999.

¹² Robert Gilpin (2000) *The Challenge of Global Capitalism* (Princeton: Princeton Uni Press), pp.83-4.

¹³ See Barbara Stallings (1992) 'International Influence on Economic Policy' in S. Haggard & R. Kaufman (ed), *The Politics of Economic Adjustment* (Princeton: Princeton Uni Press), p.78.

the 'work-site' for economists concerned with adapting various sectors to a 'natural' economy.

For LDCs this meant increasing pressure from monetarist creditor states to reform economic policy, reduce budget deficits, tighten fiscal controls, liberalise trade, float currencies, and generally expand the role of markets and the private sector.¹⁴ And this in effect represents the economic aspects of the 10 axiomatic generalisations characterising the Washington consensus first described by John Williamson.¹⁵ These pivot on the ideas that the ideal state is a passive regulator in a totally liberalised world economy. The consensus has been plagued though by non-compliance of conditionality designed to coerce LDCs into pursuing these ideas. And efforts to improve compliance by increasing pressure on developing countries in the form of structural adjustment loans distributed by the international financial institutions (IFIs) have on the whole not been very successful. For instance, Miles Kahler studied the effects of conditionality on nineteen governments in developing countries in the 1980s and found that only nine had successfully implemented stabilisation programs, while a mere five governments had managed to sustain structural adjustment programs.¹⁶ In a second study of the influence of World Bank conditionality in the 1980s on policy change in nine countries, Mosely, Harrigan and Toye report that compliance averaged at just over 50%.¹⁷ These modest responses to conditionality raised questions about effective leverage within IFIs. And while the international environment was not insignificant in limiting the influence of IFI conditionality, Mosely *et.al's* report indicated that the role of domestic politics both internally and in regard to the external demand of creditors was a more important factor. Put simply, the importance of domestic politics was increasingly being realised at the Bank, and it was determined that a new approach was required to short-circuit obstructive political processes.

¹⁴ See Stephen Haggard & Robert Kaufman (1992) 'Introduction: Institutions and Economic Adjustment,' S.Haggard & R. Kaufman (ed) *The Politics of Economic Adjustment* (Princeton: Princeton Uni Press) p.3.

¹⁵ John Williamson (1993) 'Democracy and the 'Washington Consensus'', *World Development* 21:8, pp.1329-36.

¹⁶ Miles Kahler (1992) 'External Influence, Conditionality, and the Politics of Adjustment' in S.Haggard & R. Kaufman (ed) *The Politics of Economic Adjustment* (Princeton: Princeton Uni Press), pp.89-136.

¹⁷ Paul Mosely, Jane Harrigan and John Toye (1991) *Aid and Power: The World Bank and Policy-based Lending Vol. 2 Case Studies* (London: Routledge).

In summary, to answer the question ‘where did good governance come from?’ it is clear from this discussion that it has emerged out of concerns for public administration that prioritise economic growth. It has a distinctly Western heritage with a developing world focus. And it is seen as the continuance of a neoliberal tradition of public policy ideas.

So who developed good governance and why has it emerged? Many good governance analysts argue that the World Bank is responsible for developing the notion, pointing to a 1989 ‘Sub-Saharan Africa’ report as the first clear articulation of the idea.¹⁸ Stevens and Gnanaselvam actually claim that the report rescued the term from “archaism”.¹⁹ However, it is more likely that the Bank’s interest in governance coincided with an emerging critique concerned with the rolling back of the state and the impoverishment of public administration as an effective manager of economic growth given the new dynamics that were rapidly changing the domestic and international landscapes. For instance, the UNDP established a Management Development and Government Division in 1988 that broadly targeted institutions of governance by overseeing and advising on decentralisation of local governance, public sector management and accountability, urban management and capacity development tools.²⁰ Nevertheless, the World Bank’s profile and the influence of its publications reinforced perceptions that it was closely associated with the emergence of the agenda. Perhaps there is a more important question though than apportioning exactly how much good governance discourse originated from the World Bank. That is whether the Bank as an institution capable of learning although often appearing to be internally composed of divergent and competing interests, has been chiefly responsible for the further evolution of the notion and its accompanying agenda throughout the 1990s and early 21st century? Alternatively, has the wider academic critique, practitioner feedback, or sequences of events been more significant in determining its course? It is an interesting question because it sheds light on the future of the agenda, and therefore represents an important undercurrent to this thesis.

¹⁸ See for example the introductions of each of the articles compiled in the *IDS Bulletin* specials, 24:1 (1993) and 26:2 (1995).

¹⁹ Mike Stevens and Shiro Gnanaselvam (1995) ‘The World Bank and Governance’ *IDS Bulletin* 26:2, p.97.

²⁰ See K. Wohlmuth, H.H. Bass & F.Messner (eds) (1999) *Good Governance and Economic Development*, African Development Perspectives Yearbook 1997-1998 (Munster: LIT) p.626.

The discussions that unfold point to all these elements being involved, with this finding highlighting the 'public' and unpredictable nature of good governance initiatives. The agenda is public in that it is fed by comment, interpretation and critique from a range of actors. This has culminated in a healthy, though rather narrow politics of the notion itself, while politics in the broader terms of application and implication remain stilted. However, we will deal with the arguably less important question first of identifying the World Bank's initial involvement, and specifically the linkage of the bank's political philosophy in order to firmly situate the discourse of good governance. To do this it will be useful to revisit conditionality.

It is in the response by creditors to mediocre conditionality compliance that the emergence of a new World Bank discourse can best be understood. Overcoming resistance by fostering a culture of compliance within domestic politics became the major objective of the new discourse. It was assumed that this could be achieved by developing notions of ownership, partnership, and participation within a context of project implementation. Meanwhile, questions regarding project suitability, priorities, and the overarching development model would not undergo the same level of scrutiny, remaining somewhat insulated from political process.²¹ These project tools discouraged direct meddling in internal politics, and it was assumed that they would also create an on-going 'trickle-down' demand for improved governance across the wider civil society. Benefits were not only envisaged for debtor countries, but with unpaid loans at stake, creditors could look forward to improved informational data collection, and more effective monitoring and adjustment.

Conditionality invariably implied structural adjustment programs aimed at sectoral reform with a view to promoting economic growth and international competitiveness through liberalisation. As a function of economic reform in the 1980s, structural adjustment essentially called for 'social learning', described as "the evolution of a broader ideational consensus among leaders, interest

²¹ See Niraja Gopal Jayal (1997) 'The Governance Agenda: Making Democratic Development Dispensable', *Economic and Political Weekly* 32:8, February, p.410.

groups, party elites and attentive publics”.²² Drawing a comparison between the Keynesian inspired depression of the 1930s and the economic woes of the 1980s, it can be argued that a pre-cursor to such widespread social learning are crises that highlight the limits of existing orthodoxies. However, even in a context of emerging ideational consensus, the discourse of structural reform remained best served by obscure strategies that by nature avoided public and political attention, and thus indirectly counter the sources of resistance. This follows the methods spelled out by Albert Hirschman that recommend the ambiguous introduction of programs, the use of instruments that don't appear extractive, and the implementation of initiatives that correspond to periods of popular approval to reform.²³

The general observation that organisational efficiency is instrumental in the maximisation of economic performance increasingly helped to focus attention on the debates being contested within what was becoming known as 'new institutional economics' (NIE). The arguments associated with the work of Oliver Williamson and the economic historian and Nobel Laureate Douglass North, underscored the importance of reducing transaction costs. These arguments became highly influential in the new theory of 'the firm'. This theory rejected the idea of the 'black box', or the notion that organisations are unitary actors. The general thesis of the school of economics they represent suggests that improved governance structures reduce transaction costs. These improved governance structures have to be more than the 'thin', 'hands-off' governance traditionally promoted by neo-classical ideas of organisation. Thus, a major thrust of NIE is that “'thick'...intentional (hierarchical) 'hands-on' governance” should be developed.²⁴ In other-words, the broader 'macro-institutional' context helps to explain failure to promote sustained economic growth in LDCs, despite the introduction of structural adjustment programs.²⁵

²² Haggard & Kaufman (1992) 'Introduction,' in S.Haggard & R. Kaufman (eds), *The Politics of Economic Adjustment* (Princeton: Princeton Uni Press), p.36.

²³ Albert Hirschman (1973) *Journeys Toward Progress* (New York: Norton), pp.251-98.

²⁴ Jack Vromen (1995) *Economic Evolution: an enquiry into the foundations of new institutional economics* (London: Routledge), p.59.

²⁵ See David Williams (1998) 'Economic Development and the Limits of Institutionalism', *SAIS Review* 18:1, p.2,3.

Indeed, it was during this period of NIE theory development during the late 1980s that the World Bank was discovering that structural adjustment was not providing the boost to economic growth that was hoped for in LDCs.²⁶ Nevertheless, rigorous apologies for structural adjustment policies continued to appear in IFI publications, taking issue with criticism from the 'left' and the 'right' of the political spectrum. Indeed, the standard comment emanating from 'authoritative' quantitative data crunching Washington think tanks reaffirmed that the structural adjustment process imposed on the world economy from the early 1980s actually worked. This was based on the reasonable stability in the relationship between incomes, trade flows and exchange rates.²⁷ This news was small comfort for the growing number of the world's impoverished. And in viewing its role as alleviator of global poverty, the World Bank in particular tended to see the continued languishing of LDC economies as a supply problem rather than in Keynesian terms of a need for demand creation. In other words, efficiency, capacity and transparency were identified as the missing ingredients required for the construction of an 'enabling environment' within the private sector, to be upheld by institutional and governance considerations, particularly in public administration. This was to be supported by specific (corporate friendly) legislation, rather than the discredited comprehensive legal system reform project that languished in developing countries during the 1970s. And finally, an enabling environment importantly required prudent and accountable banking and financial institutions, and ethical practices free from the 'crippling effects of corruption.

From this perspective, good governance can be conceptualised as a string in the Washington consensus bow created by the rise of neo-classical economics in the early 1980s.²⁸ Good governance discourse was able to bond with the consensus because of the joint emphasis on the costs associated with market failure. Whereas traditional neo-classical theory narrowly defined economic costs and benefits of exchange, what was increasingly being embraced in the power capital Washington were ideas that expanded on the conventional

²⁶ See Carl Jayarajah and William Branson (1995) *Structural and Sectoral Adjustment: World Bank Experience, 1980-1992* (Washington D.C: World Bank).

²⁷ See Paul Krugman (1991) *Has the adjustment process worked?* (Washington D.C: Institute for International Economics) p.47.

²⁸ See John Williamson (1993) 'Democracy and the 'Washington Consensus'', *World Development* 21:8, pp.1329-1336.

definitions of costs. Potentialities related to transactions that provided crucial incentives and disincentives in economic decision-making were also to be considered credits and debits. It became widely understood within ‘consensus economics’ that the attraction for foreign direct investment in particular hinged on the assessment of possible transaction costs arising from the cornerstones of the good governance focus; corruption, regulation and banking. While this doesn’t explain why regimes that have now been labelled corrupt were able to attract plenty of investment prior to the good governance push, subsequent pedalling of the new discourse served to reinforce new economic thinking. And as agents of economic transactions interacted within a structural environment, a fundamental agreement was cemented within the Washington consensus: that “institutions matter”.

More a paradigm than a coherent political philosophy, the Washington consensus has strongly influenced thinking at the World Bank. Robert Wade argues that “[o]n the whole, the Bank has been a reactive rather than proactive organization, taking its lead from outside”.²⁹ And outside more often than not means Washington, as Wade points out, because “the Bank forms part of the external infrastructural power of the US state”.³⁰ And its unspoken political persuasion is neoliberal, “erring on the side of markets”, with the Bank distancing itself as much as possible from excessive government intervention.³¹ We are left with the deep impression from Wade that this is the politics of consensus underpinning the public face of the Bank, and published in its ‘flagship’ annual publication, the *World Development Reports*.. And this is the politics that the Bank is likely to remain comfortable with given the continual challenge to bolster its own legitimacy and relevance, in the shadow of the undisputed superpower status of the US.

The World Bank made small concessions to the East Asian authoritarian model of political organisation with its 1993 study of *The East Asian Miracle*,³² but this has since been tempered by claims that the regional Asian crisis has largely

²⁹ Robert Wade (1996) ‘Japan, the World Bank, and the art of paradigm maintenance: the East Asian miracle in political perspective’, *New Left Review* 217, p.32.

³⁰ *Ibid.*, p.36.

³¹ *Ibid.*, p.35.

³² World Bank (1993) *The East Asian Miracle: Economic Growth and Public Policy*, (Oxford: Oxford University Press).

vindicated the warnings implicated in digressions from the consensus. More specifically, state led development is deemed acceptable as long as nominal concessions are made to democracy, and such development conforms to a Western ethos.³³ Building on World Bank discussions, Leftwich argues that good governance can actually be conceptualised as the distillation of certain aspects of the developmental and free market models into a single formulae, for the purpose of optimising development. Leftwich argues that good governance and hence development is inherently political, because its effectiveness depends on the nature and capacity of the state, which in turn is determined by politics.³⁴ But this type of politics is merely a reflection of the way the state is organised, having little regard to democratic content or substantive contestations. Thus, the managerial and administrative focus on development is maintained by the good governance agenda, although the downside of this is continued differential results from structural adjustment programs. What remains important however is that the discourse supporting good governance sits as comfortably in Tokyo as it does in Washington, and is ideal for sustaining the Bank's position at the centre of development.

Events in East Asia also have important implications for the way good governance is portrayed as a working model. The Bank's *East Asian Miracle* study implied that with some modification, East Asia would prove an ideal model of good governance. This was spelled out more clearly in a Bank publication of the following year, stating that:

“There is hope that Africa, like East Asia thirty years ago, will move onto a faster development track. For that to happen, more progress will be required in macroeconomic reform.... Good macroeconomic policies have paid off in East Asia, and they will pay off in Africa.”³⁵

The momentum behind East Asia as a model of good governance was stalled by the Asian crisis, opening a window of opportunity for the IMF to target what they see as fundamental region-wide problems – crony capitalism and foot-dragging structural adjustment responses. Indeed, the Fund came to argue that

³³ See Gopal Jayal (1997) ‘The Governance Agenda’, p.411.

³⁴ Adrian Leftwich (1995) ‘On the Primacy of Politics in Development’ in Leftwich (ed) *Democracy and Development* (Cambridge: Polity Press), p.17.

³⁵ World Bank (1994) *Adjustment in Africa* (Oxford: Oxford University Press), p.2 & 10.

these problems are what caused the crisis in the first place. This prompted the World Bank's chief economist at the time, Joseph Stiglitz, to publicly articulate his diverging view that the destabilising combination of imprudent speculative investment and capital flight had been largely responsible for the crisis. And this contradictory analysis helps to explain why the Bank attempted to distance itself somewhat from the more unsympathetic elements of the IMF rescue packages.³⁶

In the Bonapartist fashion discussed earlier in relation to modest reforms specifically designed to maintain the status quo, the Washington consensus has continuously responded to humanitarian critiques by providing for greater leniency in its application while preserving its central features.³⁷ This is ostensibly changing the appearance of the consensus, prompting speculation concerning the emergence of a 'post-Washington consensus' that dates from the mid 1990s. In his analysis of the Mexican financial crisis of 1994, Paul Krugman argued that the speculative bubble that supported rescue packages had burst, and that similar policies would fail to work as effectively in the future.³⁸ While it is problematic to apply this denunciation to the fallout from the Asian financial crisis of the late 1990s, what clearly did occur was a substantial divergence between the approaches of the World Bank and the IMF, crystallised by the arguments of Stiglitz.³⁹ Indeed, Stiglitz joined in the calls for a post-Washington consensus that seeks out broader objectives using a wider range of instruments. These tools were to be not only more flexible, but case sensitive, and directed at ownership building by encouraging participation and partnerships.⁴⁰

This is not to say that the IMF or the multi-lateral development banks such as the Asian Development Bank have not expressed an interest in broadening the pre-crisis, relatively narrow economic focus of good governance. Indeed, these organisations have branched out into areas that they have no previous

³⁶ Joseph Stiglitz (2000) 'The Insider: What I learned at the world economic crisis' *The New Republic* 17 April.

³⁷ See Gore (2000) 'The Rise and Fall of the Washington Consensus...', pp.795-6.

³⁸ *Ibid.*, p.799.

³⁹ Joseph Stiglitz (2000) 'The Insider...' *The New Republic* 17 April.

⁴⁰ Joseph Stiglitz (1998) 'More instruments and broader goals: Moving toward the post-Washington Consensus'. The WIDER Annual lecture, Helsinki, 7 January.

experience as a result of the consensus on wider economic practice itself. The IMF for instance has expertise in monetary and fiscal policy, but do not have a history in financial sector reform or accountancy, prompting some scholars to warn the US Congress and the Fund about institutional overreach.⁴¹

A similar trend to what is occurring with the 'consensus' is observable in regard to the deployment of the good governance project. Whether or not this transition to a post-Washington consensus is actually underway, and if so, if this will lead to a 'post-good governance' agenda, or just a reinforcement of the current project representing simply another Bonapartist concession to maintain key functions, is an important question. Admittedly, this determination is inevitably speculative, and regardless of the answer, research into the actual impact of the unfolding transformation project that good governance represents will provide much greater input in the debate about its future.

Now let us return to the questions posed at the beginning of this section. Firstly it is generally not helpful to conceptualise the World Bank as a 'black box'. It is better to see it as an organisation that is structurally entrenched in a US framed, economic mainstream outlook that internally reinforces its 'professional' autonomy and ultimate legitimacy. Its authority is sourced from its mutual dependency with Washington on world financial markets, and thus is instrumentally an integral part of the US sphere of global influence.⁴² From this working definitional role of the World Bank's guiding philosophy, understanding its importance with respect to the discourse of good governance is perhaps more straightforward. It helps us to understand how 'Washington-speak' permeates the Bank, and why there is such a congruence with US foreign policy. It also explains why good governance has assumed such universal proportions at a time of rapid globalisation in terms of communication expansion, technology transfer and trade, given the World Bank's international clout. Moreover, the monopolistic nature of its power allows it to absorb and even repel criticism levelled at its methods and programs.

⁴¹ See Harold James (1998) 'From Grandmotherliness to Governance: The Evolution of IMF Conditionality' *Finance & Development* 35:4, p.47; Pauly (1999) 'Good governance and bad policy' pp.401-24.

⁴² See Wade (1996) 'Japan, the World Bank...', pp.35-6.

Nevertheless, it is not surprising that World Bank researchers are now beginning to talk about the fundamental importance of social cohesion for producing economic growth and for the ultimate success of the good governance agenda. A paper by the Bank's Vice President for Development Policy, Jo Ritsen, in association with William Easterly, the Lead Economist in the Development Research Group, and social scientist Michael Woolcock, makes this connection, but continues to rest responsibility for the nurture of social cohesion with the state.⁴³ They cite a study by Stephen Heyneman written for UNICEF, in which the author claims that "social cohesion constitutes a new challenge for the economics of education".⁴⁴ Heyneman argues that education fosters social cohesion in three ways: by promoting public knowledge about social relations, by propagating norms governing social contracts, and by developing an understanding of the consequences of breaking these contracts. And Ritsen *et. al.* hold that it is the state's responsibility to deliver education, and to build other formal institutions that unite fragmented linguistic groups and socio-economic classes.

World Bank researcher Deepa Narayan expands on this notion of 'formal institution' in suggesting that the state accumulates social capital by expanding access to finance, ensuring substantive plural politics, brokering equity, opening public space, constructing infrastructure, and commissioning media and public information to promote ideas of tolerance and diversity.⁴⁵ In an ideal state this is all quite true. However, as Ritsen *et. al.* point out themselves, essentially "good politicians" are constrained from pursuing these policies because of the nature of politics in states that lack social cohesion. They explain that politics in such states are characterised by narrow power bases with specific interests, perpetuating social fragmentation. Good governance, as a managerial and regulative platform can hope to develop economic norms, but has little social influence. At present their argument defeats itself. Nevertheless, the more the Bank appreciates the importance of social concerns, the sooner these are likely

⁴³ Jo Ritsen, William Easterly and Michael Woolcock (2000) 'On "Good" Politicians and "Bad" Policy: Social Cohesion, Institutions and Growth' *Research Working Paper 2448* (Washington D.C.: The World Bank).

⁴⁴ *Ibid*, p.26; Stephen P. Heyneman (1998) 'From the Party/State to Multi-Ethnic Democracy: Education and its Influence on Social Cohesion in Europe and Central Asian Region', paper sponsored by the International Child Development Centre (Florence: UNICEF).

⁴⁵ Deepya Narayan (1999) 'Social Capital and the State: Complementarity and Substitution', *Research Working Paper 2167* (Washington D.C.: The World Bank).

to be built into their economic strategies. However, this process is not helped by the absence of a sustained and cohesive attack on the Bank regarding its good governance initiatives. Critiques of good governance remain a neglected area of development studies, and the dissent that has emerged is sporadic and broad-brushed, and tends to be passed off as idealistic and out of touch. This impression is of course a major incentive behind this study. Nevertheless, what has been written about good governance offers plenty of material worthy of consideration.

Commentary outside the Bank

Peter Larmour points out that “theories associated with ‘good governance’ not only originate from institutional and neo-classical economics, but also lay claim to social sciences associated with company law, political science and economic sociology”.⁴⁶ These diverse backgrounds are obviously reflected in the senses in which good governance is interpreted. Larmour teases out three ways in which good governance is linked to development by “inclusive” definitions proffered by proponents: in a “democratic” sense that is concerned with legitimacy, accountability, and human rights; as a vehicle for “effectiveness” in the sense that Leftwich is most concerned, meaning substance over form; and as a “coordinative” mechanism between civil society, the private sector and the state. These ‘senses’ he argues are not necessarily consistent. Indeed, he points out a series of tensions between their basic assumptions and the goal of economic development. Larmour also describes three loosely connected levels of good governance analysis: theory, policy, and practice. Once again, all three levels are invariably entwined in the good governance literature. According to Larmour, the various ‘levels’ of governance operate through an ‘objective’ medium of ‘statistical comparison’, and through discourse resulting from consultation within and between governments.⁴⁷ Larmour sees a shift in policy discourse in the 1990’s, in terms of changing ideas about the role of the state, the power of interest groups, the demise of the Cold War, the advent of globalisation, increasing education levels, and donor response to past development failures. This shift he attributes to “social learning”, which he sees

⁴⁶ Larmour (1998) ‘Making Sense of Good Governance’, pp.3-4.

⁴⁷ Ibid.

as a major impetus driving the attitudes of Washington consensus power brokers.⁴⁸

In his analysis of governance in the South Pacific, Larmour identifies a policy framework informed by economic institutionalism and the principles of New Public Management (NPM). This framework concentrates on efforts to increase demand for good governance by accounting for localised political sensitivities, the role of civic associations, and incremental reform to institutional designs.⁴⁹ However, he does not confine himself to exploring good governance in the effective and coordinative senses. In referring to the democratic implications of good governance, he points out that this is invariably a priority of bilateral donors and the OECD. Larmour cites women's and human rights issues, the Fijian constitution and Tongan democracy as sticking points in a debate that is often couched in terms of universal and particular polemics⁵⁰. For 'middle level' theories about governance, Larmour draws from a number of comparative studies that he claims has applications beyond their own contexts, making three conclusions from them.

“[F]irst, ... government performance may depend as much on civic associations, as on institutional design. Second, simple, incremental reforms that are consistent with policymakers' values are easier to transfer. Third, policies adopted by developing countries are vulnerable to reversal at many subsequent points, depending on whether resistance erupts into the public arena, or remains within the bureaucracy.”⁵¹

The underlying message of Larmour's paper is that optimal outcomes from good governance reforms are most likely to be realised if associated projects are introduced gradually and sensitively, and allowed time to take effect, and that practitioners should carefully work within existing social frameworks. Larmour is calling for justice to prevail within governance concerns, and leaves the impression that making sense of good governance requires more than just appealing to commonsense. His paper is not a warning about the possible

⁴⁸ Ibid, p.5.

⁴⁹ Ibid. pp.5-11.

⁵⁰ Ibid. p.2.

⁵¹ Ibid. pp.8-11. Larmour draws from the studies by Robert Putnam (1993) *Making Democracy Work: civic traditions in modern Italy* (New Jersey: Princeton Uni Press); Richard Rose (1993) *Lesson Drawing in Public Policy: a guide to learning across time and space* (New Jersey: Chatham House); and Grindle

abuses of the new agenda, but is an attempt to fill-out the discourse by thoughtfully considering its central assumptions, and is essentially aimed at making good governance more user friendly.

David Williams emphasises the limits of the agenda in a series of articles that conceptualise good governance in a project oriented structural and institutional sense.⁵² He points out that institutionalism must be coupled with the generation of “ownership” over economic development programs, if institutions are to be made accountable to governments and clients and ensure market discipline. That this is the essence of good governance is a point not lost on the World Bank.⁵³ However, he argues that turning around failed development objectives and technical assistance of the past by effecting institutional change and building in ownership and democratic reforms is problematic. Simply put, the agenda dismisses the interests resistant to change, meaning that such reforms may be more difficult to enforce in a substantively transparent democratic system.⁵⁴ The point that Williams essentially makes is that the implementation of good governance in the pursuit of dual aims, firstly for the purpose of institutionally based economic development, and secondly to advance democracy, may well be inherently contradictory. Williams would admit that this is hardly earth-shattering news to students of development, with much evidence from East Asia supporting the idea of viewing democratic reform as an outcome rather than as an accomplice of modernisation. The problem is that democratic gains are difficult to come by under autocratic development focussed regimes, meaning that there is a significant price paid for modernisation in terms of social and political justice by entire generations of less privileged citizens.

Kanishka Jayasuriya agrees with Williams. He says that “it is easier to implement processes of ‘economic constitutionalism’ in the illiberal states of East Asia than in liberal democracies”, because such states have the “capacity

and Thomas (1991) *Public Choices and Policy Change: the political economy of reform in developing countries* (Baltimore: John Hopkins Uni Press).

⁵² Williams (1998) ‘Economic Development and the Limits of Institutionalism’.

⁵³ See The World Bank (1996) *The World Bank Participation Source Book* (Washington D.C: World Bank); Robert Piciotti and Rachel Weaving (1994) ‘A New Project Cycle for the World Bank?’ *Finance and Development* 3:4, pp.42-4; and Ngaire Woods (1999) ‘Good Governance in International Organisations’, *Global Governance* 5, pp.43-9.

⁵⁴ *Ibid*, pp.13-4.

to protect the market from politics”.⁵⁵ By the term ‘economic constitutionalism’, Jayasuria refers to the new regulative push resulting from governance initiatives targeting market independence, one of the factors blamed for the 1997 Asian crisis. He captures this new dynamic by describing it as striking at the “normative heart” of authoritarian liberalism, meaning that the governance agenda is managing to prise open the tight-fisted market controls of established corporate networks.⁵⁶ New norms are challenging old norms and making substantial gains, yet the social basis to these new governance norms is unclear, as their priorities are overwhelmingly economic in nature. However, Jayasuria’s analysis is not really helpful for unpacking this normative challenge. His approach is descriptive and not overly critical, leaving the impression that perhaps any reform is good reform, and that ideally a ‘middle path’, post-Washington consensus economic rationale may be the most effective way of delivering social goods in the long term.

What is lacking in Jayasuria’s work is adequate theory, although he explains that he draws from Williams and Tom Young’s theoretical work underpinning governance programs.⁵⁷ In their 1994 article, Williams and Young⁵⁸ argue that notions of good governance have moved beyond narrow conceptions of economic development, and that this evolution is explained by the way that the socio-political transformative project implicit in much of liberal theory has taken root. Their analysis underscores the influence of ‘Rawlsian’ Anglo-American ideas that champion apolitical conceptions of the state.⁵⁹ Williams continues to take up this theme in a later article⁶⁰ that examines the state-society complex and the practices of discipline. Williams argues that “the theory and practice of good governance offers insights into liberalism as a ‘working ideology’”.⁶¹ By this terminology, Williams is referring to the transformative action prescribed by a system that allows individual freedom of choice but is intolerant of a variety of

⁵⁵ Kanishkha Jayasuriya (2000) ‘Authoritarian liberalism, governance and the emergence of the regulatory state in post-crisis East Asia’ in R. Robison et. al. (eds) *Politics and Markets in the Wake of the Asian Crisis*, (London: Routledge), p.323.

⁵⁶ Jayasuriya (2000) ‘Authoritarian liberalism ...’, p.323.

⁵⁷ Ibid.

⁵⁸ Williams & Young (1994) ‘Governance, the World Bank and Liberal Theory’, *Political Studies* 42.

⁵⁹ See Mark T. Berger & Mark Beeson (1998) ‘Lineages of liberalism and miracles of modernisation,’ *Third World Quarterly*, 19:3, p.497; on state neutrality between competing conceptions of the good see John Rawls (1971) *A Theory of Justice* (Oxford: Oxford Uni Press).

⁶⁰ David Williams (1996) ‘Governance and the Discipline of Development’ *The European Journal of Development Research* 8:2.

practices that impact on the collective good, which in the Bank's case means a market economy and a 'neutral' state.⁶² And while there is much articulated liberal theory in a range of literatures, good governance represents one of the few recent examples of liberalism in practice as a socio-political engineering project.⁶³ Williams holds with the 'constructivist', Nicholas Onuf, that good governance programs can indeed be conceptualised as transformative, and are very detailed in scope, targeting "governments, institutions, and the habits, attitudes, and mores of persons".⁶⁴

Williams follows up this argument in a further article where he unveils from a careful reading of Adam Smith⁶⁵ a divergence between theoretical and sociological visions of the economy.⁶⁶ This is important to the conceptual organisation of the good governance critique because it raises questions about the right of capitalist agents to undertake a universal project. For instance, the World Bank is viewed as an organisation that aims to entrench a market economy world-wide, develops favourable institutional and policy environments with apparently limited reflection, and repeatedly demonstrates insensitivity to pockets of resistance. What Williams calls the making of *homo oeconomicus* is the ideational construction 'all the way down'⁶⁷ of a rational economy that does not "rest upon any natural foundations".⁶⁸ Similarly, there is nothing natural about the interpretation that good governance equates to the construction and precedence over a dynamic market place. To label such governance as 'good' is clearly value laden, paradigmatic and deeply normative.

Stephen Gill is another who seriously challenges good governance foundations. Gill contributes to Larmour's 'theoretical level' of analysis by using critical theory

⁶¹ Ibid, pp.157, 171-2.

⁶² Williams & Young (1994) 'Governance, the World Bank and Liberal Theory', p.94.

⁶³ Williams (1996) 'Governance and the Discipline of Development', pp.171-2.

⁶⁴ David Williams (1999) 'Constructing the Economic Space', *Millennium* 28:1, p.98; Nicholas Greenwood Onuf (1998) *The Republican Legacy in International Thought* (Cambridge: Cambridge Uni Press), Ch.6. In email communication on 2 June 2000, Dr Williams echoed John Searle's argument that "the whole world is not simply language", but is nevertheless important in understanding the limits of constructivism beyond more perceptibly created institutions such as the market. See John Searle (1995) *The Construction of Social Reality*, (New York: Free Press).

⁶⁵ Adam Smith (1976) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Glasgow Edition (Oxford: Oxford Uni Press).

⁶⁶ Williams (1999) 'Constructing the Economic Space'.

⁶⁷ See Alexander Wendt (1999) *Social Theory of International Politics* (Cambridge: Cambridge Uni Press), Ch.3.

⁶⁸ Williams (1999) 'Constructing the Economic Space', pp.79, 89-97.

to examine governance issues. In an article critiquing the World Bank's *World Development Report 1997*, Gill coins the term 'new constitutionalism' to describe a pattern of governance that elevates corporate capital within state-civil society structures of authority and representation.⁶⁹ Gill explains that new constitutionalism is understood as the result of disciplinary neoliberalism that takes the form of a discourse of governance.⁷⁰ Rather than drawing from Smith, Gill calls on Karl Polanyi's⁷¹ perceptions of fictitious market constructs. This is a conceptual dualism whereby land, labour and capital are made into commodities to be traded, and are then regulated and legitimised constitutionally. And like Williams, Gill also invokes Foucault's ideas of a 'panoptic' society as a way of thinking about measures employed by international organisations to enhance surveillance, data collection and transparency.⁷² And finally, Gill argues that these two coercive and politically insulated acts are overlaid by a third consensual policy reflective of World Bank discourse concerning civil society and participation.⁷³ Thus, both the state and society, as the two parties in the newly constructed complex, are progressively yielding to capital at the expense of effective democratic representation. Gill infers that even the 'best' governance of capital cannot compensate for the loss of some elements of social justice that are not reconcilable with neoliberalism yoked to an international capitalist agenda.

Publishing in the Marxist journal *Capital & Class*, Ray Kiely takes greater liberty and uses harsher terms in criticising the good governance agenda than either Williams or Gill. Kiely rejects outright the concept of good governance because of its commitment to neoliberalism. He argues that neoliberalism represents a flawed and inconsistent paradigm due to its perception of the limited capabilities and overly interventional nature of states.⁷⁴ Kiely explains that because neoliberalism falsely accuses states of being inefficient actors prone to

⁶⁹ Gill (1998) 'New Constitutionalism, Democratisation and Global Political Economy', *Pacifica Review* 10:1, pp.23-38. For a more 'rational' "historical institutionalist" view of the "constitutional character" of institutions pursuing the governance agenda see G. John Ikenberry (1998) 'Institutions, Strategic Restraint, and the Persistence of American Postwar Order', *International Security* 23:3, pp.43-78.

⁷⁰ Gill (1998) 'New Constitutionalism ...', p.23.

⁷¹ Karl Polanyi (1944/1957) *The Great Transformation* (Boston: Beacon Press).

⁷² Gill (1998) 'New Constitutionalism...', p.26; Stephen Gill (1995) 'The Global Panopticon?' *Alternatives* 20, pp.1-49; Williams (1996) 'Governance and the Discipline of Development', p.159;

⁷³ Gill (1998) 'New Constitutionalism ...', p.27.

⁷⁴ Ray Kiely (1998) 'Neo liberalism revised? A critical account of World Bank concepts of good governance and market friendly intervention', *Capital & Class* 64, pp.63-88.

unhelpful intervention, economic development prescriptions under the rubric of governance emerging from this ideological framework inevitably rely on technocratic policy implementation.⁷⁵ He sees neoliberalism as the rationale underpinning structural adjustment programs, and presents evidence to demonstrate that this actually tends to hold back rather than encourage dynamic capitalism.⁷⁶

Kiely claims that the discourse associated with the World Bank's view of good governance, casts the state in the role of both problem and solution. The problem is simplified to excessive state intervention: the World Bank's solution is to effect reforms that facilitate wealth creation.⁷⁷ Kiely suggests that this logic runs contrary to the evidence that capitalist development is invariably associated with a strong state. Moreover, Kiely points out that the discourse deflects the truth about markets, which are clearly "unequal, hierarchical and incapable of working without the existence of states".⁷⁸ He presents an alternative 'socialist' account that learns from the late capitalist (East Asian) development experience, and centralises the state in regard to capital accumulation by being 'in and against the (world) market'.⁷⁹ By this, Kiely means that the state can draw on the opportunities of the global market place while actively removing many of its constraints. Such a policy would certainly greatly extend the meaning of good governance, and would aim at making capital work for people rather than people working for capital. And it embraces idealist notions of distributive justice that go beyond current neoliberal concessions. What his account lacks however is an appreciation of the normative machinery required to release states from the clutches of neoliberalism and its universalist and utilitarian underpinnings. This discussion will be taken up more fully in chapter two.

Gerald Schmitz raises the idea that good governance is actually being promoted as a development paradigm in its own right.⁸⁰ He argues that

⁷⁵ Ibid, p.63.

⁷⁶ Ibid, p.80.

⁷⁷ Ibid, p.75.

⁷⁸ Ibid, p.81.

⁷⁹ Ibid, p.83.

⁸⁰ Gerald J. Schmitz (1995) 'Democratisation and Demystification: Deconstructing 'Governance' as Development Paradigm', Ch.2 in D B Moore & G J Schmitz (eds), *Debating Development Discourse* (New York: St Martins Press).

governance discourse has to be 'deconstructed' as "a necessary step in the ultimate construction of a more truly democratic and global praxis".⁸¹ He maintains that the discourse 'mystifies' development priorities, and fails because it excludes rather than puts back democratic politics into development. Schmitz is concerned that established elites remain essentially unchallenged by good governance largely because of its focus on market friendly reform that is premised on an apolitical conception of the state. Thus, perhaps a central claim in the good governance discourse, the removal of 'crony capitalism' and free-rider and rent seeking elements, is rendered unsustainable. He views good governance suspiciously as a 'Bonapartist' policy that constrains socio-political initiated reforms as identified earlier. Schmitz attempts to "demystify" development discourse that has co-opted the term 'good' to describe governance, by reducing it to relativistic ethics and freedoms. He fills the normative gap in Kiely's account with hope in the emergence of human rights awareness and democratic values, in increasing demands for equality and ecological stewardship, and for the realisation of self and society empowerment, and above all, the birth of a new global solidarity.

It is not only economic liberalisation that critics of good governance are generally concerned about. Adrian Leftwich makes a case against the promotion of unrestrained liberal democracy in developing countries in favour of better and stronger government that is capable of sustaining a developmental state.⁸² He sees the creation of the developmental state as a function of *politics* and not governance, the latter being more likely to lead to 'premature' democracies that are destined to internally disintegrate due to economic inequalities and escalating political strife.⁸³ Leftwich takes his initial ideas further in a subsequent article in which he argues that "development is fundamentally a political matter and that it is illusory to conceive of good governance as independent of the forms of politics and type of state which alone can generate, sustain and protect it".⁸⁴ Thus, in the fight against poverty, ignorance and disease, if need be, Leftwich concedes a trade-off between civil society abuses and a powerful, competent bureaucracy that relentlessly

⁸¹ Ibid, p.79.

⁸² Leftwich (1993) 'Governance, democracy and development...', pp.620-1.

⁸³ Ibid, p.621.

⁸⁴ Leftwich (1994) 'Governance, the State...', p.363.

pursues development policy.⁸⁵ Stripped of much of the idealism flavouring other critiques, Leftwich's argument has enjoyed significant attention, and is generally taken more seriously by mainstream economic literature than other good governance critiques. However, as pointed out earlier, his interpretation of politics lacks substance in terms of fundamental democratic freedoms and choices. A 'spineless' democracy as Leftwich prescribes remains compliant to a managerial and administrative focus on development as a function of good governance trade-offs. It is not capable of asking the really big questions about the value of development, and therefore doesn't challenge the deeply flawed post-Second World War development paradigm that has failed to make significant inroads into poverty in all but a handful of 'economic miracles'.

Niraja Gopal Jayal responded to Leftwich's ideas with a rebuttal using the case of India as evidence, although the points made are applicable to the governance agenda throughout the developing world. The article leaves the reader in no doubt how strongly the author feels about the issues, declaring that "good governance'...has...quite insidiously infiltrated into the discourse and practice of development assistance".⁸⁶ Jayal argues that the answer is not to look to the state to manage governance but to explore "different ways of approaching and defining democracy and development".⁸⁷ Jayal explains that the nature and capacity of the state is by definition a function of politics, thus Leftwich's plea for putting politics back into development ignores the necessity for democratic or distributive hardware. Jayal makes the point that Leftwich criticises Fukuyama's ideology, but his own ideas about the role of the state simply pursue the Western industrial model of economic development, which is the substance of the 'end of history' thesis. Alternatively, Jayal suggests that for good governance to be truly good for all citizens of developing states, democratic practice must go beyond shallow procedure to encompass meaningful representation and distribution across a wider societal fabric. This, he suggests, needs to be coupled with expanded definitions of development characterised by a new focus on quality of life and human capabilities.⁸⁸ How to get there though is not so clear, underscoring the need for good governance

⁸⁵ Ibid, 381-2.

⁸⁶ Gopal Jayal (1997) 'The Governance Agenda', p.407.

⁸⁷ Ibid, p.407, 412.

⁸⁸ Ibid, p.412.

critics such as Jayal to initiate a more constructive dialogue with the mainstream development community.

While this thesis emphasises the lack of a comprehensive social schema as an integral part of good governance strategies, initially the regulative and legal components bore much of the criticism directed at the new agenda. In this regard, Franz von Benda-Beckmann's paper is important because it explores the legal discussion regarding the constraints of the World Bank's Articles of Agreement.⁸⁹ Benda-Beckmann points out that it is this factor that determined the Bank's focus on normative and selective aspects of political, economic, and administrative institutional factors. This has implications for the Bank's legal approach to good governance policies, meaning that due to an avoidance of the social importance of legal issues, an excessive concern with bad governance evolved. Conveniently, it is this enforced normative approach that appears to equip the new governance agenda so effectively, requiring any serious challenge to the discourse to be taken up in this normative terrain where the IFIs as strategic aggressors already occupy the high ground.

In introducing the second special issue of the *IDS Bulletin* devoted to good governance, Mark Robinson argues that the debate has moved on from its obsession with bad governance. He states that there has been a shift in emphasis from its "negative or 'punitive' approaches... [to] positive aid measures and less threatening inducements to political and administrative reform".⁹⁰ Nevertheless, Robinson points out that "[m]uch of the agenda continues to be couched in neutral terminology which both obscures conflict and underestimates political resistance from vested interests".⁹¹ This finding is reiterated by Anne Marie Goets and David O'Brien in the same issue, who acknowledge that the World Bank's "hands are tied" in regard to political and power issues involving distributional equity.⁹² They suggest that the Bank's challenge is to build "a new social contract institutionalising the interests of the

⁸⁹ Franz von Benda-Beckmann (1994) 'Good Governance, Law and Social Reality: Problematic Relationships', *Knowledge and Policy* 7:3, pp.55-67.

⁹⁰ Mark Robinson (1995) 'Introduction', *IDS Bulletin* 26:2, p.1.

⁹¹ *Ibid.*, p.7.

⁹² Anne Marie Goets and David O'Brien (1995) 'Governing for the Common Wealth? The World Bank's Approach to Poverty and Governance', *IDS Bulletin* 26:2, p.21, 23.

poor”, and not restrict itself to generating micro and project level participation.⁹³ However, it is possible to argue that the direction that the IFIs appear to be taking since the publication of this special issue of the *IDS Bulletin* is toward the further embedding of their own interests. Specifically, this is being achieved by means of a dominant dissemination of ‘knowledge’, and the reclamation of ‘paradigm-talk’, to be discussed in more depth in the following section.

With growing support particularly amongst UN institutions for what can be loosely referred to as a social governance agenda, combined with the 1997 publication of the *World Development Report* and the Asian crisis of the same year, understandably there is something of a watershed observed in the good governance literature. Research by Thomas Weiss for instance, which follows the insights of Morten Bøås⁹⁴ suggests that criticism from the UN system is ‘ahead of the curve’ in terms of promoting “greater freedom, genuine participation and sustainable human development”.⁹⁵ Weiss suggests that “three types of substantive UN commentary have applied the brakes and slowed the momentum of the Washington consensus”.⁹⁶ First, that economic growth fails to capture all public good resources because it has no recourse for distribution, equity and justice. Second, the UN is gravitating towards a post-Keynesian, ‘pro-Stiglitzian’ position⁹⁷ aimed at exposing the false dichotomy of states and markets, and thus moving the good governance debate “away from a visceral dismantling of the state”.⁹⁸ And last, it criticises the apparent shallowness of good governance’s democratisation component, arguing for the promotion of ‘humane governance’, which implies an interconnected package of goods crosscutting political, economic and civil domains.

⁹³ Ibid., p.24.

⁹⁴ Bøås (1998) ‘Governance as Multilateral Development Bank Policy’.

⁹⁵ Weiss (2000) ‘Governance, good governance, and global governance’, p.806; also Louis Emmerji, Richard Jolly & Thomas Weiss (2001) *Ahead of the Curve? UN Ideas and Global Challenges* (Bloomington: Indiana Uni Press).

⁹⁶ Weiss (2000) ‘Governance, good governance, and global governance’, pp.801-6.

⁹⁷ Joseph Stiglitz’ ‘position’ is articulated in ‘Redefining the role of the state: what should it do? How should it do it? And how should these decisions be made? Available on the web at: <http://www.worldbank.org/html/extdr/extme/jssp031798.htm>

⁹⁸ Ibid, p.803.

It has even been suggested that good governance is now in decline, at least as a policy metaphor.⁹⁹ Martin Doornbos argues that its use is beginning to lose its initial shine to the donor community “due to its lack of tangible utility” and the impracticality of ‘interventionist’ political conditionality.¹⁰⁰ Donors are discovering how difficult it is to measure compliance, and also are finding out that diverting aid to sub-state and non-state actors is beginning to weaken rather than build state capacity. This observation has some substance to it, but while the term “appears to be evolving into a general figure of speech without too much practical consequence” from a donor point of view,¹⁰¹ new life is being breathed into ‘good governance’ by developing countries themselves. African leaders for example have placed good governance at the centre of the NEPAD (New Partnership for Africa’s Development) initiative.¹⁰² And in Southeast Asia, we will discover later in this thesis that leaders have enthusiastically embraced good governance discourse, and are using it to build legitimacy in their administrations.

An important volume addressing corruption in Indonesia and Vietnam from a legal and cultural, cross-jurisdictional perspective has been edited by Tim Lindsey and Howard Dick. In their preface they emphasise that the key question they address is not why Vietnam and Indonesia are failing with their good governance programs, but “[w]hy are international agencies, donors and NGOs continuing so strongly to push a new reform agenda that cannot achieve its objectives?”¹⁰³ They suggest that self interest on the part of practitioners is behind the agenda, and that much better progress can be made through dialogue – “a dialogue between the world as it is and the world of ideals”.¹⁰⁴ This assertion appears to have a lot of substance to it, but holds little appeal in this real world of which they speak in terms of goals, timelines and outcomes.

⁹⁹ Martin Doornbos, (2001) “‘Good governance’: The rise and decline of a policy metaphor?”, *The Journal of Development Studies* 37:6, pp.93-108.

¹⁰⁰ *Ibid.* p.103.

¹⁰¹ *Ibid.* p.106.

¹⁰² According to the official website, NEPAD is essentially a plan conceived and developed by African leaders to achieve sustainable development through political and economic governance structures that operate in partnership with the global community. See www.NEPAD.org/

¹⁰³ Tim Lindsey and Howard Dick (2002), ‘Preface’ in *Corruption in Asia: Rethinking the Governance Paradigm*, T. Lindsey & H. Dick (eds) (Federation Press: Annandale, NSW), p. vi.

¹⁰⁴ *Ibid.*, p. vii.

And finally, local and domestic criticism of good governance is usually focussed on universalist ideas of prescriptions as opposed to contextual formulations that take into account cultural variations.¹⁰⁵ In terms of media coverage, the Western ‘anti-globalisation movement’ has recently drowned out the resentment of international influence expressed by citizens of targeted countries. Nevertheless, there are small local literatures that present alternative solutions to combating poor governance. In Thailand for instance, an edited work by Thiriyut Bunmee maps out a nationalist manifesto of good governance premised on the emancipation from globalised liberal capitalism by means of a society strengthened through domestic institutional reform.¹⁰⁶ Unintended by IFIs, it would appear that some embattled sections of developing countries are attempting to provide their own interpretation of the good governance discourse. This has interesting possibilities, and once again underscores the raw power of relative terms such as ‘good’. Moreover, it not only demonstrates the capacity of good governance to have multiple meanings, but it also reveals how fluid and open to manipulation it can be.

A closely allied literature to the good governance critique that is worth mentioning here are studies concerned with the apparent hypocrisy of the IFIs in promoting good governance. Prominent in this literature are articles written by Ngaire Woods, and also Louis Pauly.¹⁰⁷ Another emerging and highly promising literature discusses the possibilities of a post-NPM agenda of governance reform in developing countries. This was the theme of a special issue of *Public Management Review* in 2001. Essentially, what this body of work attempts to do is merge the experiences and insights of the management practitioner with the big picture perspective of political scientists and sociologists. However, the radically disparate findings of the articles published in the special issue indicate that this literature has a long way to go before there are any recurrent points of agreement in these debates.

¹⁰⁵ See Cynthia Hewitt de Alcántara (1998) ‘Uses and abuses of the concept of governance’ *International Social Science Journal* 155, pp.112-3; see also Paul Streeten’s (1996) review of the International Law Association Committee’s (1994) *Sustainable development and good governance*, Ginther, Denter & de Waart (eds) (Dordrecht: Nijhoff), in *International Affairs* 72:1, p.178.

¹⁰⁶ See Michael K. Connors (1999) review of Thiriyut Bunmee (ed) (1998) *Thammarat haeng chart yuthasaat kuuhae prathetthai* (National Good Governance: A Thailand Recovery Strategy) (Bangkok: Saithaan), in *Journal of Contemporary Asia* 29:4, p.547.

Current issues

Many concerns are currently being canvassed within the mainstream of development studies that relate to good governance. Meanwhile debates over issues such as free trade, economic liberalisation and political empowerment are (conveniently) more frequently discussed in distinctly different frameworks. Those issues that are at the forefront of governance debates, not including the increasingly popular discussions over bad governance relating to corruption and ethical issues, are not so much there because they are the focus of public or political debate, but generally because the World Bank in particular has put them there. These include the Bank's knowledge project, their poverty-governance agenda, data collection and governance indicator projects, and legal and judicial reform programs. Perhaps the most controversial debate though is the contest between economic growth, or what Robert Wade drawing on Ravi Kanbur calls the 'Finance Ministry agenda', and the 'Civil Society agenda'.¹⁰⁸

The 1998-1999 *World Development Report*, was entitled *Knowledge for Development*, and introduced a new emphasis at the World Bank in a similar way to past 'new' development approaches that espoused philosophies such as 'basic needs' and 'participation'. The report unashamedly creates a role for the Bank as the storehouse and dispenser of what it determines as development knowledge, and this has substantial implications for the good governance debate. This is because good governance strategies in particular are supposed to benefit from this vast library of development knowledge resources. Once generated, the knowledge is intended for use by coalitions of international institutions and national governments, and this it is hoped will reduce knowledge gaps and market failure. Specifically, the report argues that the knowledge gap is reduced by the transfer of knowledge, through institution

¹⁰⁷ See for example Woods (1999) 'Good Governance in International Organisations', and (2000) 'The Challenge of Good Governance for the IMF and the World Bank Themselves' *World Development* 28:5, pp.823-41; Pauly (1999) 'Good governance and bad policy'.

¹⁰⁸ Robert Hunter Wade (2002) 'US hegemony and the World Bank: the fight over people and ideas' *Review of International Political Economy* 9:2, pp.215-43; Ravi Kanbur (2001) 'Economic policy, distribution and poverty' *World Development* 29:6.

building and by policies that promote open trade regimes and foreign investment.¹⁰⁹

Rather than attempting to define knowledge, the report seeks to distinguish between two types of knowledge: as technical know-how about things such as software engineering and birth control, and what the report terms “attributes”. This essentially refers to the material benefits of values entrenched in the developed world. These attributes are portrayed as economic defence mechanisms that prevent market failures, encourage economic growth and promote well-being.¹¹⁰ Clearly, the Bank’s knowledge project is normative in design in much the same way as its good governance agenda.

A major theme of the report is its concern with the nature of information, which is a term used interchangeably with knowledge. The basic assumption is that imperfect information obstructs markets from functioning properly. This logic has a distinct Stiglitzian ring to it, and helps us to understand the economic rationale underpinning a particular conception of the post-Washington consensus. According to Stiglitz, previous economic models naively assumed that it was possible to access perfect information about transaction costs. This led to unrealistic assumptions regarding the complexities of land, labour and other markets integral to the institutional environment in LDCs.¹¹¹ The point here is that while the supposed emergence of a post-Washington consensus is of interest to some students of development, of perhaps greater significance to actual development practice is the distinctly uncritical promotion of *NIE* as the authoritative development manual for practitioners and policy makers.

How then is the emergence of a post-Washington consensus related to the idea of the World Bank as a knowledge bank? If indeed the Bank is increasingly seeing itself as the authoritative repository of knowledge, and its publications would suggest that this is so, then this has implications for the dissemination of

¹⁰⁹ The World Bank (1999) ‘Knowledge for Development.’ *World Development Report 1998/99* (Washington D.C.: The World Bank), p.2; See also Lyla Mehta (1999) ‘From Darkness To Light? : Critical Reflections On The World Development Report 1998/1999’, October.

¹¹⁰ The World Bank (1999) ‘Knowledge for Development.’ pp.1-2.

¹¹¹ Stiglitz (1998) ‘Knowledge for Development: Economic Science, Economic Policy and Economic Advice.’ Address to the World Bank’s Annual Bank Conference on Development Economics. April 20, (Washington D.C.: The World Bank); and The World Bank (1999) ‘Knowledge for Development.’ *World Development Report 1998/99* (Washington D.C.: The World Bank).

discourse by the Bank. More specifically, establishing a consensus on knowledge and procedure requires systematic marginalisation of contending views and explanations, and this is clearly an expression of power apparently exercising the machinery of discourse. Considering the vagaries of what actually constitutes a 'consensus', and questioning how it is that institutions, prominent policy makers and coalitions of interests can actually lay claim to one is an important preliminary step in conceptualising what is going on. From this platform, the relationship between the post-Washington consensus and the 'World knowledge Bank' strikes me as an extremely useful way of understanding agency and power distributions. Examples that illustrate the tenuous nature of a consensus, the diverse views that exist within institutions, and the highly contentious 'attributes' of knowledge, was the resignation of Ravi Kanbur, the original lead author of the *2000 World Development Report (WDR)*, and the firing of Stiglitz as the World Bank's Chief Economist. These two developments are actually used by Wade as case studies for assessing US hegemony and the World Bank.¹¹² According to Wade, "the US Treasury intervened in order to prevent the Bank – or two highly visible people of the Bank – from saying things that ran against its own message about how other countries should develop".¹¹³ So while the Bank is sensitive to public criticism for reasons such as legitimacy, it is also vulnerable to Washington's foreign policy. As Wade points out, in the wake of the Stiglitz and Kanbur affairs, "the Bank's senior managers are likely to be more cautious about offending the US in future interactions, because they know how offending the Treasury in one context spills over into costs to the Bank in other contexts".¹¹⁴

The Bank's governance agenda, as a casualty of growth imperatives is potentially one such cost. It is understandable then that the Bank has moved to shore up the governance agenda through its empirical data collection project. Using an updated set of worldwide governance indicators covering 175 countries for the period 2000/01, the authors of the World Bank document "Growth Without Governance" demonstrate a surprisingly weak and even negative causal effect running in the opposite direction from per capita incomes

¹¹² Wade (2002) 'US hegemony and the World Bank'.

¹¹³ Ibid, p.231.

¹¹⁴ Ibid, p.234.

to governance.¹¹⁵ This new finding suggests the absence of "virtuous circles" in which higher incomes lead to further improvements in governance, turning the East Asian argument of 'growth then governance' on its head.

Thus, hopes that the millennium *WDR* would open up debates on issues such as free trade and political disempowerment were dashed. Instead, the Bank continues to approve open trade regimes and mobile global capital. Indeed, these 'transfers' and interactions are projected as ways of narrowing 'knowledge gaps' between rich and poor, described by the Bank as the difference between global (rich) as opposed to local (poor) knowledge. Meanwhile, the debate over political disempowerment and marginalisation remains safely encased in the Bank's discourse on community involvement and participation, albeit dressed up to include issues such as vulnerability, voicelessness and powerlessness.¹¹⁶ This is not to suggest that individual researchers at the Bank are prevented from dissenting with respect to the emphasis placed on the Civil Society agenda, but the overriding need for the Bank to speak with one voice ensures that senior management will continue to keep these views under internal wraps.¹¹⁷ This is the character of consensus at the Bank, and it's an assessment that would fail to excite those who are looking to the Bank for leadership in the development of the post-Washington consensus.

The *2000 WDR* itself introduces the poverty-governance agenda, which is also examined in the UNDP publication *Overcoming Human Poverty*,¹¹⁸ and explores the issues relating to the link between poverty alleviation and good governance. Indeed, the UNDP has sponsored a number of country studies in recent years as part of its Poverty Strategies Initiative (PSI) that deal with various aspects of this relationship. What all the studies and policy documents have in common is a fundamental reliance on civil society as the solution to problems of governance implementation and people participation. What they

¹¹⁵ For full text and dataset: <http://www.worldbank.org/wbi/governance/pubs/growthgov.htm>
Access the Governance Indicators 2000/01 database at:
<http://www.worldbank.org/wbi/governance/govdata2001.htm>

¹¹⁶ J. Klugman (2000) 'Overview' *Poverty Reduction Strategy Sourcebook: Draft for Comments*, April 20, p.1. Available on the web at <http://www.worldbank.org/poverty/strategies/sourctoc.htm>.

¹¹⁷ Wade (2002) 'US hegemony and the World Bank', p.233.

¹¹⁸ UNDP (2000) *Overcoming Human Poverty*.

also share is a common distaste for exploring what is actually meant by the term civil society, and how it fits into its own relationships with the state and its constituents. For instance, in the case of Vietnam, Gray asks what sort of civil society organisations are emerging under a state that is openly attempting to fashion society.¹¹⁹ It is therefore important to engage in a brief theoretical study of civil society in order to clarify our understanding of the broad claims being made in the literature supporting good governance.

There appears to be two competing conceptions of civil society found in the literature. Alexis de Tocqueville¹²⁰ argued that civil associations are important instruments by which citizens moderate the power of the state, and effectively manage to promote their own interests. In this conception, civil society is viewed as an independent entity that opposes the state in issues that infringe on the interests of association members. However, Antonio Gramsci¹²¹ defined civil society as a social or public 'space' where politics is embraced and contested by all of society, which includes the state. Hence, rather than necessarily adversarial, Gramsci thought that civil society often functions as a vehicle of government by furnishing ideas with the legitimacy gained through popular support.

Gray argues that the theoretical understanding of civil society held by the World Bank, UN agencies and many NGOs is aligned with de Tocqueville's ideas, while the situation in Vietnam more closely reflects the Gramscian explanation.¹²² A case can also be made for the greater relevance of the Gramscian model in the more liberal states of East Asia, where the ability of powerful interests to mobilise various elements of society depends on the attributes of the poor as much as the character of the mobiliser.¹²³ By this it is meant that due to economic and social insecurity, the poor are extremely vulnerable and pliable, and this casts doubt on their ability to maintain a

¹¹⁹ M.L. Gray (1999) 'Creating Civil Society? The Emergence of NGOs in Vietnam,' *Development and Change* 30:4.

¹²⁰ Alexis de Tocqueville ([1831] 1961) *Democracy in America* (New York: Schocken Books).

¹²¹ Antonio Gramsci (1971) *Selections from the Prison Notebooks of Antonio Gramsci*, Q. Hoare & G. Smith (eds) (New York: International Publishers).

¹²² Gray (1999) 'Creating Civil Society?'

¹²³ S.R. Osmani (undated) 'Participatory Governance, People's Empowerment and Poverty Reduction,' SEPED Conf. Paper, series # 7 (UNDP). Available on the web at : http://www.undp.org/seped/publications/conf_pub.htm

positive, independent role in governance structures. On the other hand, in open and interdependent industrial states, civil society is much more likely to reflect de Tocquevillian characteristics. Thus, it is perhaps fair to say that just as a dual structure conceptually defines the developing as opposed to the developed world,¹²⁴ so too must civil society be seen as a split phenomenon.

This two-fold view of civil society adds weight to the contention that the governance agenda and the current focus on poverty reduction is complimentary, because the discourse dictates that the construction of the modern state is a prerequisite for the enrichment of the poor. It also helps to explain the agenda's emphasis on apparent bad governance in many LDCs, targeting governments that are oppressive, unaccountable, and lack the will, the capacity, or both, to provide an independent and substantive legal system that recognises the rights of individuals. Indeed, a recent World Bank study of problems of poor people at 468 sites in 23 LDCs found that oppressive policing was a major problem at most sites.¹²⁵

Bad governance also targets the more technical aspects of the poverty-governance agenda including issues relating to public expenditure, taxation, and accountability. Taking public spending for example, the World Bank is keen to highlight that although this may not directly reduce poverty, it is an important element in realising effective public action, and is in this way a measure of good governance.¹²⁶ Public spending is invariably low in LDCs not because governments are necessarily tight-fisted or waste resources frivolously, but largely because revenue from taxation is low. Underpinning ideas about bad governance is the assertion that those who can afford to pay tax often pay very little in many LDCs. In reality, there are many reasons for insufficient revenue raising, and not insignificant is the impact of structural adjustment policies aimed at reducing export and import tariffs, traditionally a major source of income for LDCs.

¹²⁴ Barry Busan and Richard Little (1999) 'Beyond Westphalia? Capitalism after the 'Fall',' *Review of International Studies*, 25:5, pp.100-4.

¹²⁵ Results of report quoted in Mick Moore and James Putsel (1999) 'Politics and Poverty,' A background paper for the *WDR 2000* (The World Bank) and sourced from Anderson, M. R., 1999, 'Access to justice and legal process: making legal institutions responsive to poor people in LDCs,' A background paper for the *WDR 2000* (The World Bank).

¹²⁶ Moore & Putsel (1999) 'Politics and Poverty,' p.33.

The collection of revenue has also been hampered by what Moore and Putsel describe as an “OECD-based culture of capping total taxation and public expenditure at current levels”, which appears to have been embraced in the already low-taxed LDCs.¹²⁷ They explain that this ‘low-tax’ mentality in LDCs has been condoned by donors because of the fear of upsetting the elites with whom aid and development agencies conduct business. And this has ramifications for the good governance agenda indirectly in as much as low-taxed constituents have a reduced stake in the performance of government and the redistribution of resources. As Moore and Putsel explain, there has been a long tradition in political science recognising that taxation is the premium paid by society as part of its contract with the state for the supply of services. Thus, unaccountability and poor governance as a consequence of unpaid premiums and a non-liable state partially explain the actions of independent government. Such a state may well be alternatively funded by natural resource extraction or foreign aid, and propped up politically and militarily by an external power rather than sponsored by its citizens with what Moore and Putsel describe as a “tax-mediated social contract”.¹²⁸

This notion is empirically supported by a cross-national statistical analysis carried out by Moore, Leavy, Houtsager, and White that examined the performance of converting national income into improved human development indices measuring longevity, adult literacy and school enrolment.¹²⁹ Good governance supporters accept these arguments as a justification of the agenda’s focus on auditing, surveillance and other public tracking initiatives. However, questions such as ability to pay, the expansion of mediums and methods of payment, and the suggestion of a down payment of goodwill by the state in terms of supplying unpaid services, are avoided by the discourse.

With respect to legal and judicial reform, the good governance agenda appears to be complicated by a lack of understanding of the relationship between competing forms of legal approaches *vis-à-vis* Western court procedure and

¹²⁷ Ibid. p.35.

¹²⁸ Ibid.

¹²⁹ Moore, M., Leavy, J., Houtsager, P. and White, H., 1999, ‘Polity qualities: how governance affects poverty’. A background paper for the *WDR 2000* (The World Bank).

traditional or informal means of law enforcement. Indeed, an emerging body of research looking at cultural and indigenous practices suggests that it would be a mistake for the good governance agenda to continue its 'West is best' attitude.¹³⁰

Development theories inspired by new institutional economists such as Douglass North, still articulate a role for the state despite the recent emphasis on legal reform. However, because these theories are informed by economic analysis, the relationships between law and politics, and democracy and authoritarianism in development, are left unexplored. This thesis argues that law reform, based on the requirement of modern Western frameworks, and assuming that these will help establish clear and predictable rules that are transferable, appears destined for a problematic future. For instance, Patrick McAuslan points out that there is a serious lack of empirical data that links law reform with development, leading to much dispute regarding appropriate policies.¹³¹ McAuslan also takes issue with the World Bank's focus on law reform as a mechanism to reduce market transaction costs. Rather than a state-of-the-art legal system, McAuslan argues that an efficient and equitable market economy needs effective state-run institutions that can counteract the corruption that takes place in LDCs. By emphasising the role of the judiciary in promoting economic development, McAuslan fears that the independence of the courts may be jeopardised, and safeguards in the form of bureaucracies and other formal institutions may be marginalised. He cites elitist allocation of property rights and subsequent land-grabbing as an example of the shortcomings of economically oriented law reform.

However, the study undertaken by Moore *et. al.* referred to above indicates a strong negative correlation between poverty reduction performances and the scores that countries were allocated by a reputable agency acting on behalf of international investors. Countries that earned high ratings for 'quality of

¹³⁰ For instance, in the 483 page publication of the International Law Association Committee conference papers edited by Ginther, Deters & de Waart, (1994) entitled *Sustainable development and good governance*, all but one of the 29 contributors approved of good governance as essentially a mechanism of western transformation in LDCs, the only dissenter being Kunibert Raffer, an advocate of contextual and culturally sensitive development.

¹³¹ Patrick McAuslan (1997) 'Law, Governance, and the Development of the Market: Practical Problems and Possible Solutions,' in J. Faundes (ed) *Good Governance and Law: Legal and Institutional Reform in Developing Countries* (New York: St. Martin's Press).

government institutions' actually performed poorly at poverty reduction.¹³² The inference stemming from this evidence is that institutions require a specific poverty reduction focus, as opposed to being instruments in the hands of a government that is not bonded to its citizenry by an effective social contract.

An issue that directly impacts on good governance programs is that of resistance. Although this requires much further research, Peter Larmour's research in the South Pacific indicates that "[t]hose on the receiving end sometimes complain that [good governance] is overbearing, selectively applied, and insensitive to local differences".¹³³ With respect to post-crisis Asia, the measurement of resistance toward good governance tends to be obscured by the ideological debate over competing capitalisms. Thus, good governance can be interpreted as representing the Anglo-American model, or at the very least conceptualised as a tool designed to facilitate convergence between the Asian and Western models of economic development. Whether this converts into real gains for the people of Southeast Asia is a matter evaluated in the case studies in later chapters.

A major finding of this thesis then is that the governance-poverty agenda hinges on how 'good governance' is defined and pursued. Different classes have diverging governance requirements. The type of governance that meets the urgent needs of the poor is unlikely to coincide with the form of governance designed to fulfil the objectives of more affluent groups. In brief, this is because of the prioritisation of initiatives that are inherently conflictual. Thus, it is suggested that the task of narrowing class gaps is essentially the contraposition of a renovated 'trickle-down' thesis that pursues economic growth through good governance.¹³⁴ Real distributive justice for current generations can only realistically be achieved by serving the interests of wider social formations. Moreover, foreign investors and many other Western interests see good governance largely in terms of security of investments, reliability of commercial contracts, and the characterisation of a political terrain that generally facilitates

¹³² Moore, Leavy, Houtsager and White (1999) 'Polity qualities'.

¹³³ Larmour (1998) 'Making Sense...', p.4.

¹³⁴ See for example the opening paragraph of Richard Devetak and Richard Higgott (1999) 'Justice unbound? Globalisation, states and the transformation of the social bond.' *International Affairs* 75:3, p.483.

market transactions.¹³⁵ Thus, a body of literature is required that clarifies the distinctions between a truly distributive good governance and the understanding of the current agenda influenced by powerful foreign and locally privileged interests. The way these interests are managing the agenda is demonstrated theoretically in the next chapter.

¹³⁵ Moore & Putsel (1999) 'Politics and Poverty,' p.36.

CHAPTER 3: UNDERSTANDING GOOD GOVERNANCE

This chapter examines the theory underpinning the notion of good governance inspired by the World Bank and similar-minded institutions, and specifically explores two assumptions that are central to this thesis. The primary assumption is that notwithstanding the existence of a distinct history, the galvanising of interests sustaining good governance is something new, and entirely attributable to the unique character of the agenda. A second assumption is that good governance presents a significant challenge to existing structures and processes that have hitherto been associated with the role of the state. These assumptions are predicated on the argument that good governance fundamentally espouses the primacy of market institutions, and it is therefore best understood as largely informed by neoliberal thinking that crowds out competing ways of approaching governance, concepts of the 'good', and by implication, good governance.

The emergence of public choice theory in the early 1970s is arguably situated at the root of the emergence of good governance as an agenda over the last decade and a half. The theory also provided much of the intellectual framework for understanding the rise to prominence of neoliberalism, a perspective that helps to support assumptions about the 'naturalness' of good governance. It is therefore worthy of discussion at some length. This helps us to understand why good governance appears to be encumbered by an inescapably narrow conception of the 'good'. And it will also lead us to a broader discussion of the 'good' within emerging debates that are progressively concerned with aspects of the public good in relation to issues of social, political and economic justice.

The success of the neoliberal critique is measured by the mainstream adoption of its primary rationalities throughout the modernised world commencing with Ronald Reagan's Administration and Margaret Thatcher's Government in the early 1980s. It is reasonable then to view neoliberalism as a movement. As this movement has taken hold though, many people appear to have been disaffected by the type of policies that have ensued. It has therefore become increasingly necessary for the advocates of neoliberalism to counter the socio-economic arguments that have arisen in opposition to it. This helps to explain

the linking of neoliberal prescriptions with ideas about a greater 'common good', which are implicit in the notion of good governance. Such conceptions have included ideas concerning the innate 'goodness' of markets in terms of wealth delivery based on assumptions of universal consensus on some of the major principals of Western capitalism. However, in order to analyse this theoretical bridge between a restricted state and claims about the 'good', it is first important to have a more coherent view of neoliberalism.

Some traditional assumptions associated with the nation-state are under threat according to the 'globalisation story'¹, but this is nothing new in itself. The neoliberal analysis of economic development that rose to prominence in the early 1980s pre-dated the recent pre-occupation with accounts of globalisation, and likewise encouraged a redefinition of the role of the state. It was asserted as early as the 1970s that a 'hands-off state' would allow neo-classical market strategies to lead the way out of plunging debt and increasing economic uncertainty triggered by the OPEC induced oil crises. This downward spiral was attributed to the failure of Keynesian economics in the face of a rapidly changing global context. The economic landscape of the 1970s was not only dominated by a potential scarcity of resources, but by the instability of capital exchange in the wake of floated currencies. It appeared that the welfare economics and pump priming policies associated with Keynesianism had outlived their usefulness. And as the socialist alternative in the bi-polar Cold War world was unthinkable, influential policy makers began exploring much more palatable alternatives associated with the right of the political spectrum.

Neoliberalism can be quite clearly identified as the raft of market oriented reforms introduced by Reagan and Thatcher, and quickly duplicated throughout the West regardless of the ideological persuasions of existing governments. This is looked at in more detail in the next section of this chapter. At this stage we will generalise that neoliberalism is premised on the liberal notion of self-interest transferred to the state. It commences from the foundation that individual maximisers are the most efficient vehicles for economic growth, but are effectively paralysed by interventionism. Indeed, neoliberal thought suggests that state controls are potentially the most inhibiting factor in economic

growth. Taken to its logical conclusion, the growth-focussed East Asian development state is ideologically opposed to neoliberalism orthodoxy, based on the assumption that growth and development are synonymous. However, Higgott and Nesadurai have argued that the SEADM (Southeast Asian Development Model) reflects “an overwhelming emphasis on *growth* as a goal at the expense of *development*.”² What they are suggesting is that the growth imperative is market-centred, and thus neoliberal inspired, while development fails to include notions of social justice and equity, which are associated with the traditional redistributive role of the state. This critique is widespread, and is not just levelled at Southeast Asia, meaning that the state has once again found itself in crisis. Thus, we can conclude at this point that the collapse of the former-socialist economies, humanitarian emergencies in the most impoverished states, the debate over explanations of the ‘East Asian miracle’, and perhaps above all, the uneven benefits of neoliberalism, have been forcing a reinvention of the role of the state in the wake of the market, technological and informational revolutions of the late 20th and early 21st centuries.³

Perceived in terms of a political ideological crisis, it is arguable that in the West during the 1980s and 1990s the opposite of Polanyi’s ‘double movement’ 1930s backlash from both the left and the right seemed to be underway.⁴ This phenomena was crystallised by Francis Fukuyama’s ‘end of history’ thesis. Nevertheless, East Asian voices calling for substantive social democratic reforms remained a threat to representative democracy. On the political right, ‘rolled-back’ state policies had heightened accusations of crony capitalism. Besides, defenders of the East Asian state were strongly asserting the success of interventionist traditions. These factors combined to eventually force a re-evaluation in the West of the much touted East Asian miracle. And in the aftermath of the Asian economic shocks of the late 1990s, an East-West (neoliberal-growth) development model consensus clearly began taking shape. The neoliberal ideal of the ‘hands-off’ state had been reformed into a movement promoting the ‘institutional state’, with the market representing the key

¹ See for example Buzan and Little (1999) ‘Beyond Westphalia?...’ p.91.

² Richard A. Higgott and Helen E. S. Nesadurai, (2002) ‘Rethinking the Southeast Asian Development Model: Bringing Ethical and Governance Questions in’, *ASEAN Economic Bulletin* 19: 1, p.28.

³ The World Bank points out on the first page of its *World Development Report 1997*, that these are the key reasons for the renewed focus on the state.

⁴ Polanyi (1944) *The Great Transformation*.

institution. The model also implies that power and legitimacy is being disseminated to efficiently functioning and effectively organised 'governing' groups throughout society, with such institutions being well placed to further the interests that have given rise to their establishment.

This helps to explain the recent emphasis on capacity building as a fundamental tenet of public sector reform. The institutional state effectively extends the life and usefulness of the state by converting from a monolithic structure into a 'can do' dynamic entity that takes on the form of a privatised public enterprise. Thus, in accordance with the observed transfer of liberal self-interest to notions of the state, the primacy of the individual is substituted for the centrality of institutions that decide the public good. Moreover, the institutional state model tolerates decentralisation and devolvement because it is no longer the centre that ties the state together, but an 'institutional consensus'. This essentially means that legitimacy is acquired by mutual recognition of interdependence between sources of power and influence. In East Asia, this has been referred to by some as the 'Asian way'.⁵ And the impression that decentralisation is supposedly "imbued with 'good'" helps to embed the model in emerging discourse that is grounded in aspirations of better forms of governance and organisation, providing an important impetus to reform.⁶

Hence, neoliberalism still recognises the need for adequate regulative frameworks and effective enforcement methods, and this requirement prepares the way for a new kind of governing regime. Or as Stephen Gill observes, "[w]hat may be occurring then is not the 'retreat of the state', but the redefinition of global governance."⁷ To borrow from Gill, perhaps the best way of coining this new approach being underscored by the World Bank's *World Development Reports* is "disciplinary neoliberalism".⁸

⁵ See Han Sung-Joo (1999) 'Asian Values: An Asset or a Liability?', chap 1 in *Changing Values in Asia: Their Impact on Governance and Development*, Han Sung-Joo (ed) (Tokyo: Japan Centre for International Exchange).

⁶ Mark Turner (1999) *Central-Local Relations in Asia-Pacific: Convergence or Divergence?* (Basingstoke: Macmillan).

⁷ Gill (1998) 'New Constitutionalism...' p.38.

⁸ The progression in influential economic thought is traced in the World Bank's *World Development Report 1997*, in which it argues against a minimalist state in exchange for state effectiveness.

Vital to this disciplinary neoliberal transformation of the state is the contribution of citizens. The 'small-state' neoliberal view suggests that self-interest is good, that it is the 'invisible hand' at work, and states should not act to curb its influence. Yet the critique that has progressively emerged in the last decade seeks to differentiate between good and bad self-interested behaviour. This critique points out that 'bad self-interest' is characterised by unscrupulous business transactions that prioritise personal gain with an implicit public cost, and includes bribery, patronage, nepotism, tax evasion and many other forms of corruption. 'Good self-interest' on the other hand is associated with outcomes that arguably have a greater common good. By conception it is linked with institutionalised behaviour that emphasises the 'collective project' of NPM. The injection of moral criteria has thereby insulated the economic and political objectives of neoliberalism from the more damaging aspects of self-interested human activity. Some evidence of this includes a lexicon that gives voice to objectives that pursue a 'sensible' common good, invoked by the good governance agenda. It is possible then that the new call for good 'corruption free' governance in the 'national interest' is gradually replacing earlier popular appeals to nation building at any cost. And this reinforces the argument that the institutionalised economic interests of individuals are eclipsing the traditionally geo-politically defined agenda of the nation-state.⁹

This thesis rests on the assumption that globalisation is forcing a significant reconstruction of the modern state. It is not intended to persuade the reader of this as this is the subject of an entirely separate, voluminous, and rapidly expanding scholarship, but it is important to understand the changing nature of the state according to the globalisation perspective. It is argued that at the heart of these changes is the emergence of a polemic conception of organisational management that distinguishes sharply between good and bad, positive and negative. This has accompanied the development of new governing structures, with a discernable trend towards micro and self-governance, often taking the form of self-regulation. Viewed as a dual levelled change, the normative appeal to do right and be good overlays and protects the structural reforms to governance frameworks. Such a transformation of the state has been described

⁹ See Edward N. Luttwak (1990) 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce' *The National Interest*, Summer, pp.17-23.

by Jayasuria using the example of the increasing influence of independent central banks over monetary policy in East Asia and Western Europe.¹⁰

This chapter examines this ‘dual’ normative-structural transition within the state, because it establishes a useful way of broadly conceptualising the good governance agenda. Moreover, the chapter attempts to situate good governance within the continuing tradition of liberal theory. This theoretical discussion will emphasise how the construction of good governance helps to shape the way governance issues are understood in developing countries, and thereby promotes a particular perspective of international social justice. As this chapter is at pains to point out, when it comes to what is actually good and what isn’t, attention to the finer points that represent actual change appears to be less important than the new discourse supporting market and institutional reforms, implicitly discrediting former processes. First of all though we shall turn our attention to developing a theoretical framework for good governance.

According to Nicholas Onuf’s constructivists’ ‘user’s manual’, social rules (including legal rules) are the medium by which people make society and vice versa.¹¹ And clearly the role of rules and identities packaged and characterised by institutions plays a substantial role in shaping human behaviour.¹² In this view, actions are seen as rule-based identity creations in the pursuit of a purpose, and not necessarily resulting from interests or rational expectation. Perhaps the best way of understanding the equation according to this conception is to view normatively structured rules as a fixture, while actors and context are seen as variables, and institutional policies are the outcomes. Thus, March and Olsen see:

“foreign policy as the application of rules associated with particular identities to particular situations... [and they] “explain” behaviour by determining the identities that are evoked and the meaning given to a situation. [In other-words,] [w]e influence

¹⁰ Kanishka Jayasuriya (2001) ‘Globalization and the changing architecture of the state: the regulatory state and the politics of negative co-ordination’ *Journal of European Public Policy*, 8:1, pp.101-23.

¹¹ Nicholas Onuf (1998) ‘Constructivism: A User’s Manual’ Ch.3 in V. Kubáľková, N. Onuf & P. Kowert (eds) *International Relations in a Constructed World* (Armonk: M.E. Sharpe), p.59.

¹² See James March and Johan Olsen (1998) ‘The Institutional Dynamics of International Political Orders’, *International Organisation* 52:4, p.951.

behaviour by providing alternative interpretations of the self and the situation.”¹³

This reasoning is central to the constructivist idea that commences from a premise of multiple and competing interests and argues that social interaction and experience shape identities and rules that are both constitutive and regulative. Clearly the explanatory potential of such a theoretical approach is limited based on the way knowledge is constructed in the social sciences.¹⁴ It posits a dichotomy between understanding and the ideational on the one hand, and explanation and positivist natural science on the other.

The good governance agenda is also a useful media for framing the debate between individual interest and notions of a common good. Individual interest is cast in terms of values and preferences that are filtered through a rule-based polity, giving rise to a “consequential logic”, as James March and Johan Olsen have coined it.¹⁵ Put crudely, the logic of consequences is an ethic that justifies the means by the ends. In contrast, the internalisation of roles and rules according to their apparent ‘common good’, is what March and Olsen refer to as an identity-based “logic of appropriateness”.¹⁶ This is underpinned by normative expectations with respect to ‘external standards of moral worth’. Both of these logics have important implications for this thesis. For instance, there is a logic of consequence that underpins loan conditionality. And there is an appropriate logic implied by terms such as ‘responsibility’ and ‘openness’, which play an important role in the discourse of good governance and the idea of holding governments accountable. The inference drawn from good governance discourse then is that the conception of the ‘good’ is bound up in a set of moral interpretations governing the creation of institutions that are intended to further equality and justice, amongst other virtues. In spite of the universal appeal of the outcomes, what is being underscored by this thesis is the limited extent of distributive justice implicit in governance methodology, whereby policy is formed with insufficient regard to its immediate social impacts in order to gain a desired

¹³ Ibid, p.951-2.

¹⁴ See for example Martin Hollis and Steve Smith (1990) *Explaining and Understanding International Relations* (Oxford: Clarendon Press); and Steve Smith (2000) ‘Wendt’s world’ *Review of International Studies* 26, pp.151-63.

¹⁵ March and Olson (1995) *Democratic Governance* (New York: The Free Press); and (1998) ‘The Institutional Dynamics...’.

long-term result. In other words, the 'right' inventory of normative good governance rules (read tools) not only is aimed at shaping the institutions and identity of actors, but also has ambitions of pre-determining outcomes in terms of behaviour, habits and mores.

It is this sentiment precisely that prompted David Williams to declare that "the World Bank (and others) attempt ever more sophisticated and ever penetrative methods to discipline the actions of others in the service of a liberal transformative project".¹⁷ While the assertion of a Western institutional neoliberal agenda is hardly new, the analysis of methodology requires much more attention, and this task occupies a major objective of this thesis. Critical theory is not very helpful because it shares little common ground with the neoliberal good governance agenda on which to negotiate a moral position. A constructivist theoretical approach has some explanatory potential, particular for existing structures. A constructivist posture for instance positions the rules as the contested site, which is in turn constrained by the "compromise of embedded liberalism" in the institutional structure. This expression is used in much the same sense as Ruggie's original intended meaning,¹⁸ in that the contemporary order treads a middle path between destructive and stabilising tendencies. Although far from an ideal outcome, the acknowledgement of these constraints serves to temper the rules by which institutions play, and thus determines the normative framework that seeks to manage this complex.¹⁹ In the March and Olsen sense of appropriateness, actors are also envisaged occupying the middle territory between 'good' and 'bad' behaviour. Their reasoning further suggests that where there is a lack of incentive to act appropriately, and only a disincentive to act in a certain way because of threatened consequences, regulation will overshadow the accumulation of social capital. This helps to explain why early good governance policies tended to address 'bad' rather than 'good' practices.²⁰

¹⁶ Goodin, Robert (1996) *The Theory of Institutional Design* (Cambridge: Cambridge University Press), p.37-9.

¹⁷ Williams (1996) 'Governance and the Discipline...', p.174.

¹⁸ John Ruggie (1982) 'International regimes, transactions, and change: embedded liberalism in the postwar economic order.' *International Organization* 36:2, p.393.

¹⁹ *Ibid*, p.415.

²⁰ See Benda-Beckman (1994) 'Good Governance, Law...'; and Robinson (1995) 'Introduction', p.1.

It is with this backdrop that the social constructivist interpretation of events helps to structure the 'stories' that give meaning to history, articulate the range of present options available, and outline possible future trajectories.²¹ The idea of the past shaping the present is widely accepted, and the constructivist is merely taking up this tradition in more detail by interpreting agenda control as a function of contextual histories. And with meanings, identities and stories being continually modified as they contest much of the same terrain, new interpretations must also be brought to light in order to adequately explain normative change. All this feeds into a basic assumption of this thesis: that the good governance agenda is largely a normative-technical project that is a function of wider societal and political interactions.

Nevertheless, understanding norms as a set of outcomes that result from political and social tensions is still too superficial for the purpose of this thesis, leaving much unsaid about how norms are formed and reformed. And unfortunately, as Martha Finnemore and Kathryn Sikkink point out, constructivism does not explain change as effectively as it explains stability.²² Like Williams, Finnemore also has problems accepting the institutionalist social framework that assumes consensus on the normative goals of good governance. This is due to the domination and implicit marginalisation of agency that characterises plural politics.²³

Interestingly, Finnemore and Sikkink argue that it is the logic of appropriateness that is contested during the emergence of new norms, often by decidedly "inappropriate" behaviour, and through the dramatisation of issues by "norm entrepreneurs" using 'stylised' interpretive language.²⁴ They use the World Bank to illustrate organisational agency of development norm emergence, arguing that the structural basis to its institutional normative programs is grounded in the "the professions from which it recruits, and its relationship with member states and private finance".²⁵ The World Bank's internal resistance to

²¹See March and Olson (1995) *Democratic Governance*, p.46, 174.

²² Martha Finnemore and Kathryn Sikkink (1998) 'International Norm Dynamics and Political Change,' *International Organization* 52:4, p.888.

²³ Williams (1998) 'Economic Development...', pp.10-4; Finnemore (1996) 'Norms, culture and world politics: insights from sociology's institutionalism,' *International Organization* 50:2, pp.340-2.

²⁴ Finnemore and Sikkink (1998) 'International Norm Dynamics...', pp.897-8.

²⁵ Ibid, p.899. Also see Wade (2002) 'US hegemony and the World Bank'.

the introduction of basic human needs and anti-poverty agendas over earlier decades based on an interpretation of ‘bad economics’, further demonstrates the filtering of normative change. Finnemore and Sikkink explain that this was due to the difficulty in quantifying costs and benefits of such programs, rendering them unjustifiable in terms of “good economics”.²⁶ And this point is also illustrated by the resignation of Ravi Kanbur discussed earlier.

Attempts to overcome resistance to good governance programs through in-house efforts to empirically quantify the quality of governance, and by embracing Transparency International’s corruption index, further illustrate the Bank’s continued efforts to obscure social effects, simply because many impacts are internalised and defy quantification, or at best are considerably fluid.²⁷ Thus, in terms of viewing norm formation at the World Bank within Finnemore and Sikkink’s framework, it is perhaps fair to say that the logic of appropriateness is currently being tested by ‘inappropriate’, dissenting views held by individual norm entrepreneurs such as Kanbur and Stiglitz. Ideas that are gradually gaining currency, not the least being the need for more open debate over a range of issues, eventually find an actor sufficiently positioned to effectively challenge traditional orthodoxy. In this instance, accumulative countervailing forces in the social and political environment in which the institution operates, challenge the existing norms.

So a constructivist approach sheds some light on the competing overarching notions guiding the further development of the agenda – namely the contest between methodological as opposed to normative-technical conceptions of good governance. It also helps us to understand the political character of the agenda, not only by what it shows us in terms of powerful interests, but what it also demonstrates is the orchestrated nature of participation, particularly amongst broad sections of the community. And finally, constructivism shows us

²⁶ Ibid, pp.899-900.

²⁷ See for instance Jeff Huther and Anwar Shah (1998) ‘Applying a Simple Measure of Good Governance to the Debate on Fiscal Decentralisation.’ Research Working Paper 1894 (Washington D.C.: The World Bank); Transparency International’s corruption index is accessible on the web at: <http://www.gwdg.de/~uwwv/icr.htm>. Admittedly, in later research at the Bank, Kaufmann, Kraay, and Soido-Lobaton found that current indicators measuring governance were altogether too narrow, and gathered several hundred indicators of governance produced by 13 different organisations covering more than 170 countries. See Daniel Kaufmann, Aart Kraay, and Pablo Soido-Lobaton (1999) ‘Aggregating

how economics in particular, and politics in general, are insulated from the potential disruptions of civil society. But I remain unconvinced that constructivist frameworks expose the rationality driving the good governance agenda, which is what a truly useful theory needs to do.

The Foucauldian lens of “governmentality” arguably provides a better, more robust theoretical perspective of good governance theory, not only because of what it helps us see, but also what it doesn’t. By this it is meant that governmentality frameworks are extended to their useful limits by broad analyses that test conceptual boundaries. Notions of governmentality are also helpful for avoiding assertions that the state has a monopoly on power and rule, allowing the neoliberal critique of the state to be given due consideration. While the implementation of neoliberal ideas has systematically sought to impose limits on the state,²⁸ neoliberalism also helps us to understand the progressive disengagement of the wider polity from the state in at least two ways. In the first instance, the rights and conduct of subjects and their role in exerting discipline on the apparatus of the state has played an important part in the liberal tradition of developing the ‘art of government’, a term Foucault used interchangeably with ‘rationality of government’.²⁹ And the second is concerned with the individualisation of economic processes, which positions the government of the state as the manager of a population of individuals in contrast to traditional sovereign ideas of authority. Thus, a governmentality approach to good governance helps us to conceptualise rule (as distinct from rules) beyond the instruments of the state. This helps us to identify influential factors such as rationalities, expertise and agency. And by doing so, we discover the missing foundations in targeted developing countries enabling efficient program development, and on a more comprehensive level, institutional transfer.

Governance Indicators’, Policy Research Working Paper 2195 (Washington D.C.: The World Bank), and (1999) ‘Governance Matters’ Policy Research Working Paper 2196 (Washington D.C.: The World Bank).

²⁸ For a detailed account see Graham Burchell (1991) ‘Peculiar interests: civil society and governing ‘the system of natural liberty’, chapt. 6 in *The Foucault Effect: Studies in governmentality*, Graham Burchell, Colin Gordon & Peter Miller (eds) (London: Harvester Wheatsheaf), p.125.

²⁹ See Colin Gordon (1991) ‘Governmental rationality: an introduction’, in Burchell, Gordon and Miller (eds) *The Foucault Effect*, p.3.

Moreover, governmentality concepts help to explain the historical transformation of mercantilism as understood by the model of oeconomy³⁰ to the point where modern government recognises the naturalness of the largely economic domains they govern. Admittedly, governmentality ideas have little to say about the transformation of pre-existing economic exchange systems into market-centric organisation in the developing world. Silence on this issue though fails to diminish the point that the space to be taken-up by newly constructed markets is not vacant, but already occupied and supported by complex arrangements and rationalities that do not easily accommodate new exchange processes. And the same can be said for governing processes that are clearly shaped by the priorities of government.

The neoliberal influence

The intellectual foundations of public choice theory and the ideological tradition of neoliberalism that gave it form were first laid in the early 1970s.³¹ In practice, the new theoretical framework encouraged 'managerialism' based on innovations in the private sector, signalling the rise of neoliberalism. And once fully accepted in the realm of development economics, John Toye described neoliberalism as neo-classical ascendancy over Keynesianism.³² What Toye refers to as a "counter-revolutionary movement" that has captured the global economic stage, is premised on the replacement of import-substitution strategies with export driven recovery. Fundamental to this directional change was the embrace of a raft of neo-classical principles aimed at freeing up markets, principally by limiting government intervention, particularly in respect to price distortion policies. Policies such as minimum wage fixation and tariff protection that pursued welfare considerations were dumped in response to this new thinking, or as a result of the imposition of structural adjustment programs designed around these new principles. In sum, neoliberalism marginalised

³⁰ For a useful analysis of oeconomy see K. Tribe (1978) *Land, labour and Economic Discourse* (London: Routledge & K. Paul).

³¹ See V. Ostrom and E. Ostrom (1971) 'Public Choice: A Different Approach to the Study of Public Administration' *Public Administration Review* 31; and K.G. Baker (1976) 'Public Choice Theory: Some Important Assumptions and Public Policy Implications' in R.T. Golembiewski *et al.* (eds) *Public Administration: Readings in Institutions, Processes, Behavior, Policy* (New York: Rand McNally).

³² John Toye (1987) *Dilemmas of Development* (Oxford: Blackwell).

social welfarism, which had originally replaced the neo-classical liberalism that had floundered under the weight of the Great Depression.

It is fair to use the term neoliberalism to describe this movement largely because of the interchange of liberal ideas about the state to an individual context. More specifically, the neoliberal conception of the state implies the positive influence of self-interest. The neoliberal argument suggests that minimal state intervention diminishes the opportunities for state capture of markets and economic activity, thereby reducing transaction costs. It is further assumed that this has benefits in terms of the common good because it creates a more competitive environment that attracts investment. The original neoliberal position suggested that a rolled-back or 'nightwatchman state'³³ was the best facilitator of a flourishing, competitive market place because it lubricated the utility-maximising tendencies of individuals. However, the 'disciplinary neoliberalism' of the good governance agenda suggests that while a limited state remains ideal, the habits, values and mores of individuals must strongly reflect an understanding of the greater 'public good'. The maintenance of a rolled-back state thus translates to the entrusting of large doses of individually expressed 'social responsibility'. This is true both in the substantive sense of codified ethical procedure and in the call for participation in voluntary associations and NGOs. And the devolvement of individual responsibility on the expectation of participation is not an exaggerated claim. In the context of an expanded market concept, participation infers reciprocity in a social contract that includes welfare provision and employment creation amongst other things.

As has been already pointed out, this largely Anglo-American movement was enthusiastically supported by the governments of Thatcher and Reagan throughout the 1980's, and by has been continued by their successors. Geographically closer to the East Asian region if not so influential, New Zealand's administrative reform has often been identified as the NPM exemplar of the contemporary era.³⁴ And although New Zealand has proved to be a willing test case for NPM, the dynamic economies of East Asia would no doubt prove a much more powerful demonstration model for NPM proponents *vis-à-*

³³ J. Buchanan (1986) *Liberty, market and the state* (Brighton: Wheatsheaf).

vis less developed states. Thus, the Anglo-American influence has had profound implications for international development practice for reasons associated with the discussion outlined in the first chapter in relation to the Washington consensus. Indeed, Kiely suggests that neoliberalism has claimed East Asia for its own. Kiely claims that:

“...the neo-liberal counter-revolution can be described as a new version of modernisation theory – the ‘Western model’ of Rostowian theory is replaced by the ‘East Asian model’ of neo-liberal theory.”³⁵

The neoliberal promotion of the East Asian model pivots on at least two inconsistencies. Firstly, the claim that economic growth is an outcome of minimised price distortion appears dubious even according to the World Bank’s own evidence.³⁶ And secondly, it has been demonstrated by many East Asian experts that these states have been highly interventionist.³⁷ Indeed, advocates such as the Singaporean pair of former representatives to the United Nations, Tommy Koh, and senior statesman Lee Kuan Yew loudly espouse an ‘Asian Way’ characterised by distinctly Asian values that differ significantly to the Western neoliberal analysis. Although largely ignored at first, Edgardo Campos and Hilton Root’s *The Key to the Asian Miracle* 1996 study flagged the realisation by IFIs of a flawed interpretation of East Asia. In what appears to be a change of heart, the World Bank’s *The State in a Changing World* published the following year marked the official recognition of the possibilities of the state as an accelerator of development. Later that same year, the convergence towards a common ‘new’ understanding of the ideal development model was further enacted by the outbreak of the regional economic crisis. Thus, as a result of the weight of capital interests, and with the assistance of a reinterpretation of the ‘miracle’, a more central position between the Washington and East Asian view of optimal development has been forged.

Not all of East Asia was affected by the crisis to the same degree, nor was there a uniform response to plummeting stock exchanges and currency rates. For

³⁴ See Boston J., Martin J., Pallot J. and Walsh P. (1996) *Public Management: The New Zealand Model* (Auckland: Oxford University Press) p.5.

³⁵ Kiely (1997) ‘Neo liberalism revised?...’ *Capital & Class* 64, p.64.

³⁶ See J. R. Jenkins (1992) ‘(Re-) interpreting Brazil and South Korea’ in T. Hewitt, H. Johnson and D. Wield (eds) *Industrialization and development* (Oxford: Oxford Uni Press), p.193.

instance, Malaysia's Prime Minister at the time, Mahathir Mohamad, imposed controls on the ringgit, effectively ending its trade outside Malaysia, an action that prompted widespread criticism within economic circles. Interestingly, this move reflects Kiely's call to be "in and against the market". Indonesia and Thailand on the other hand opted for the IMF bailout packages, while the Philippines withstood the regional crisis surprisingly well, at least at first. Meanwhile, the more robust economies of Singapore and Taiwan managed to survive the crisis relatively unscathed. Yet despite an apparent range of crisis impacts and responses, it is still reasonable to view East Asian states as more than just occupying a defined region, but sharing similar histories and having distinct attributes in common. And this helps to explain why more recently East Asia has coalesced around what can loosely be described as a single economic model of capitalism and development.³⁸

Two events are worth noting in regard to resistance to the new post-crisis development model that has emerged from this 'Washington-East Asia' consensus. Firstly, Stiglitz and Wolfensohn's outspoken criticisms of the IMF's austerity programs helped to save the IFI concept, casting the Bank in a favourable light in what could well be described as a carrot and stick approach to the IFIs neoliberal project. Second and more subtly, the latest consensus model is built on the foundations upholding so-called Asian Values, which hitherto was the subject of consistent attack. Concessions from Washington on this front indicate that the key assumption being made is that this will assist the transition to NPM and democracy by not actually challenging the way business is done or indeed the current power relationships. Instead, it would appear that Washington has decided that the tolerance of Asian values, and indeed, the gratuitous offering of selected praise, will help to foster a new institutional structure that will at least give the appearance of redistribution together with the apparent capacity to co-ordinate political bargaining.

Moreover, the new consensual model offers some elites an opportunity to accuse bureaucrats and opponents of unsound, unethical and illegal practices, and helps to shore up 'people power' capable of toppling tarnished leaders

³⁷ See for example G. White (ed) (1988) *Developmental states in East Asia* (London: Macmillan).

accused of crony capitalism. It also provides public administration with a chance to 'bureau shape' their own institutions, thereby reinforcing their roles using the lexicon associated with the new model.³⁹ According to this interpretation of the latest development and reform model, good governance is seen as a fairly loose prescription that may well be imposed externally and even requested from 'below'. As Jayasuria explains, due to increasing uncertainty and complexity of the new globalised economy, governments are attempting to bring stability and confidence to their constituents by emphasising "processes and procedures usually associated with the emergence of independent or self-regulating economic governance institutions".⁴⁰ But because many of these reforms and initiatives are not enforced from above they are subject to little oversight, and there remains significant variability if not pervasive latitude with individual projects. And from the point of view of this thesis, it also opens the way for criticism directed at the governance agenda in as much as it is largely attempting only superficial structural changes given its primary reliance on normative behavioural change. Thus, in the event of a failure to entrench new norms, values and mores, practices and procedures may well revert to 'business as usual'.⁴¹

In a more explicit political sense, and for diverse reasons that range from the relaxation of Cold War tensions to the re-emergence of the welfare critique, neoliberal tendencies have undoubtedly drifted back towards a more central ethos in the UK and the US. At least this was what Tony Blair's Labour Government rhetoric about a 'third' or 'middle way' would have the British electorate believe. Likewise, this applies to the reforms pushed by Bill Clinton's first Democrat administration in particular. And while the current US Administration is Republican with a majority in both houses following the November 2002 mid-term elections, a consolidation of the 'centre' approach to

³⁸ See Beeson (1999) 'States, Markets, and Economic Security in Post-Crisis East Asia' *Asian Perspective* 23:3, pp.33-52.

³⁹ See Richard Common (1998) 'The new public management and policy transfer: the role of international organizations' chap 4 in *Beyond the New Public Management: Changing Ideas and Practices in Governance*, Martin Minogue, Charles Polidano and David Hulme (eds) (Cheltenham: Edward Elgar), p.72.

⁴⁰ Jayasuriya (2001) 'Globalization and the changing architecture of the state', p.101.

⁴¹ These two criticisms were raised by William Case in his rejoinder of Kanishka Jayasuriya's paper 'The Rule of Law and Governance in East Asia' presented at an August 2000 workshop entitled 'Reconfiguring East Asia: Regional Institutions and Organisations After the Crisis', sponsored by the Centre for the Study of Australia-Asia Relations, Griffith University.

public administration has continued. The neoliberal state project is halfway through its third decade and there appears to be no slowing of its momentum. It is true that much of NPM's more extreme 'state shrinking' elements have been tempered, but the call for a 'radical' and 'inclusive' version of public management that genuinely seeks to open up decision making processes and redistribute power has little chance of being taken seriously in Washington in the foreseeable future'.⁴²

Neoliberalism and the 'common good'

An important question therefore, is whether 'neoliberalism' remains a useful way of thinking about public policy frameworks such as governance in contemporary Anglo American (Washington consensus) political economy, given an ideological convergence between left and right in many Western states? Or indeed, does the 'depleted' rather than the 'middle' more accurately represent the governing processes of what some have described as an increasingly "hollow state"?⁴³ There are at least two difficulties that neoliberalism must address if it is to continue as the structural arm and mainspring of governance thought in the early 21st century. Firstly, an economic focus compounded by the confusion associated with bridging economic priorities and notions of capacity building, demands much further articulation to convince sceptics of the worth of such a trajectory. In this respect, the ADB refers to capacity building in much the same way as public sector management: as a lens for approaching governance issues.⁴⁴ Related to this is a need to unpack the democratic luggage that socio-economic reform generally brings with it, but which leaves much unsaid about social concerns and the forms that democracy can take. And secondly, governance further implies the functioning of relatively autonomous management networks, the devolvement of responsibilities, and neutrality in regard to a discernable decentralisation movement. These new expressions of public authority arrangements are likely to resist central

⁴² See Robert Chambers (1998) 'Public management: towards a radical agenda' chap 7 in *Beyond the New Public Management*, Minogue, Polidano and Hulme (eds) (Cheltenham: Edward Elgar).

⁴³ R.A.W. Rhodes (1994) 'The hollowing-out of the state: the changing nature of public service in Britain' *Political Quarterly* 65:2, pp.138-51.

⁴⁴ Robert P. Beschel Jr (1999) *Key Themes And Priorities For Governance & Capacity Building In The Asian And Pacific Region*, Research Background Paper, p.42, available from the ADB web site at <http://www.adb.org>

guidance and thus complicate cohesive governance.⁴⁵ Their resistance is aided by the depoliticising of bargaining processes as a result of self-regulation, and internal cohesion is gained at the expense of compliance to wider networks of co-operation.

It is suggested that in overcoming these hurdles, the grand task of 'new' neoliberal governance is consensus building amongst all stakeholders. To ensure the momentum of centripetal forces, the 'end of history' project entails not an end to ideology as Fukuyama implies, but an end to dispute. Such a grand objective may have little hope of succeeding, but what it can do though is draw as much of the citizenry into the inner fold that will come. This is achieved either by benign methods or by co-option or even coercion under the threat of being disenfranchised and marginalised even further. Despite all the talk about the war on terrorism and the enhanced legitimation brought about by a lexicon promoting capacity building, the big job for states in this new era will continue to be the facilitation of economic growth. Thus, to enjoy state backing, all that is required of governing networks and institutions is an economic growth orientation. In other words, the premium paid for membership of the governing centre, and indeed possible infusion into the state apparatus itself, is neoliberal consensus. This dynamic certainly appears to be at work amongst NGO's, where research indicates that they are 'losing their roots', gravitating closer to governments and donors and drifting away from the marginalised sectors they aim to assist.⁴⁶

One way neoliberalism is drawing the stakeholders together under its expanding umbrella is through shared conceptions of the common good. This compliments the suggestion that the discourse of economic growth in the national interest may well be vocalised less sanguinely as the new century unfolds. Neoliberal trends suggest that the new maxim is more likely to be 'economic growth for the common good' in the inferred sense of a shared benefit amongst stakeholders. Whether this represents a distinct policy directional change or means that benefits will actually be spread more evenly is entirely another matter. Nevertheless, there is a subtle and important difference

⁴⁵ R.A.W. Rhodes (1997) *Understanding Governance* (Buckingham: Open Uni Press), p.59

demonstrated by this possible change of discourse, and this will be more fully explored in a theoretical sense as the chapter proceeds. Firstly though, evidence in support of this view is presented.

There is no doubt that there has been a rise in the prominence of a 'politics of inclusion' and a decimation of oppositional civil society. Admittedly, international unrest by groups protesting a raft of globalisation issues continues to percolate and shows no signs of receding. However, traditional mass resistance to domestic issues definitely is waning in the West. This does not bode well for democratic structures. Following John Dryzek's analysis,⁴⁷ a clear distinction has to be made "between inclusion in the state and inclusion in the polity more generally". Dryzek points out that a healthy oppositional sphere is a valuable contribution to politics and a pre-requisite of substantive democracy, but may well be excluded by the state. It is argued then that the progression from 'state' to 'common good' perceptions is a strategy aimed at keeping the muzzle on oppositional discourse, at least with respect to prime economic objectives.

The impression of the state as an oppressor appears to be influential in the governance push for the pursuit of a common good. In an admirable critique of the globalisation thesis, Linda Weiss denounces the myth of the powerless state.⁴⁸ Her account however is less than convincing than Rhodes' 'hollow state' thesis, or at least is less conceptually useful for this thesis.⁴⁹ The hollowing of the state is the process whereby basic structure is maintained while the fields of activity of states are being filled with elements of civil society in order to ideologically appease the preference for less government. Or as Philip Cerny views it, "states are seeing their policy capacity and political autonomy eroding in a way which cannot be recuperated"⁵⁰, resulting in uncontrolled marketisation and what he refers to as the 'competition state'.⁵¹ This helps to

⁴⁶ See David Hulme and Michael Edwards (eds) (1997) *NGOs, States and Donors: Too close for comfort?* (Basingstoke: Macmillan).

⁴⁷ See for example John Dryzek (1996) 'Political Inclusion and the Dynamics of Democratisation' *American Political Science Review* 90:1, p.475.

⁴⁸ Linda Weiss (1997) 'Globalisation and the myth of the powerless state' *New Left Review* 225, Sept/Oct pp.3-27.

⁴⁹ Rhodes (1994) 'The hollowing-out of the state'.

⁵⁰ Philip G. Cerny (1996) 'Globalization and other stories: the search for a new paradigm for international relations' *International Journal* 51:4, p.635.

⁵¹ Philip G. Cerny (1990) *The Changing Architecture of Politics: Structure, Agency and the Future of the State* (London: Sage), chap. 8.

explain the implicit theory that appears to be held by defenders of good governance that if left unfettered, the state is not only powerful but pursues a distributive agenda as part of its social contract with constituents. Advocates of neoliberalism may admire this commitment, but their argument suggests that this is less than optimal, because the state becomes an aggressive regulator that effectively prevents capitalism from flourishing. According to neoliberalism, a higher common good is realised by freer markets overlaid by a sense of social responsibility. The myth of the oppressive state thus appears to comprise much of the folklore reinforcing the neoliberal governance thesis articulated here. In terms of the 'national interest – common good transition', intervention is associated with older centralised regimes that championed the interest of the state. By comparison, participation in a multiplicity of governing bodies that blur the demarcation of the state, and 'deny' its primacy in favour of common good aspirations, is rapidly becoming the more desirable and 'liberated' common good alternative.

In many ways it is not so much the up-dated definition of the state that is important, but understanding what processes are being undertaken in the name of the state, and how these actions are being organised. The combined attack of neoliberalism and governance is undoubtedly reshaping the way we conceptualise the state, but how is this assault affecting practice and the mobilisation of public authority? The modern state is responding to the neoliberalism push for less government and the governance building agenda differently, although the outcome of state change is clearly traceable to both influences and is the result of a merger of the two. Both strike at the junction between governmental and non-governmental players, implying less of the former, more of the latter, and the professionalisation of both. In practice however, the distinction between public and private has become increasingly fuzzy. As Morten Bøås points out, governance is embedded at the state-civil society interface, being that part of the public domain that intersects both spheres.⁵² Administrators on both sides are being trained to manage in a flexible networking environment, and public authority is becoming increasingly fragmented. Governance proponents would argue that this is due to innovations such as the expansion of policy communities and the political inclusion of

diverse organisations and interest groups dispersed throughout the community. Clearly though there is something much more fundamental that is taking place linked to the Foucauldian notion of governmentality and captured by his expression, the conduct of conduct.⁵³ This will be explored in detail in the next chapter.

What Foucault's ideas also demonstrate in terms of this discussion though is that a more detailed analysis of how states think, rather than what we think about states, may help us to understand changes in public policy. It is apparent that states are survivors, and are willing to reinvent themselves to maintain legitimacy. And the ultimate test of legitimacy is the ability to solve problems. And for this reason, given the multiplicity of institutions that draw their legitimacy from problem solving, governmentality must be more keenly pursued than ever in order to combat processes of legitimacy disaggregation. For instance, many diverse public and private actors such as corporations and NGOs now compete with traditional sources of expertise. This illustrates the dispersal of governmentality within civil society and has an inevitable political fallout that not only concerns the state, but disadvantages earlier plunderers of state legitimacy, the International Organisations. It is the IOs which paradoxically are the very institutions that are most prominent in their demonstration of governmentality. It may well be that both IOs and states will continue to survive in more or less their current form by clinging to the centre and remaining focussed on the governance agenda, but the neoliberal consensus emanating from Washington may not fair as well due to the difficulty of establishing common ground around narrow neoliberal conceptions. This is despite the universal appeal of powerful discourses such as good governance.

A central idea tested in this thesis then is the validity of the depiction of governance as an apolitical, non-aligned notion of public administration. A second suggestion under review is predicated on the first, that the apparent willingness to embrace governance is understood as a means of maintaining control by elites at a time when the state is being pressured to redefine its role with respect to institutional capability and capacity building. And if these ideas

⁵² Bøås (1998) 'Governance as multilateral bank policy', p.120.

⁵³ Foucault (1979) 'Governmentality', pp.5-21.

do reflect what is occurring with respect to the good governance project, then it is reasonable to assume that the agenda actually compromises the major essence of neoliberalism as defined here, being a set of principles designed to counter the negative effects of self-interest on economic growth. A finding in favour of either of these possibilities in itself does not deflate the relevance of neoliberal explanations. What it would demonstrate however is the inherent 'drift' of neoliberal ideas that are neither intrinsically 'good' nor 'bad'.⁵⁴ By this it is meant that neoliberalism is enlisted to support the powerful interests of elites as readily as it is used in pursuit of the so-called 'national interest', given that the notion is not anchored by wider social justice concerns. The point that both the rich and poor benefit in the absence of redistributive structures, however, is not seriously questioned.

It can be seen then that neoliberalism, understood as the economic principles supporting the governance-development model, addresses democratic, social and economic dimensions by invoking a new discourse aimed at changing perceptions about the transformation project underway. The governance-development model implies dispute-free 'democracy' by ruling out the contestation of ideas, simply by including stakeholders in the fine-tuning processes. And while it actively encourages inclusion, it marginalises social and political 'misfits' with a rhetoric of 'openness' and 'participation' that beckons activists to the negotiating table but offers little in terms alternative development trajectories. Moreover it actively encourages decentralisation, which is in some ways a concession to the critique concerned with the concentration of power. Such a compromise appears to be accepted given the advance of the ultimate goal – economic growth. Moreover, the decentralisation agenda also serves the purpose of undermining the interventionism of the centre.

To answer our opening enquiry in this section about the tension between a social blueprint and the apparent absence of ideology, it is argued that good governance largely attempts to transcend ideology. By this it is meant that the social agenda is addressed by a twofold sanitised strategy. Specifically, this comprises claims of a softening of hitherto liberal traditions of self-interest, and the overlay of a humanitarian discourse that appeals to "common sense" and

⁵⁴ R.A.W. Rhodes (1997) *Understanding Governance*, p.47.

common good virtues associated with notions of capacity building and participation. Meanwhile, autonomous management networks are schooled by the enveloping consensual environment in accordance with the fundamental principles articulated at the governing 'middle'. This effectively reduces the jurisdiction of heteronomous rule, or the process of acting independently under the controlling principle of consent. The key is to avoid ideology, cling to economics, and rule for the majority. In this respect the life of neoliberalism representing the broad ethos of the state has been extended by its coalition with governance generally, and good governance more specifically.

According to the 'new' neoliberalism account represented by the governance agenda, the state is no longer the primary problem. Indeed, a particular kind of state has become the solution: a state that encourages institution building and fosters capacity enhancement. The very heart of neoliberalism has therefore become a normative construction project and a call to the common good. What remains to be seen is whether, without substantive distributive requirements, 'goods' will actually be realised sufficiently for it to be effectively shared in common, or indeed will be harmful to the structure of developing societies. Whether the ends are 'good' or 'bad', it is likely that the common good, defined in narrow terms of a growing GDP, may well result, but the benefit of this growth are not likely to be broadly dispersed. From this interpretation of good governance discourse, it is suggested that fundamental to the question of what is good is the existence of a neoliberal theory of the 'good' that justifies these types of assertions. And it is the task of deconstructing 'good' theory that we now take up.

The problem faced by a neoliberal conception of the good is the tension that exists between individual preference and community values held in common. Thus, with the ascendance of self-interested liberal theory, interest in a common good, which had largely been informed by theological debate, began to wane.⁵⁵ Recently though, good governance discourse has encouraged greater attention to be focussed on common good notions, and this helps to explain the increasing emphasis on a vague consensus rather than clearly articulated

⁵⁵ Thomas W. Smith (1999) 'Aristotle on the Conditions for and Limits of the Common Good', *American Political Science Review* 93:3, p.625.

manifestos. As prominent liberal theorist John Rawls argues, diverse opinions concerning what is good determines that a liberal community must be founded on an overlapping consensus, and not on a strict agreement about what the common good actually entails. Indeed, Rawls advocates that each individual has the right to hold any social and political doctrines of their choosing on the condition that they remain private, because it is impossible to furnish reasonable claims with respect to public allegiance.⁵⁶

In brief, liberalism suggests that one person's good is likely to be somebody else's bad. This has been a major tenet of libertarian ideals since the ponderings of John Locke concerning the limits of human understanding.⁵⁷ His views were later fundamental to the philosophy of John Stuart Mill, who asserted that no moral or religious authority has the right to claim a common conception of good.⁵⁸ However, some recent liberal scholars are now suggesting that liberalism has substantive conceptions of the good that deserve recognition.⁵⁹ This view has breathed new life into concepts that date back to Aristotle's classical liberalism.⁶⁰ To better understand this resurgence of common good conceptions within the liberal order, it is necessary to consider economic influences on liberalism.

In *The Wealth of Nations*, Adam Smith, like Aristotle, indicated that he clearly understood that the common good requires substantial government intervention in terms of the distribution of public revenue to the poor, in order to guarantee sustained prosperity.⁶¹ Moreover, Smith recognised that state regulation and the provision of a range of services is fundamental to the construction of a social and institutional environment that facilitates economic rationality. For instance, Smith argued that basic education was an essential prerequisite in the creation of rational interests, and that actual practices and outcomes in

⁵⁶ See John Rawls (1971) *A Theory of Justice* (Cambridge MA: Harvard Uni Press), pp.395-407; and (1993) *Political Liberalism* (New York: Columbia Uni Press), pp.243-4.

⁵⁷ See Thomas Hobbes (1994) *Leviathan*, Edwin Curley (ed) (Indianapolis: Hackett); and John Locke (1959) *An Essay Concerning Human Understanding*, Alexander Fraser (ed) (New York: Dover) pp.57-8.

⁵⁸ See John Stuart Mill (1947) *On Liberty*, Aubrey Castell (ed) (Arlington Heights, IL: Harlan Davidson).

⁵⁹ See Stephen Macedo (1992) *Liberal Virtues: Citizens, Virtue, and Community in Liberal Constitutionalism* (Oxford: Clarendon); and (1998) 'Transformative Constitutionalism and the Case of Religion: Defending the Moderate Hegemony of Liberalism', *Political Theory* 26, February, pp.56-80.

⁶⁰ See Smith (1999) 'Aristotle on the Conditions for and Limits of the Common Good'.

⁶¹ See Noam Chomsky (1997) 'Noam Chomsky on The Common Good', p.1, from a speech at Capital Hill, January 9, 1997. Available on the Web at: <http://mai.flora.org/library/chomsky2.html>

commercial societies are largely determined by legislation.⁶² Smith's interpretation of the common good is clearly a prosperous nation that distributes its wealth sufficiently to allow all its populace to compete successfully in the market place. Thus his 'invisible hand' concept operated in disciplined and economically rational contexts once the regulation and state services had allowed it to function properly. Where regulation and basic services were ineffective, market failure and national poverty would persist. What Smith was arguing was that humans universally have certain economic propensities in common, but they have to be schooled in a nurturing and enabling environment to maximise self-interest, resulting in collective gains for the common good.

It is essentially this lesson that the IFIs are claiming to have learnt from their NPM and structural adjustment experiences. These organisations are now saying that the habits, mores and attitudes of individuals also require development in order to operate in an economically rational manner within an artificial, or at least newly constructed, institutional context. Specifically, this lesson teaches that liberal self-interest can lead to sub-optimal outcomes for the developing state, simply because self-interest acts as a gateway to undesirable, or at least undisciplined behaviour. The liberal tradition is thereby bolstered by theoretical constructs that aspire to common good benefits. And this explains why 'good governance' with its market-building implications, and not just 'governance', occupies such a central role in this new liberal phase.

What remains clear is the distinct differences between what you could call Aristotelian conceptions of the common good and the neoliberal usage of the term. Traditionally, the common good referred to "a good proper to, and attainable only by, the community, yet individually shared by its members."⁶³ This implies a degree of collectiveness in regard to production, and significant equitable arrangements in terms of shared benefits. It is argued that the neoliberal common good interpretation attempts to displace the centrality of equality that would ensure a narrow wealth spread. Instead it emphasises the macro-economics of growth measured by GDP's, trade and investment, delivered by micro-economic reform determined at the individual level, and

⁶² See Williams (1999) 'Constructing the Economic Space', pp.86-9.

⁶³ Louis Dupré (1993) 'The Common Good and the Open Society' *Review of Politics* 55, Fall p.687.

therefore potentially destructive in terms of the broader society. This is an inversion of the 'classical' notion of the common good. It is interesting though that instead of a further rolling back of the state under neoliberalism, an enhancement of the state's role as political manager has actually occurred.

The great appeal of good governance is that it is a self-evident logic. By this it is meant that irrespective of its theoretical foundations or its empirical validation, the term implies improved standards of public administration. It is also flexible, if not vague, and can mean different things to different people, thus comprising an ideal tool in an international, cross-cultural context. The 'West' strongly associates good governance with democratic reform, while many Asians link the term to more responsible government and more local government. All see it as a collection of policies aimed at improving public sector management. The logic therefore implies a new paradigmatic perspective designed to sweep away traditional views on public management.⁶⁴ Accordingly, this 'reinvention of government'⁶⁵ and 'administrative revolution'⁶⁶ is expected to succeed in developing countries in a fraction of the time taken in the West for the public sector to evolve into efficiently operating institutions.⁶⁷ This expectation appears to be grounded in the perceived ability of localised, decentralised and socially capitalised regimes that are apparently capable of fast-tracking centralised bureaucratic processes to achieve better governance at the grassroots. And this helps to explain the localised view that decentralisation is intrinsically good.

While 'decentralised governance' is often seen as interchangeable with 'good governance', Mark Turner points out using Indonesia as an example, that this represents a discourse that is difficult to reconcile with reality. Turner explains that the administrative and sub-national governments in Indonesia are accorded decentralisation status and are therefore described as autonomous regions, despite being centralised in practice.⁶⁸ This is not to deny that substantive decentralisation, comprising fiscal, administrative and democratic reforms has been progressively underway in Indonesia. Indeed, evidence from many of local

⁶⁴ See Turner & Hulme (1997) *Governance, Administration and Development* (Basingstoke: Macmillan), p.230.

⁶⁵ See D. Osborne and T. Gaebler (1992) *Reinventing Government* (New York: Plume).

⁶⁶ Ibid, pp.321-31.

⁶⁷ Turner & Hulme (1997) *Governance, Administration and Development*, pp.230-1.

⁶⁸ Turner (1999) *Central-Local Relations...* (Basingstoke: Macmillan), p.240.

development projects demonstrates that the decentralisation process has many benefits in terms of investment and growth, as well as a downside of unevenness and corruption. However, in addition to the dilemma that the discourse attached to the process can be politically manipulated by centralised regimes, extravagant claims that the decentralisation of governance is a panacea for development problems and a ‘fix-all’ solution are clearly wide of the mark.⁶⁹

Finally, it is worth drawing attention to the case of Singapore as a society that pursues common good goals, at least in regard to the prioritisation of increasing general living standards above all other considerations. The justice system in Singapore places the overall interests of the community at large ahead of the rights of any of its members.⁷⁰ The central question that the case of Singapore poses is what the most acceptable, meaning consensual way of measuring the public good is in terms of the tension between economic growth and social freedoms. This is the substance of the ongoing ‘Asian values’ debate, and although it is purely a value-laden judgement to decide either way, the theory underpinning this debate is important to the deconstruction of good governance discourse. As Leonard Sebastian explains, the Asian values debate “is about how to preserve the values of a “good government,” which in turn acts to promote “good society.””⁷¹

Deconstructing good governance

There is some credibility in the idea that governance is one of the most important intellectual responses to the challenge of globalisation when used in a more sophisticated sense than just a way of thinking about optimal forms of organisation and rule. Yet in many ways it is only a minor departure from neoliberalism. For instance, the principles guiding a contemporary meaning of governance are practicality and effectiveness, which when imbued within a market framework are also the driving forces of neoliberalism. Attempts to explain governance with public choice theory takes on the sense of a ‘working ideology’

⁶⁹ James Manor (1999) *The Political Economy of Democratic Decentralization* (Washington DC: The World Bank), p.120.

⁷⁰ See Leonard Sebastian (1999) ‘Values and Governance Issues in the Foreign Policy of Singapore’ chapt. 8 in Han Sung-Joo (ed) *Changing Values in Asia*, p.239.

that informs political practices, in much the same way as NPM has been used as the institutional economics of neoliberalism.⁷² As part of this project, the ideology underpinning liberal democracy is extended to NPM. This marriage of liberalism to NPM, which implicitly constitutes good governance as a central pillar, rests on an 'unnatural' foundation, meaning specifically that the institution of the market as it is understood in development terms is largely a social construct. This is not to say that there is no material base whatsoever to the ideas and language that have created market spaces.⁷³ However, approaching governance from the perspective that markets are human-made, questions the validity of assumptions that assert the primacy of a market monopoly and its right to exist in preference to any competing system of distribution and exchange. And while there may be few alternatives to the market that are being widely promoted save a return to Keynesian or fringe post-Keynesian heterodox offshoots, the denial of any grounds for a market critique limits the possibility of reforms. It is possible therefore to assume that the absence of a coherent and respected critique may well be an outcome of the project to 'naturalise' the market. This section aims to de-construct the market naturalisation project that has given birth to good 'economic' governance, and argues that a neoliberal-governance coalition is an inseparable feature of this artificial landscape.

According to John Searle, language is essentially constitutive of institutional reality.⁷⁴ Taking the market as an institution, he argues that market facts have linguistic elements as a matter of conceptual necessity, implying that market facts presuppose language. Put simply, Searle claims that you can have language without markets, but not markets without language. This view is at odds with the activities of IFIs and other subscribers to the consensus that flows out of Washington, with respect to their aims of developing markets throughout the world. These efforts are clearly based on a normative installation of market rationale. Those holding with rational or public choice theory would argue that the various projects undertaken by development agencies are merely nurturing the economic rationality inherent in all people.⁷⁵ Once 'awakened', rational

⁷¹ Ibid, p.242.

⁷² Williams and Young (1994) 'Governance, the World Bank and Liberal Theory' p.92.

⁷³ See Wendt (1999) *Social Theory of International Politics*; and Searle (1995) *The Construction of Social Reality*.

⁷⁴ Searle (1995) *The Construction of Social Reality*. pp.59-60.

⁷⁵ Williams (1999) 'Constructing the Economic Space'.

choice suggests that people will pursue their own self-interest, to be channelled into practices for the common good by prevailing neoliberal-governance principles. Relating development practice to Searle's philosophy, IFIs are providing the language for markets to exist in a particular institutional, socially constructed framework. And constructivism holds that language is the product of ideas that stem from agencies and interests. This would suggest that the governance project, like marketisation, is built on specific ideas that further the interests of its architects.

Being largely a normative project, if we hope to deconstruct governance it may first be helpful to understand how rational choice theory has come to defend the transformation of pre-capitalist peoples into market savvy self-interested actors. This is essential background to the interpretive moral philosophical debate surrounding the various notions of international justice outlined later in this chapter. These moral philosophies are interpretive in the sense that they contest political theory that is based on the interpretations of moral convictions allegedly held in common. For instance, John Rawls develops a theory of modern democratic political culture that pivots on the "settled conviction" of "society as a fair system of co-operation".⁷⁶ It is these types of assumptions about human nature that explain attempts under the auspices of rational choice theory to account for 'economic' social action. However, such assumptions are hazardous and potentially could lead to very messy, and perhaps ultimately unmanageable contingencies. This is especially so given the conditions of learned behaviour in a transformed environment. In this respect, a social constructivist approach can be useful for demonstrating the uncertain foundational aspects of rational choice theory applied to economics. Moreover, it helps to demonstrate how the linkage between the good governance agenda and liberal democracy is ideologically and not empirically forged.

The assertion of the 'right' over the 'good' is not only for reasons of self-interest, but is premised on the inherent conflict of deciding on which actual good should be prioritised. The elevation of market economics as the guiding light eliminates much of this dispute, resulting in a consensus of the good, namely the pursuit of economic growth. And in order to re-assert the good, behavioural changes are

recommended by the governance agenda. Meanwhile, the self-interested state pursues growth as a so-called common good. Clearly this is a narrow state-defined common good that is better described as a collective good for those who benefit from markets, and is not so good for those who for various reasons are not competitive in the market. It also underscores that the actions of individuals are at the crux of governance concerns, and the agenda posits that accountability and transparency will facilitate the prioritisation of the good over self-interest. And rational choice theory would suggest that individuals would respond positively to a crackdown on self-interested ‘bad’ behaviour because of the greater self-interest of ‘good’ behaviour such as keeping jobs and earning modest incomes. In other words, neoliberalism can be prolonged by prudent and normative inducing micro-economic reform.

With these basic understandings of the part rational choice plays in governance, we now proceed to dissect the governance model. As has been foreshadowed in the first chapter, discourse is a crucial ideological element of good governance, but without the substance of the structural components of the agenda, there would be little chance of any deep-rooted normative change. In a material sense this means the schooling of administration by various agencies and institutional arrangements, and the fashioning of governance enhancing regulation. More ideologically, the notion of capacity building requires systematic nurturing of habits, values and skills in order to breach the public – private divide. The successful generation of a pervasive rationality to support capacity building though requires more than discourse, it is the outcome of knowledge about certain identities and power relationships. In other words it is constructed by ideas. Mitchell Dean’s interpretation of Foucault’s meaning of governmentality is useful here:

“the political ontology of ourselves... [meaning]... how we have come to govern ourselves and others through the truths about who we are, and with the potential for establishing new relations between forms of power, truth and identity”.⁷⁷

⁷⁶ John Rawls (1993) *Political Liberalism* (New York: Columbia University Press), p.15.

⁷⁷ Mitchell Dean (1999) ‘Questions of Method’ Chap 13 in *The Politics of Constructionism*, Irving Velody & Robin Williams (eds) (London: Sage), pp. 195-6; see also Mitchell Dean (1999) *Governmentality* (London: Sage).

With respect to Foucault's conception of power, Judith Butler elaborates on his notion to assert that "it works not merely to dominate or oppress existing subjects, but also to form subjects... the formative dimension of power is to be understood in a non-mechanistic and non-behavioristic fashion".⁷⁸ This is an unashamedly subjective interpretation that defies empirical classification, but is appropriate for asking questions about the political intricacies of governance. While there must be substantive elements of administration and law to reinforce the agency of governance discourse and the rubric of capacity building, it is discourse and capacity building imperatives themselves that drive the managerial and legal reforms. This overlap between ideology and structure in the governance model demonstrates the persistence of the analytical problems associated with structure and agency that are found throughout social theory. Admittedly, scientific theory calls for a clear distinction between constructs, but this does not appear possible given the complexity and interrelationships of the basic elements of governance. This analysis therefore avoids the temptation to assert a positivist theory, and is satisfied with more abstract explanations that don't deconstruct easily. Thus, the notion that discourse alone constructs governance, cannot be sustained. The constructivist position maintains that ideas on the other hand are not synonymous with an autonomous discourse, and assume pre-existing agencies.⁷⁹ While ideas may be instrumental 'all the way down', within the current and developing institutional environment there is potential for new power relationships and trajectories that refuse theoretical mapping in a broader sense. However, it is argued that a more precise picture can be drawn from the various case studies that follow this chapter.

The final and ultimate deconstruction undertaken here hinges on an understanding of the unnatural character of development as the justification of improved governance programs. The World Bank and others it is argued, are imposing their own conception of the 'good' on the basis that development, understood as economic growth, results from enhanced economic relations that are a natural part of all human societies. In other words, good governance proponents view their assistance as complementary to existing systems, and

⁷⁸ Judith P. Butler (1997) *The Psychic Life of power: Theories in subjection* (Stanford: Stanford Uni Press), p.18.

⁷⁹ See Roxanne Lynn Doty (2000) 'Desire all the way down' *Review of International Studies* 26, p.138, where she critiques Alexander Wendt's (1999) *Social Theory of International Politics*.

are hence merely speeding up an inevitable process that would take place regardless of external influence, albeit at a slower rate. The next step therefore is to deconstruct the particular conception of the good that is being marketed, and before concluding this chapter, something should be said about the connection between good governance and social justice.

What the Washington consensus suggests is that despite conflicting views over conceptions of the morally correct, a consciousness of governing justice is now emerging that revolves around notions of the good life premised on the regulation of the ethical behaviour. This consensus appears to be as much the result of rapidly expanding global communication as the work of influential institutions linked to Washington. The purpose of this final section then is to deconstruct the rationale underpinning these notions of justice implicit in good governance. Additionally, it is worth attempting to understand why competing perspectives appear to have failed in their attempt to cultivate a new sense of justice.

The assertions good governance defenders make are based on the moral existence of good and bad, and hence right and wrong in relation to public management. This raises the question of whether it is indeed valid to speak of a 'just governance' that implies common good outcomes when there is an avoidance of any relativity to broader concerns such as international human rights or cultural contexts. Moreover, it assumes that morality and not power determines managerial decisions and administration in an environment that caters for the pursuit of efficiency over self-interest. This view appears to borrow from the principles of mutual obligation and reciprocity, and is harshly critiqued by the arguments put forward by communitarians of the universalist persuasion. This is not to be confused with the 'globalisation' narrative that dismisses outright the contextual argument that upholds the rights to a specific morality.

The premise of justice pertaining to good governance in terms of mutual benefit as a utilitarian concept implies that justice is not a natural virtue, but a construct based on rule conforming learned behaviour.⁸⁰ Such a utilitarian conception of justice does not condemn the pursuit of self-interest as long as it complies with

regulation. Utilitarians in this sense are cynical of the good intentions of public managers, and thus their assumptions about justice are limited. In effect, it is an instrumental rationality that is insensitive to many moral concerns and can be used to justify certain behaviour that clearly fails to take all stakeholders best interests into account. And yet the idea that justice should be pursued through mutual or overlapping consensual interests is quite dominant. There is a major reason for this. Good governance seen as a utilitarian agenda is not being seriously challenged by competing approaches to justice that recognise rights in common. Arguably this is largely because of the reinforcement of a set of normative principles that are simply behaviour and not rights oriented.

Universalist ideas of justice are based on a claim that every individual is entitled to rights in common irrespective of their nationality or country of residence. The implication is that there exists a moral duty to defend universal human rights based on well-being, regardless of local laws and practices.⁸¹ It provides the guiding tenets for organisations such as UNESCO and many NGO's committed to upholding human rights. A truly global view of justice takes these ideas further to include substantive redistribution of wealth and resources with the aim of reducing inequality. Such a notion of global distributive justice could overcome the limits of a utilitarian conception of international justice, but relies on political will that is seldom demonstrated in the public sphere. Examples are rare and limited in scope.

The utilitarian, universalist and redistributive notions of justice do however overlap, and are essentially pluralist in nature.⁸² No sustainable understanding of justice can be entirely exclusive, and must recognise individuality and complexity if it is to be taken seriously.⁸³ It follows that the various ideas about justice work for an assortment of agents under different circumstances. However, the constraints of the good governance agenda fails to allow for diverging cultural interpretations and a variety of political regimes. Christian,

⁸⁰ See Robert Goodin (1976) *The Politics of Rational Man*. (London: John Wiley & Sons) chapt. 6.

⁸¹ See Richard Falk, 'The World Order between Inter-State Law and the Law of Humanity: The Role of Civil Society Institutions' in Daniele Archibugi & David Held (eds) (1995) *Cosmopolitan Democracy: An Agenda for a New World Order* (Oxford: Polity), p. 164.

⁸² See Michael Walzer (1983) *Spheres of Justice: A Defence of Pluralism and Equality* (Oxford: Blackwell), p. 47.

⁸³ Baogang He (2000) 'The Four Notions of International Justice', *Banaras Law Journal* 29, pp.34-50.

Islamic and other religious interpretations of justice in the tradition of common good conceptions, for example, may assist in building an overlapping consensus of justice. Moreover, arguments for cultural diversity need not exclude moral criticism over universal standards or deny comparison of moral values, and provide no rational grounds for the promotion of a minimal comparative moral base.⁸⁴

If good governance is to continue to represent justice in any substantive sense, it must begin to champion the ideals of local justice, which is where the competing notions of justice overlap the most. The question of how a utilitarian and a pluralist local justice can mesh together is yet to be seriously debated, but it would appear to be vital for the long-term validity of good governance. It is possible though that a fusion of global and local justice can act as a facilitator of a substantive notion of governance justice. In this respect it is likely that the democratic movement that is increasingly taking hold in East Asia will have a significant role to play. More will be said about this in the final chapter.

Now that we have teased out the many diverse threads that contribute to an understanding of good governance we are in a position to explore and test the major theoretical approach of the thesis – governmentality.

⁸⁴ Chandran Kukathas (1992) 'Are there any cultural rights?' *Political Theory* 20:1, pp.105-39.

CHAPTER 4: GOOD GOVERNANCE AS GOVERNMENTALITY

Discourse and techniques as separate and combined entities employed to create 'economic space', contributes to notions of governmentality – an approach to the analysis of government emphasising the processes assembling rule through institutions, practices and thought patterns. And this approach is arguably very useful for understanding the good governance project. What this thesis attempts to do is take governmentality tools beyond conceptual political theory and use them to describe what is actually taking place in the ASEAN 4.

As pointed out in chapter 1, Foucault tells us that the modern state “can only be understood in its survival and its limits on the basis of the general tactics of governmentality”.¹ He argues that such 'tactics' have both discursive and technical components that have emerged out of Western, historical experience and liberal traditions. And he further explains that ideas about the state and the role of its government operate within a narrow area defined by discourse, while the techniques of government dominate the subject matter of this political space. And to explore this emerging political space, the Foucauldian lens of “governmentality” is used not only because of what it helps us see, but also what it doesn't. By this it is meant that governmentality frameworks can only be extended to their useful limits by broad analysis that test conceptual boundaries. It is also hoped that by using governmentality tools, notions suggesting that the state has a monopoly on power and rule can be avoided. This is helpful if the neoliberal critique of the state, which is clearly influential for thinking about modern government, is to be given due consideration.

Specifically, the implementation of neoliberal ideas has systematically sought to impose limits on the state.² This is particularly the case for understanding the progressive disengagement of the wider polity from the state in at least two ways. In the first instance, the rights and conduct of subjects and their role in exerting discipline on the apparatus of the state has played an important part in the liberal tradition of developing the 'art of government', a term Foucault used

¹ Michel Foucault (1979) 'Governmentality', *Ideology & Consciousness*, No.6, pp.5-21.

² For a detailed account see Graham Burchell (1991) 'Peculiar interests: civil society and governing 'the system of natural liberty'', chapt. 6 in *The Foucault Effect: Studies in governmentality*, Graham Burchell, Colin Gordon & Peter Miller eds. (Harvester Wheatsheaf: London), p.125.

interchangeably with ‘rationality of government’.³ And the second is concerned with the individualisation of economic processes, which positions the government of the state as the manager of a population of individuals in contrast to traditional sovereign ideas of authority.

A survey of this highly contested, ideationally constructed space discovers that much of the terrain has a distinct economic nature. We can therefore assume that the tactics of governmentality create and maintain ‘economic space’. However, the fundamentally different histories of the developed and the developing worlds have implications for conceptualising postcolonial, authoritarian, and other competing governmentalities existent in developing countries. As Mitchell Dean points out, “[t]here is no one governmentality paradigm”, and “[t]here is no one common way of using the intellectual tools produced by workers in this area”.⁴ And understanding these governmentalities is important for proposing frameworks that explain the outcomes of apparent clashes in political rationality.

I first want to demonstrate why it is a useful way of thinking about the way power has been used and is proposed to be used to achieve good governance aims. To do this let us consider what Foucault said about it. By ‘governmentality’, Foucault essentially meant three things. Firstly the notion embodies “the ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power”. Secondly it assumes a pre-eminence over other types of government power such as sovereignty and discipline. And thirdly governmentality crystallises the historical process of the transition of the state from justice to administration and finally to a governmental state.⁵ Thus the nurturing of a certain political rationality, whether consciously or not, has allowed the state to survive rather than succumb to challenges. Moreover, a heightened governmentality has few claims to a particular political ideology, and although some of its principles appear to compete with ‘hands off’ neoliberalism, the way this rationality embraces an ‘expanded’, if rather hollow government

³ See Colin Gordon (1991) ‘Governmental rationality: an introduction’, in Burchell, Gordon and Miller (eds) *The Foucault Effect*, p.3.

⁴ Mitchell Dean (1999) *Governmentality: Power and Rule in Modern Society* (London: Sage), p.2 & p.4.

⁵ Foucault (1979) ‘Governmentality’, p.20.

presiding over the economic space of market institutions, helps to construct a sympathetic NPM environment.

In short, governmentality concepts help us to understand the historical transformation of mercantilism as understood by the model of oecconomy⁶ to the point where modern government recognises the naturalness of the largely economic domains they govern. The concepts have little to say about the transformation of pre-existing economic exchange systems into market-centric organization in the developing world. The major difference in the evolution in government rationale between developed and developing countries is most clearly seen in the physical sense of their relative governing domains. 'Western' governments following a liberal tradition have reconfigured the family in terms of population, while the economic concerns of government were reconstituted into a complex relationship with the interests of individuals. And by targeting this new set of economic interests, modern government helped to create Homo Oeconomicus or 'economic man', together with the surrounding economic space. Governments thereby learn to function as the schoolhouse for appropriate 'self-governance', and productive normative behaviour.⁷ These ideas filtered through to colonial and post-colonial societies, but have mostly been yoked to cultural and traditional communitarian behaviour and attitudes, explaining why there has been resistance to efforts attempting to reconstitute societies as populations of individuals.

Recent efforts to revolutionise economic and governance practices in developing countries are therefore seen as attempts to transfer elements that include aspects that have expanded beyond the instrumentalism of Western governments. The traditional instrumental view of government casts its various linkages in a 'vertical' fashion, however this is clearly challenged by more 'horizontal' governance structures. And governmentality concepts explain why the transfer of horizontal to vertical structures is problematic. In the context of Southeast Asia, replicating the economic space and the governmentality that is usually associated with advanced capitalist systems such as those of OECD

⁶ For a useful analysis of oecconomy see K. Tribe (1978) *Land, labour and Economic Discourse* (London).

⁷ 'Peculiar interests', p.127; David Williams (1999) 'Constructing the Economic Space: The World Bank and the Making of *Homo Oeconomicus*, *Millennium* 28:1, pp.79-99.

members, is a whole of society project that is not only intensely political, its historically contradictory.

Economic space is being constructed in developing countries not only through the new ‘invisible hand’ of globalisation influences, but in a systematic and detailed fashion that is clearly different to the way it developed in Western Europe. Political rationalities evolved in Europe in accordance with the rise of markets, through its unique Westphalian, and later its industrial revolution experiences. Rather than eventuating from a complex mix of technological change, social struggle and political bargaining, the project for the construction of economic space in developing countries is being undertaken by a coalition of interests. These interests range from influential International Organisations such as the World Bank through its good governance agenda to locally staffed single-issue NGOs working at the grassroots. While these long-term efforts are admittedly in their early stages, the construction of economic space is potentially a very messy project, and as this thesis implies, more needs to be done to understand “what actually happens” in program implementation.⁸ And central to this ‘messiness’ as I have pointed out is the diverging histories of the contemporary rationalities existent in Western and less developed states.

Dean’s exploration of “authoritarian governmentality” largely within illiberal industrial societies,⁹ presents a reasonable case for the wider applicability of governmentality ideas beyond the advanced democracies. And Akhil Gupta¹⁰ and Simon Philpott¹¹ have each used governmentality tools in their respective studies of developing countries. This appears justified given that the basic constituent elements of all governmentalities are sovereignty and ‘biopolitics’, a Foucauldian term that considers the mix between the disciplined capabilities of humanity and regulatory population controls. Clearly though, governmentality has not proven to be a popular framework for development studies. Indeed, O’Malley, Weir and Shearing have observed a “virtual silence within

⁸ Pat O’Malley, Lorna Weir and Clifford Shearing (1997) ‘Governmentality, criticism, politics’, *Economy and Society*, 26:4, p.509.

⁹ Mitchell Dean (1999) *Governmentality*, chapt. 7.

¹⁰ Akhil Gupta (1998) *Postcolonial Developments: Agriculture in the Making of Modern India* (Durham, NC: Duke University Press).

¹¹ Simon Philpott (1997) ‘Knowing Indonesia: orientalism and the discourse of Indonesian politics’, PhD thesis, Australian National University.

governmentality work on postcolonial perspectives".¹² A possible reason for this is that political elites in developing countries are yet to be 'decapitated'. By contrast, the "beheading"¹³ of the most tyrannical elements of the Western political elite, symbolised by events such as the French Revolution, brought substantive democratic freedoms that have arguably been fundamental to the learning of governmentality in the rich OECD countries

For various historical reasons, political rationalities in much of the developing world are not being shaped by the scrutiny of populations to the same degree as that which is occurring in OECD countries. Such 'unaccountability' appears to sponsor traditional concerns with security and political sovereignty issues. At the same time yet at a deeper level, the drive for foreign direct investment has meant that economic sovereignty is being relinquished by 're-regulation', and passed off as trade liberalisation, tariff reduction and the like. This is occurring under institutional pressure from the likes of the WTO. On the other hand, 'OECD governmentality', which for purposes set forth here is seen as a homogenous set of "advanced liberal" rationalities,¹⁴ has been influenced by historical process and social struggle that has asserted the economic interests of a broad band of individual citizens prior to the current era of global trade reforms. The resultant redistribution of wealth within society accompanied by what Ruggie called post-World War II "embedded liberalism",¹⁵ has been important in building expectations of uninterrupted democracy, peace and prosperity.¹⁶ This aging concept is interestingly being re-fashioned by Ruggie as the 'Global Compact' to mean much the same thing in 'globalisation-speak', adding depth to the emerging discourse of global governance.¹⁷

¹² O'Malley, Weir and Shearing (1997) 'Governmentality...', p.511.

¹³ According to Foucault, governmentality must displace the state and behead the king if it is to emerge as a new modality of power/knowledge.

¹⁴ Nikolas Rose's term for the merging of the welfare state critique with the political technologies of marketisation. See N. Rose (1993) 'Government, authority and expertise in advanced liberalism', *Economy and Society* 22, pp.283-99.

¹⁵ Ruggie (1982) 'International regimes...', pp.392-8. Essentially the formation of a multilateral economic framework predicated upon domestic interventionism.

¹⁶ Barry Buzan and Richard Little (1999) 'Beyond Westphalia? Capitalism after the 'Fall'', *Review of International Studies* 25:5, p.97.

¹⁷ Richard Higgott, 'Globalization and the Post Washington Consensus Global Governance Agenda'. Seminar presented at St Antony's College, Oxford. See

John Ruggie (2000) 'Globalization, the "Global Compact" and Corporate Social Responsibility', *Transnational Associations* 6, pp. 291-4. For more on global governance and its differentiation with good governance see Weiss (2000) 'Governance, good governance and global governance'.

The material enrichment of OECD citizens may not have led to wholesale changes in terms of the rationale and role of state regimes, but it has certainly been instrumental in forging new institutional arrangements between state leaders with common interests. For instance, it is now feasible to talk of a cooperation 'zone of peace', and its antithesis in the developing world, a 'zone of conflict'.¹⁸ Most obviously, this 'pooling of sovereignties' is occurring within the European Union although it is also apparent in the grouping of OECD states and other emerging forums.¹⁹

Interestingly, Southeast Asia's ASEAN grouping resists pressures to pool sovereignty in a similar way. One outcome of this failure to welcome an institutionally induced relaxation of what is essentially geo-political sovereignties in Southeast Asia has been overriding population disciplinary action, while much less attention is paid to the majority of citizens' individual economic interests. Civil society in developing countries has not benefited from the redistribution of resources in anything like the same way as OECD countries, and this has left aspirations of economic justice unfulfilled and incensed hostilities in some cases amongst more marginalised groups.

This is the background to the economic space construction project currently in full swing. It is premised on the view that the governments of less developed states are preoccupied with survival and nationalist issues, with the state apparatus itself becoming increasingly viewed as the prime impediment to economic development. The reasoning suggests that the 'developing state' is basically incapable of restructuring society into a self-governing network of institutions, and then reinventing its own role by prioritising management over internal security and border protection concerns. Without succeeding in this transformative project, it is assumed that the ideal 'enabling' environment for a vibrant market economy will struggle to emerge.

Institutional reforms are most evident at a population level in the structural adjustment programs over the last 2 decades. These have been aimed at improving competitiveness in the market by implementing programs to open up

¹⁸ Ibid, 100-4.

¹⁹ Ibid, p.94.

trade, reduce monetary and bureaucratic intervention, and promote privatisation. The theory is to deliver incentives tempered by market 'realities', and is designed to help productivity and build autonomy. The rationale is purely economic. If the mechanisms of the economy are finely tuned, it is thought that competitive output will be encouraged. State-owned corporations for instance that have traditionally been protected become exposed to market discipline, and this it is thought will result in increased productivity.

At an individual level, organisations such as the World Bank in partnership with numerous NGOs have been active implementing land reforms, building community infrastructure projects, conducting educational programs, providing micro-credit and accompanying financial guidance, and improving health services that include family planning advice. The aim is clearly to nurture economic rationality from the grassroots up, in order to facilitate engagement in an economic space constructed from the top down.

The economic space construction project has much in common with Foucault's account of the "history of 'governmentality'...[which in part entails]...the ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power".²⁰ Having already canvassed the role of institutions and procedures, David Williams explains the role of the micro-level techniques of governmentality.

The self which these projects are designed to create is disengaged and autonomous (freed from negative and dangerous social customs), innovative and reflexive (using a 'systematic approach to problem solving') and calculating (through functional numeracy and accounting techniques).²¹

While targeted states are viewed as essentially unable to undertake this transformation of society, the governments of these same states are not considered to be beyond managing society once reforms are in place. This is where the capacity building component of good governance comes in. Specifically, this entails the professionalisation of the state's public

²⁰ Foucault, 'Governmentality', p.20.

²¹ Williams 'Constructing the Economic Space', p.95.

management role by enhancing surveillance, auditing, and other procedures now being undertaken on the state's behalf, while the state government-bureaucracy-institutions learn to reciprocate this discipline in terms of transparency, accountability and upholding the rule of law.²² Thus, good governance discourse tells us that the developing state apparatus can also learn 'advanced liberal' political and economic rationality by being trained in the art of government.

A clash of governmentalities

Before further explicating the governmentality theoretical framework to be applied to the thesis case studies, we should look for closely at the political rationality evident in Southeast Asia. As has already been made clear, economic space implies the embrace of modern Western governance techniques to manage it. Alternative systems of exchange were developed and operated elsewhere, and this means that the space to be taken-up by this newly constructed market was not vacant, but already occupied and supported by complex arrangements and rationalities. Put simply, this has culminated in a clash of governmentalities that has resulted in a range of outcomes. The former communist states resisted capitalism on ideological grounds. Other states, particularly since the demise of communism, have opposed a Western approach to capitalism on cultural relativist grounds, assisted by discourses such as the so-called 'Asian values' debate. Other governments welcome the new market philosophies, while greater resistance is waged at the village level due to factors such as entrenched subsistence practices.

To help understand the relationship between pre-existing political rationalities and the economic rationality of the market, a simple conceptual sliding scale is proposed. At one end of the scale are resistant regimes that either enjoy or enforce sufficient legitimacy and stability to create the space to strongly contest the encroachment of capitalism and/or its accommodating political rationality. At the other end are governments characterised by a compliant political rationality that embraces the technologies of modern government, and which may or may

²² David Williams (1996) 'Governance and the Discipline of Development', *The European Journal of Development Research* 8:2, pp.165-9.

not be undergoing a crisis of legitimacy. Floating somewhere along this continuum is citizenry political activism measured by its impact and scale. While this continuum is admittedly crude, the important point to note is that each developing country is different, with its own particular mix of variants that determine the degree of clash with respect to governmentalities.

Once the entire range of possible political rationalities are visualised, governmentality concepts can be made more appealing for development studies by freeing-up the approach from certain aspects of advanced liberalism. Most important amongst these aspects is its market triumphantism, and by implication, the influences of globalization, at least in terms of the uninhibited transfer of goods and services. The analysis of governmentality in the developing world should not assume natural market-based economic arrangements.²³ Instead, the approach benefits from the understanding that economic rationality is a construction that is ideationally based and is a relatively new conceptual exchange system for many developing countries by comparison with OECD members.

According to Derek Kerr, governmentality is potentially an apologist for capitalist expansion.²⁴ While this view verges on reifying governmentality as something more material than an art-form, there appears to be a general consensus amongst development practitioners and institutions such as the World Bank that a detailed transformation of government must accompany their efforts to reinforce the development of the market. In essence, an historical account of existent endogenous governmentalities in developing countries accepts that the embrace, attempted replacement, or infusion of a distinctly Western market mentality is a relatively recent set of events. A market-based governmentality therefore competes with pre-existing governmentalities, the outcome of which determines the nature of power and rule in the developing world.

An understanding of 'early liberal' governmentality can help to provide the missing framework for working through the 'mess' resulting from efforts to construct economic space. Specifically this recognises the negotiated tradition

²³ Williams, 'Constructing the Economic Space', p.79.

within political rationality that enshrined the individualism of labour. In the mid 20th century, governments were increasingly forced to safeguard labour against the worst affects of capitalist production. The substance to this idea is that OECD governments, whether consciously or not, progressively executed a social contract demanded by their liberated constituencies. This contract formed an integral part of Keynesian economics. However, the rise of neoliberalism has impacted on the terms and conditions of the contract between citizens and their leaders. Nevertheless, the material gains arising from a redistribution of wealth and the heightened aspirations brought about by a sense of economic and social justice during welfarism had by then significantly altered the government-citizen relationship in favour of the interests of the people.

In contrast, citizens of developing countries benefited little from the Keynesian period, assuming of course that the benefits realised in the West flowed on to LDCs on the back of economic policy transfer initiatives. Certainly the relationship between rulers and the ruled appears to have changed little since the colonial period. Even if some developing states manage to sustain economic growth, it would seem that without a boost to welfare spending the benefits would not be redistributed sufficiently to trigger a fundamental readjustment in the balance of the government-citizen relationship. Nor does it appear possible for a market mentality to entirely replace subsistence and other modes of economic exchange that pre-exist and compete with the new capitalist order. And while social activism is highly organised and strongly committed throughout much of the developing world, because labour largely remains commodified as a legacy of colonialism, the leverage citizens are able to collectively exert on their respective governments pales by OECD standards. The conclusion drawn is that there are limits to the project of constructing economic space governed by 'accountable' representatives of the people in developing countries. And a major reason for this appears to be that this project is predicated upon a market mentality supported by a non-market welfarist framework that is currently haphazard and needs to be functionally assembled.

²⁴ See Derek Kerr (1999) 'Beheading the King and Enthroning the Market: A Critique of Foucauldian Governmentality', *Science & Society* 63:2, pp.173-202.

A number of conditions contribute to the retarded 'learning' of governmentality, viewed as a response function to the role of the citizenry. An institutionally emaciated society that suffers from educational inadequacies, monopolisation and oligarchic structures, cultural constraints, and political marginalisation by authoritarian or disengaged leaders, allows an unaccountable governmentality to thrive. Clearly progress made by development agencies in transforming this largely institutional problematic in developing countries has been extremely modest. In essence what agencies are monitoring is the construction of economic space characterised by a distinctly Western governmentality within the rubric of 'good governance'.

To recap, an important point in this analysis is that modern market-centric governmentality is not moving into unoccupied territory. The construction of economic space presupposes that authorities in developing countries will cooperate in a transformation project requiring the systematic deconstruction of pre-existing competing political rationalities and institutional structures. Interestingly, the World Bank itself has identified the growth of liberal public space in 17th to 19th century England as being pivotal in the transformation of the institutional sphere.²⁵ Liberal public space in this sense is understood as public morality and a social conscience that led to demands for public accountability. The key point to be made from the Bank's reading of history is the recognition of civil society as the defender of individual rights. Yet this is a component clearly missing from today's 'great transformation'.

It is important to remember also that the transformation of English society was a slow process that was carried on the back of social struggle. The Anglo liberal tradition was a particular historical experience that developed over time and was fashioned by discourse and governing techniques. Historical processes likewise have forged the political ideologies of governments and societies all over the world. It is reasonable to assume then that even if a collective will and capacity of the people or their leaders to understand and embrace a new political rationality exists, the construction of economic space in developing countries is still an extremely difficult, and potentially messy project. The lesson for institutions such as the World Bank is that the historical component and the

formative social and political roles should be acknowledged and catered for in program designs if the impact of governmentality clash is to be minimized.

While it is not proselytised in itself, the incidental schooling of OECD-style governmentality is nothing short of an engineered revolution that is focussed not on regime change but rationality change. While it may take place with the full compliance of governments, changes are not an expression of state rule but are in fact measures that seek to devolve much of its economic power to the market. It goes beyond the more narrowly conceived agenda of good governance because it is not only concerned with regulating the economic conditions of the market, it seeks to protect the rights of individuals engaged in market activities. How these rules are set will determine the balance between domestic and international protection. The toolkit developed by scholars interested in governmentality studies is particularly geared to understanding this given its focus on the liberal traditions of the 'art of government' as a construction of its constituency. Viewed in this way, a modern governmentality is considered the final accomplishment of good governance in as much as governments learn to individualize economic processes. By doing this it positions the state as the manager of a population of individuals in contrast to traditional sovereign ideas of authority. It is a view that sees the king (read the state) 'beheaded' and the 'market enthroned'. In many developing countries though, the state and market interests are jostling for ascendancy while the people appear to have little say.

While Fukuyama's 'end of history' thesis²⁶ appears at best wildly premature, it is suggested here that it may be useful to assume that if the current project to construct a global Homo Oeconomicus is indefinitely sustained, it will rightly or wrongly eventually prove universally successful. By taking this view we can conclude that competing governmentalities will ultimately be absorbed into the Western liberal model. Such a perspective also distils political rationality into the 'art' of 'learning' governmentality, understood as modern governance practices, making it possible to identify existing barriers to this learning process from a distinctly Western perspective.

²⁵ Ibid, p.99; World Bank (1992) *Governance and Development*, p.7.

²⁶ Francis Fukuyama (1989) 'The end of history?', *Quadrant*, Aug., pp.15-25.

The political rationality of good governance

The World Bank's early forays into 'good governance' were hampered by self-imposed restrictions. But with the support of the post-Washington consensus, the World Bank's good governance agenda has expanded. This has led to an escalation in the number of actors pursuing good governance in its numerous forms, increasing the complexity of institutional transactions taking place. And the resultant rise and consolidation of the rationality of good governance has also fuelled a clash of governmentalities. An important reason why the good governance rationale is so difficult to challenge is its appeal to 'common sense' understandings of the natural economic order. It is this rationale that makes the Western governmentality that it represents, all the more powerful.²⁷

The overarching rationality of good governance is based on assertions of the moral existence of good and right, and therefore the existence of bad and wrong public management. It pivots on the assumption that morality and not power should ideally determine management decisions, and implies mutuality between rulers and citizens. Such a view is enhanced by the principles of mutual obligation and reciprocity, which are modern government discourses undergoing increasing currency in their own right. Moreover, it upholds a specific universal morality that is inevitably compared to standards in the Western OECD countries where the rationale originates. It therefore has limited flexibility to allow for cultural, economic and other contextual variations. Seen in this way, good governance becomes the standard bearer for Homo Oeconomicus.

Good governance discourse has not only been widely embraced by the development community, it has clearly become central to the programs owned and operated by leaders of developing countries, as the NEPAD (New Partnership for Africa's Development) initiative indicates.²⁸ Yet while Williams

²⁷ Pierre Bourdieu (1991) *Language and Symbolic Power* (Polity Press: Cambridge); Mark Beeson and Ann Firth (1998) 'Neoliberalism as a political rationality: Australian public policy since the 1980s', *Journal of Sociology*, Vol.34, No.3, p.229.

²⁸ According to the official website, NEPAD is essentially a plan conceived and developed by African leaders to achieve sustainable development through political and economic governance structures that operate in partnership with the global community. See www.NEPAD.org/

and Young have done a commendable job theorizing good governance frameworks as something separate from broader interpretations of governance programs, few other scholars have attempted to build on their work.²⁹ This is despite the increasing use of the term good governance as a 'fix all' solution. In Asia for instance, good governance has assumed much greater significance with respect to calls for economic reforms in the wake of the 1997 regional economic crisis, and these concerns have since spread to former communist countries and Latin America.

Looking at good governance from a governmentality perspective builds on Williams and Young's analysis by suggesting a new set of tools that are not constrained by state-centred liberal ideology. A broadened governmentality framework suggests that learned behaviour rather than the rights agenda has become the centrepiece of recent economic transformation efforts. This assertion has implications for commonly accepted tenets of good governance programs, and provokes a whole new platform of critical enquiry into what is actually going on.

To view good governance as a learned, mutually benefiting moral practice is to accept its utilitarian value. However, such a perspective also implies that good governance is not 'natural', but a construct based on rule conforming normative behaviour that need not recognise the existence of rights peripheral to its major objectives.³⁰ Its utilitarianism quarantines the morality shrouding the rationale, freeing it to pursue self-interest as long as governance measures strictly comply with regulation. Accordingly it is concluded that good governance possesses an instrumental rationality that is insensitive to many 'external' moral concerns and can be used to justify behaviour that fails to take the interests of all stakeholders into account. This is despite ideas about the importance of mutual and overlapping consensual interests that the discourse appears to espouse. There is a major reason for this. Good governance seen as a utilitarian agenda is not being seriously challenged by competing approaches to polity

²⁹ Williams and Young (1994) 'Governance, the World Bank and Liberal Theory'. See also other works by Williams cited herein. Kanishka Jayasuriya makes a similar observation of their work. See Jayasuriya (2002) 'The Rule of Law and Governance in East Asia', chapter 6 in *Reconfiguring East Asia: Regional institutions and organizations after the crisis*, M.Beeson ed. (Curzon: London), p.101.

management that recognise rights in common. This is because the agenda reinforces a set of normative principles that are behaviour rather than rights oriented.

A rights orientation should not be confused with an obligation to uphold the rule of law, an undisputed major tenet of good governance, regardless of the linkages that some institutions draw between the two constructs. For instance, the UK's Overseas Development Administration (ODA) links rule of law with respect for human rights for the purpose of guaranteeing individual and group rights and security. It is reasoned that this will enable a framework for economic and social activity to develop, and allow and indeed encourage all individuals to participate.³¹ This emphasises the UK ODA's 'universalist' attitude towards rights issues and the importance for this organisation of social as well as economic concerns. The World Bank on the other hand emphasises technical aspects of a 'legal framework for development'. The Bank asserts that there must be a set of rules known in advance, these must be enforced, conflicts are to be resolved by independent judicial bodies, and there must be mechanisms for amending rules when they no longer serve their purpose.³² The utilitarian rationale of these Bank guidelines is quite clear and the implications for minimising economic transaction costs are obvious. What the Bank's vision appears to lack though beyond vague references to appropriateness and participation is a distinct local orientation with a 'human face' to oversee the implementation and exercise of rights regimes. A possible explanation for this is that the rule of law is considered a powerful transformative and conformational influence on populations, while rights empower individuals to pursue interests that may fall outside the narrow band of good governance concerns. In other words, rights lack the normative control of the rule of law, which is considered essential for the successful transfer of political rationality to accompany the execution of the good governance agenda.

³⁰ For a useful background discussion see Robert Goodin (1976) *The Politics of Rational Man* (John Wiley & Sons: London) chapt. 6.

³¹ ODA (1993) 'Good Government' *Technical Note* no.10 (London: ODA).

³² World Bank (1992) *Governance and Development* (Washington DC: World Bank).

Nevertheless, arguments for cultural and economic diversity need not deny comparison of moral values that would preclude a minimal common moral base.³³ Indeed, the emerging consensus on the universality of rights may well begin to define a new global morality. And this could reshape the rationality of good governance as the notion continues to evolve and the democratic movement holds its course. As Ōshiba Ryō observes in relation to Japanese views of good governance, “[t]he idea that governance without democracy cannot contribute to economic development prevails”.³⁴ If this view was to broaden then it can be reasonably assumed that over time the current utilitarian rationality of good governance may well embrace elements of universalism and redistributive justice. At present though it is only possible to speculate that this might be characteristic of a future ‘universal governmentality’, while in the shorter term, the fallout from the clash of governmentalities may actually push this utopian outcome increasingly into the realms of unlikelihood.

It is often said that democracies seldom go to war with other democracies, and this truism can possibly be extended to states whose polities have learnt the arts of modern government. The project to propagate OECD-style governmentality in developing countries may indeed comprise a noble utopian element, however the way this project is working out in terms of social, economic and political developments must ultimately determine program design. This is where governmentality tools may become useful. A more complete explanation of the way power and rule operates in developing countries, particularly in regard to governing technologies and the conditioning of normative behaviour, is likely to inform appropriate project reforms.

Summary

The theoretical discussion here has not only argued that the OECD’s capitalist project is underway, but that it has followed a distinct pattern led by the construction of economic space. This has been accompanied by the implementation of ‘good governance’ measures aimed at fostering the norms, habits, values and mores that reinforce modern economies. It has been

³³ Chandran Kukathas (1992) ‘Are there any cultural rights?’ *Political Theory* 20:1, pp.105-39.

emphasised how discourse and techniques have been used to pursue this project in developing countries. And it has also been decided that it is feasible to talk of a clash of governmentalities given that good governance is all about instilling liberal 'Western' ideas of public policy in targeted countries that have hitherto been characterised by alternative, often resistant, political rationalities. However, for reasons of institutional political expediency of organisations such as the World Bank, these ideas are rooted in a utilitarian rationality that limit the potential outcomes of the project. Other actors who have embraced the good governance agenda appear less constrained by political considerations, which may indicate that the rationality underpinning good governance could broaden as liberal democratic traditions continue to be carried in the baggage of globalisation.

And is important to emphasise that modern market-centric governmentality is not moving into unoccupied territory. The construction of economic space presupposes that authorities in developing countries will cooperate in a transformation project requiring the systematic deconstruction of pre-existing 'obsolete' rationalities. This has set up a clash whereby resisting elements of political and economic rationality compete for the same space as the introduced system of economic exchange and its accommodating governmentality. How this clash plays out is likely to be correlated to the success of the good governance agenda, given its implicit objective of creating Homo Oeconomicus. Strangely, there is little to support the idea that the market is somehow a natural construction that should be uncritically allowed to 'resurface', yet it appears to be central to modern governmentality thinking. This is particularly evident when governmentality is examined in the context of developing countries.

As an idea that only surfaced out of Foucault's attempt to progress political theory beyond conceptions of power grounded in the state, the cultivation of governmentality in developing countries must come to grips with the identification if not cementing of traditional sources of power with, inside, and beyond the state. Foremost of these sources are the political, military and wealthy elites. According to Western historical experience, the power of elites is

³⁴ Ōshiba Ryō (1999) 'Governance, Political Conditionality, and Japan's Aid Policy' chapt. 3 in Han Sung-Joo (ed) *Changing Values in Asia*, p.74.

not diffused by good governing practices but through struggle, which is inevitably a series of social and political events. Governmentality studies therefore inform us that insulating economics from politics by transferring the conditions that construct economic space rather than developing them through social bargaining processes, will fail to “cut off the head” of powerful elites who have such a strong grip on the way citizens are ruled in developing countries. And finally it is important to remember that the art of learning government is very much built on inclusive political process. Efforts to short-circuit political process by establishing the conditions that construct economic space are counter-intuitive because it is precisely inclusive political process whereby ‘Western-style’ governmentality has been learnt. Thus, for reasons of contested political rationality, institutional development based on the construction of economic space with a view to sustained economic growth and reinforced by the discourse of good governance, appears to have its limits.

Measuring the impact of good governance politics

Having canvassed what researchers are saying about good governance in chapter 2 and undertaken a broad analysis of the good governance project in chapter 3, this chapter has positioned good governance as an expression of governmentality thinking. The point of this final section of the chapter is to emphasise the particular focus taken up in the case studies to follow. The point of the focus is to both standardise and clarify how to actually approach testing the hypothesis. But first let us be very clear what it is about governmentality tools in particular that informs us about the nature of good governance politics.

Good governance ideology, and governmentality as described by Foucault, share a central tenet – they are premised on a shift in mentality from being governed to self-governance.³⁵ Being governed implies remote structures of dominance associated with authoritarian regimes. On the other hand, self-governance is an outcome of developing ‘techniques of the self’, fostered by ‘closer’ government. As World Bank researchers Jeff Huther and Anwar Shah explain, “[g]overnance quality is enhanced ... by more closely matching

³⁵ H.K. Colebatch (2002) ‘Government and Governmentality: Using Multiple Approaches to the Analysis of Government’, *Australian Journal of Political Science* 37:3, p.425.

services with citizen preferences, and by moving governments closer to the people they are intended to serve, which ensures greater accountability of the public sector.”³⁶ While transparency is the celebrated outcome of such a transition, it is also widely understood by agenda advocates that the devolution of power from control over populations to the empowerment of individuals results in a more productive society such as those enjoyed by advanced economies.

Indicators that demonstrate this shift are manifold, and require fine-tuning for each context. For instance, ‘badly’ or ‘remotely’ governed states are likely to be characterised by arbitrary centralised decision making, failures to observe human rights, relatively weak worker organisation, clearcut divisions between rich and poor, a lack of confidence in election processes, a prominent role for the military, political capture of the central bank and the judiciary, bureaucratic gridlock, a culture of corruption, and the favouring of protectionist trade policies. Accordingly, the embrace of ‘good’ or ‘closer’ governance is measured by the recent diminishment of these factors, which are the prime objectives of the agenda. So while different issues are discussed in the following case studies, relating specific outcomes to the indicators loosely associated with agenda objectives can assess progress of the good governance project in each country.

Each of the case studies, with the possible exception of the Philippines, clearly demonstrates how the good governance agenda is changing the nature of domestic politics. In Thailand, the agenda’s ‘new constitutionalism’ is being contested. In Malaysia, the retirement of Mahathir is opening up new possibilities for the agenda. And surprisingly in Indonesia, the stalled reformasi movement is showing signs of an agenda-fuelled re-ignition. Meanwhile, the good governance is yet to impact on the Philippines political terrain to the same extent, despite its enthusiastic embrace. This calls for a slightly different approach to understanding why, explaining the use of fiscal sociology tools in the analysis. As the Philippines is considered to be something of an ‘outlier’ in this regional comparison, explanations of fiscal sociology will be left to the case study itself.

³⁶ Huther and Shah (1998) ‘Applying a simple measure of good governance...’, pp.1-2.

Now we shall return to the hypothesis, which was foreshadowed in the thesis introduction. It is the claim that the good governance agenda in the ASEAN 4 states is primarily focussed on improving representative rule rather than encouraging self-regulation. For this to be true, what needs to be demonstrated is that the agenda has somehow been inverted to become a tool that actually reinforces remote governance and is being used to resist outside efforts to bring government closer to the people. This means that the specific focus of each of the case studies is not only to measure progress against bad governance indicators, but to examine what role the politics of good governance itself is playing in these developments.

CHAPTER 5: THAILAND

Good governance has emerged as an important tool for reinforcing the legitimacy of regimes in Thailand since the May 1992 Bangkok demonstrations. Its utility for this purpose is closely aligned with a movement that ultimately led to the drafting of Thailand's 1997 constitution. The new constitution, which above all is designed to combat corruption, embodies three major reform priorities: increased people-participation in government at all levels, and stronger guarantees of human rights; the creation of 'watchdog' agencies and emphasis on more transparent and accountable decision-making processes; and the creation of mechanisms to ensure government stability and efficiency.¹ These initiatives position the constitution as the prime instrument for the good governance agenda in Thailand. They also mirror the World Bank's four central pillars of good governance; ensuring political transparency and a voice for all citizens; providing efficient and effective public services; promoting the health and well-being of its citizens; and creating a favourable environment for stable economic growth.²

In essence, Thailand's constitutional reform program is about institution building and the cultivation of new regulatory regimes designed to rein in politicians, the bureaucracy, and provincial business. The constitution was drafted by a group of metropolitan business elites, academics, lawyers, and NGO leaders with a democratic agenda.³ The completed 'compromise' draft was met by government, military and provincial business opposition, but the Democrats supported it, helped by the expulsion of some provincial businessmen with a view to Party reinvention in a more 'technocratic guise'.⁴ This helps to explain why section 87 was included in the constitution, which specifically requires the government to adhere to the market economy. And prior to ejection at the January 2001 elections, the Democrat Party Government was gaining

¹ See Borwornsak Uwanno (2001) 'Depoliticising key institutions for combating corruption: the new Thai constitution' in P.Larmour & N Wolanin (eds) *Corruption and Anti-corruption* (Canberra: Asia Pacific Press and Australian Institute of Criminology), pp. 204-220.

² World Bank, 'Governance and Development'.

³ Pasuk and Baker, (2000) *Thailand's Crisis* (Chiang Mai: Silkworm Books), pp. 116-17.

⁴ The shifting of the drafting responsibilities from parliament to an independent body is indicative of the determination to draft a better document, as well as the realisation that many Democrats, who were at that time were on the opposition bench, were hoping to score political points by supporting constitutional reforms. See William Case (2001) 'Thai Democracy, 2001', *Asian Survey* 41:3, endnote 12.

international recognition for following IMF market-driven reforms that accompanied their crisis bail-out package. Many East Asian watchers had commended Thailand for its free press and the democratic reforms signalled by the new constitution, however a lot of the constitution's stipulations are yet to come into effect, and a great deal may never be implemented. The current Thaksin Government reportedly has plans to amend the constitution and water down the powers of independent bodies that were created by it.⁵ Amendment is at least technically possible given that Premier Thaksin Shinawatra's coalition building has provided the government with a two-thirds majority in the legislative chamber, and it is widely tipped that the Government will increase its majority in the election due by January 2005.⁶ This decimation of the opposition has allowed the Premier to operate independently of Parliament, which is a place he seldom attends.

Moreover, Coalition parties are being drawn into the Thai Rak Thai party itself, even further dwarfing the opposition Democrat Party. Nevertheless, the evolution of a two-party system (or at least a coalition verses one-party arrangement) may actually help to redefine Thai politics. However, reform within the Democrat Party itself will be necessary if it is to become a serious challenger to Thai Rak Thai. The Democrats leader, Chuan Leekpai, perhaps more than any of his parliamentary colleagues, represents the aloof conservative politician that resents any form of public criticism of his neoliberal, internationally focused politics.⁷ At 66, Chuan likely realises he is fast becoming a liability to the Democrats, and appears to be carefully grooming a successor in the popular 40 year old Oxford-educated Bangkok MP Abhisit Vejjajiva.⁸

So it would appear that democratic reforms appear to be mixed at best, in the light of the recent ascendancy of the big-spending, state-led development model. In order to determine linkages between the good governance-new constitution project in Thailand and attempts at fostering a Western governmentality, this case study takes a broad International Political Economy

⁵ Michael Vatikiotis and Rodney Tasker (2002) 'Prickly Premier', *Far Eastern Economic Review*, April 11.

⁶ Shawn W. Crispen (2003) 'When Business And Politics Mix', *Far Eastern Economic Review*, Dec 11.

⁷ Surin and McCargo (1997) 'Electoral Politics', p.148.

⁸ Songpol Kaopatuntip (2001) 'Abhisit makes his mark', *Bangkok Post*, June, 28; and (2001) 'Message to the Democrats', *Bangkok Post*, July 3.

perspective. More specifically, the project is viewed through the lens of ‘new constitutionalism’. This is understood as external pressure on states to provide a favourable investment climate free from corruption, which is claimed to be a prerequisite for sustained economic growth. This explains why efforts in developing countries to fight corruption and generate a culture of ‘best practice’ and ‘democratic virtue’ are so highly commended by international development organisations.

To achieve these goals however, conventional development doctrine declares that a transition from unaccountable rule by elites to the rule of law is essential. The prescription of constitutional revision that promotes regulative reform reinforced by a ‘good governance’ normative component is invariably proffered to these developing countries. It is an agenda welcomed by large sections of Bangkok’s middle class and endorsed by Thailand’s two Democrat Governments of the 1990s.⁹ Yet Thailand, which has enjoyed exceptional economic growth, adopted a reform-oriented constitution, and is apparently making significant progress with a popularly endorsed good governance agenda, faces a growing gap between rich and poor¹⁰, seemingly unabated corruption, and an inability to fulfil democratic expectations. On the surface it would seem that despite the new constitution, powerful domestic interests are managing to usurp international and local interests by dominating the politics of good governance. This is resulting in the strengthening of centralised government. Let us look closer to see whether this is really the case.

New constitutionalism

The drafting of new constitutions, particularly that of South Africa’s following the overthrow of its apartheid system, has been much celebrated in recent years. ‘New constitutionalism’ is not meant in this literal sense, but is understood here in much the same way as Stephen Gill uses it to imply methods that “politically ‘lock-in’ neoliberal reforms”, privileging the interests of capital. In this sense,

⁹ Admittedly, in his study on localism in Thailand, Kevin Hewison points out that the nationalist response to IMF policies succeeded in pressuring the Chuan government into toning down its response to “limited and lukewarm support”. See Hewison (2000) ‘Resisting globalization: a study of localism in Thailand’, *The Pacific Review* 13:2, p.285.

¹⁰ Ten million people in Thailand live under the UN designated poverty line.

new constitutionalism inadvertently restrains democratisation.¹¹ This, it must be pointed out, is quite different to political state-centric reforms that are empowered by constitutional revision. Admittedly, the term 'new constitutionalism' is used more commonly to describe attempts to distance institutional economics from restrictive neoliberal conceptions. As Stephen Elkin and Karol Soltan explain:

"It is a program for the study of political and economic phenomena from the perspective of an institutional designer.... [It is an argument] against the narrowly legal conceptions, against the approaches that see constitutionalism as a matter of institutional and intellectual history, and... against the view of constitutionalism as aiming only to protect individual liberties by limiting the scope and power of government."¹²

However, from Gill's international political economy perspective, the term has been used to describe frameworks for global governance.¹³ More specifically, new constitutionalism understood in this way is the process whereby economics is separated or insulated from politics to cater for the liberalising of international trade and investment. A significant factor in the acceptance of new constitutionalism, which in essence amounts to a loss of economic sovereignty, is the power of its widely proclaimed discourse that labels states that resist as economic pariahs. Earning such a reputation is clearly detrimental to efforts to attract foreign direct investment. The virtue of new constitutionalism is thus established by orthodoxy, which puts it beyond debate in mainstream economic discussions. In sum, it is the trumping of national and democratic interests with the discipline of market forces, underwritten by constitutional change that helps to secure credibility for the investment climates of individual states in the global market place. Put another way, it is the process by which the views of powerful international institutions on economic management and reform are constitutionally embedded in ways that constrain national economic and political autonomy.

¹¹ Stephen Gill (1998) 'New Constitutionalism, Democratisation and Global Political Economy' *Pacifica Review* 10:1, pp.23-38; and (1998) 'European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe' *New Political Economy* 3:1, pp.5-26. Gill explains that the phrase 'lock-in' is the World Bank's, used in the *World Development Report 1997: The State in a Changing World* (Washington DC: World Bank), p.51.

¹² Stephen L. Elkin and Karol Edward Soltan (eds) (1993) *A New Constitutionalism: Designing Political Institutions for a Good Society* (Chicago: University of Chicago Press), pp.4-5.

¹³ See Gill (1998) 'New Constitutionalism, Democratisation and Global Political Economy' and (1998) 'European Governance and New Constitutionalism'.

From such a perspective, constitutions are state-based responses to international and local environments, and provide the rulebook that governments are obligated to adhere to. That is why they can be an effective way of reinforcing good governance reforms. They are ‘common sense’ documents that avail themselves to the enshrining of common sense processes, practices and institutions that recognise ‘best practices’ in the ‘national interest’. They are products of liberal theoretical traditions, and are commonly understood at ‘face-value’, and as such are popularly supported instruments generally associated with the democratic movement. And like good governance itself, sections of the new Thai constitution advance the rights of large corporate investors both in Thailand and abroad.

‘New constitutionalism’ is also usefully conceptualised as an initiative attempting to circumvent the “power of money and establishment”.¹⁴ There is plenty of evidence demonstrating how local democratic forces can be co-opted in support of neoliberal economic liberalisation. In fact, neoliberal reforms have become an intrinsic part of constitutional revision in developing economies, and Thailand is no exception. While Thai Governments since 1992 have wavered between an accommodating and guarded attitude to neoliberalism, the movement towards entrenching constitutional guarantees of liberalisation has been more or less sustained. As already pointed out, Section 87 of the 1997 constitution implies that the best way of bringing about reform is by exposing the Thai economy to market forces. The provision is commonly interpreted that the state is obliged to provide an unfettered economic system by allowing fair competition and systematically deregulating industry, privatising the public sector, and decentralising power.¹⁵

However, with the exception of bilateral free trade agreements with Australia and the US, the implementation of this section of the constitution has largely stalled under the Thaksin Government, particularly in relation to the centralisation of power. And resistance is also building against the trade liberalisation agenda, which isn’t surprising given that trade officials are

¹⁴ Shawn W. Crispin (2001) ‘Moral Minority’, *Far Eastern Economic Review*, March 29.

¹⁵ Supawadee Susanpoolthong (2001) ‘News likely soon on PM’s case’, *Bangkok Post* July 18.

discovering that the more they talk about free trade, the more protectionism they see.¹⁶ Admittedly, decentralisation to local Tambon Administrative Organisations (TAOs) is underway. In percentage terms of state revenue, allocations to TAOs are scheduled to rise 13% up from 22% between 2001 and 2005.¹⁷ This is only helping to fuel local level corruption though because of the absence of checks in place such as an Ombudsman that specifically addresses local administration. As Jamnong Somprasong from the Village Development Officer Association pointed out at an Ombudsman seminar, villagers cynically interpret TAO as an acronym for “corruption in all matters”.¹⁸ And besides, a three-fold expansion of the Premier’s Department indicates that the Government is taking an entirely different.¹⁹ In sum, Section 87 of the constitution endorses a mix of economic reforms that have in part at least proven unpopular outside the urban middle-class.

New constitutionalism has taken on a different meaning for the governing Thai Rak Thai (translated Thais love Thais) led coalition. As the leader of the first elected Government under the 1997 constitution, Thaksin is modelling his ‘crackdown’ reforms as the ‘spirit of the new constitution’. At the pinnacle of this agenda is Thaksin’s declaration of war on drugs, corruption and poverty, issues that he links to indifferent governments of the past. Thaksin claims to be representing the ‘conscience of the people’ with his tough approach to these issues, rather than upholding the individual rights that the new constitution is clearly aimed at protecting. And Thaksin’s ‘old’ constitutionalism competes even more strenuously with modern neoliberal interpretations when it comes to trade protection and financial policy. For instance, Thaksin promotes an aggressive export policy aimed at value-adding and strategic marketing. This is based on the acknowledgement that Thai exports are suffering from a decline in competitiveness, a steady fall in commodity prices, dependence on imports, tariff privileges and the Generalised System of Preferences that have led to inefficiencies, and a rise in the cost of labour.²⁰ The governing coalition’s

¹⁶ Murray Hiebert and Shawn W. Crispen (2004) ‘Free trade runs into protectionism’, *Far Eastern Economic Review*, March 4.

¹⁷ Prasit Tangprasert (2001) ‘Tambons new focus of graft’, *Bangkok Post* July 6.

¹⁸ Office of the Ombudsman of Thailand (2001) proceedings of the annual seminar on “Ombudsman and the Expectation of Agencies and the People”, April 23, Bangkok, p.76.

¹⁹ Shawn W. Crispen (2002) ‘How To Disguise A Power Play’, *Far Eastern Economic Review*, Oct 17.

²⁰ Woranuj Maneerungsee(2001) ‘Anti-liberalisation talk draws words of caution’ *Bangkok Post* Jan 17.

overwhelmingly rural support-base is alarmed about tariff reductions on agricultural imports, prompting Thaksin to make a public pledge to continue revising departmental trade liberalisation policies inherited from the Democrat administration on the grounds that the farming sector is not prepared for unprotected global competition.²¹ And there is plenty of evidence to support such a stance. Since the Uruguay Round of GATT talks in 1994 when Thailand cut its subsidisation of agriculture, farmers' debts have increased from 24,000 baht to 37,000 baht per household, 7 million rai of forest has been cleared, and the price of rice has fallen.²² These statistics, combined with the situation that as late as 1997, over half the population were farmers without any genuine MP representation, there is little wonder that Thaksin has won such appeal.²³ Needless to say many of Thaksin's policies are in direct opposition to the recommendations of the World Trade Organisation (WTO) and the International Monetary Fund (IMF).

Under these circumstances, the former Democrat Government's commitment to free trade is interpreted as an important factor in the sizeable swing against them in rural constituencies in the 2001 elections. The Democrats resolve for the agenda has won international admiration though, with Supachai Panitchpakdi, the former Deputy Premier and Commerce Minister taking over from ex-New Zealand Prime Minister, Mick Moore, as Director-General of the WTO. Supachai concedes however that he failed in his efforts to convince Thais of the benefits of trade liberalisation. He also complained that privatisation of state enterprises have been too drawn-out and have therefore hindered attempts to attract foreign direct investment.²⁴

The former Malaysian Prime Minister, Mahathir Mohamad, who along with the Singaporean leadership Thaksin openly admired, voiced the argument against the WTO's free trade agenda most forcefully.²⁵ The strongly nationalist governments of Mahathir and Thaksin are suspicious of the intent of global

²¹ Ibid.

²² Uamdao Noikorn (2000) 'Ministry vows to focus on plight of farmers' *Bangkok Post* Aug 20.

²³ Pasuk Phongpaichit and Chris Baker (1998) *Thailand's Boom and Bust* (Chiang Mai: Silkworm Books), p.209.

²⁴ Woranuj Maneerungsee (2000) 'Free-up stuck in slow lane' *Bangkok Post*, Nov 9. See also Shawn W. Crispin (2001) 'Reform on The Rocks', *Far Eastern Economic Review*, March 15.

²⁵ See Mahathir Mohamad (1999) *A new deal for Asia* (Subang Jaya: Pelanduk Publications).

capital shored up by multilateral institutions such as the WTO. Fears are based on a rationale that was summed up by the former director-general of the WTO, Renato Ruggiero, who described the WTO as "a constitution for a single global economy". In Ruggiero's view, the WTO epitomises neoliberal new constitutionalism. But as Kobsak Chutikul, an MP in the nationalist Chart Thai party suggests, such a statement begs the question: a constitution written by whom and for whom?²⁶ Such a global constitution is fundamentally undemocratic according to Kobsak, who argues that "some of the basic tenets of democracy such as majority rule, full participation, elected representation, full disclosure and accountability are often in conflict with the day-to-day working necessities of the WTO."²⁷

Uncertainty in the global economy encourages states to promote domestic economic stability. An important way of encouraging stability and reducing perceived risk has been to allow central banks greater autonomy in relation to fiscal and monetary policy.²⁸ This was clearly the case under the former Chuan Government. By contrast, Thaksin's resistance to the WTO is demonstrated by the central bank policy he advocates. Since taking office, Thaksin has sacked the fiercely independent Bank of Thailand (BoT) Governor, Chatumongkol Sonakul, for refusing to raise interest rates.²⁹ The new appointee, Pridiyathorn Devakula immediately raised repurchase rates, and followed this with the announcement that 'exchange-rate stability' would be the guiding principle of monetary policy.³⁰ This is a clear departure from the inflation-targeting mechanisms employed by Chatumongkol. Thailand deregulated capital flows in the early 1990s, but the baht remained pegged to a basket of foreign currencies dominated by the US dollar. This led to overvaluation and economic crisis in 1997, forcing the resignation of the BoT governor.³¹ The response by

²⁶ Kobsak Chutikul (2001) 'WTO legitimacy under a cloud', keynote speech delivered April 10 to a European Parliament seminar in Brussels on the need for reform of the WTO. Published in the *Bangkok Post*, April 13, 2001.

²⁷ Ibid.

²⁸ See Kanishka Jayasuriya (2001) 'Globalization and the changing architecture of the state: the regulatory state and the politics of negative co-ordination', *Journal of European Public Policy* 8:1, pp.101-23.

²⁹ Rodney Tasker (2001) 'A Clash of Wills', *Far Eastern Economic Review*, June 7.

³⁰ Shawn W. Crispin (2001) 'A Little Sympathy: Thailand's new central bank governor stresses unity in decision making' *Far Eastern Economic Review*, July 26.

³¹ Danny Unger (1998) *Building Social Capital in Thailand: Fibers, Finance, and Infrastructure* (Cambridge: Cambridge University Press), pp.104-6.

Chatumongkol, in compliance with the conditions attached to the IMF's rescue package, was to end "half-hearted liberalisation" by floating the baht.³²

Pridiyathorn describes the new exchange-rate stability approach, made possible by Thailand's graduation from the IMF's rescue program in February 2000, as the "middle road" between fixed exchange rates and a "clean float". Pridiyathorn explains that exchange-rate stability is part of a package that indicates a change in direction of the BoT from insensitive regulator to a sympathetic supervisor, sentiments that run contrary to good governance discourse.³³ The new approach perhaps also foreshadows a retraction of the legal protections for foreign investment that was built up under the 'new constitutionalism' supported by the IMF and the WTO.

The BoT is no longer the independent institution that it was soon after the economic crisis struck Thailand, and as such, the Thaksin Government appears to have little intention of complying with Section 87 of the constitution. They certainly do not interpret the Section in the same way that the Democrats did. In essence, Thaksin has repoliticised economic policy, although this has not necessarily led to enhanced political bargaining. Economic policy resembles a compromise of the interests of various stakeholders, or more cynically, a return to domestic capital interests tempered with the installation of pressure relief mechanisms that have been fashioned from the harsh lessons of experience. Instead of demonstrating new constitutionalism in Thailand in much the same way as the majority of central banks in East Asia,³⁴ the BoT has become a political arm of a state increasingly controlled by its 'CEO'. In promoting his populist platform, Thaksin is denying the authority of the IMF and the WTO's global constitutionalism.³⁵ How long this will continue is likely to be tied to the success of Thaksin's political career in much the same way as Mahathir's tenure also shaped Malaysia's economic policies.

³² The term 'half-hearted liberalization' is taken from the article by this name in the *Far Eastern Economic Review*, June 12, 1997.

³³ Ibid.

³⁴ See Jayasuriya (2001) 'Globalization ...'.

³⁵ As Mark Beeson (2001) has argued, "intergovernmental agencies such as the World Bank, the World Trade Organization, the Bank of International Settlements, and the IMF, ... have... circumscribed the autonomy of individual states". See 'Globalization, Governance, and the Political-Economy of Public Policy Reform in East Asia', *Governance* 14:4, p.486.

The Thaksin tradition

Prior to entering politics and eventually forming the Thai Rak Thai Party, Thaksin Shinawatra was a high profile 'telecoms tycoon' and Thailand's richest man (with the probable exception of King Bhumipol Adulyadej and his family whose wealth is usually wildly under-reported at a fraction of its real worth, and even after the economic crisis was estimated at around US\$8 billion).³⁶ For many, this was the strongest indication since the ratification of the constitution that 'money politics' still determines electoral outcomes in Thailand, although there was an appreciable swing away from reliance on the traditional provincial financial sources to the emerging power bases in metropolitan areas.³⁷

Interestingly, Thaksin achieved electoral success despite being indicted on charges instituted under the new constitution for concealment of assets. To his great relief though, on August 3, 2001, a majority of 8 out of the 15 judges of the Constitutional Court acquitted Thaksin of the corruption charges. None of the nine others who had previously faced the court for concealing assets successfully defended the charges, including MP Prayuth Mahakitsiri, who was found guilty by 12 judges to 1 on the same day as Thaksin's decision was made, despite the prosecution presenting a weaker case against Prayuth.³⁸ The verdict saved Thaksin from a five year ban from politics, a fate that has already befallen the former Interior Minister, Deputy Premier and Secretary-General of the former Democrat Government, Sanan Kachornprasart, who was banned in 2000 for similar reasons. Even more capacity for the Democrats to pressure Thaksin over the incident was relinquished when Chuan himself had similar charges to Thaksin's brought him, but was acquitted in late 2000 because his undeclared assets worth about 100,000 baht were not worth pursuing according to the NCCC.³⁹ Thaksin's sheer wealth, Sanan's considerable ability to harness valuable campaign resources, and the notorious reputation of the Department Sanan presided over to manipulate elections in favour of preferred candidates,

³⁶ Michael Backman (1999) *Asian Eclipse: Exposing the Dark Side of Business in Asia* (Singapore: John Wiley & Sons), p.249.

³⁷ Michael J. Montesano (2001) 'Thailand in 2000: Shifting Politics, Dragging Economy, Troubled Border' *Asian Survey* 41:1, p.176.

³⁸ Somroutai R Sapsomboon (2001) 'Justifying The Verdict', *The Nation* Aug 5; and (2001) 'In The End, Almost a Split Decision', *The Nation* Aug 3.

³⁹ Rodney Tasker (2001) 'Thaksin Is Big. Is Thailand Bigger?', *Far Eastern Economic Review*, May 31.

made them especially vulnerable to the charges. Many of their lesser political colleagues are likely to escape the scrutiny of the nine-member National Counter Corruption Commission (NCCC).

By making what clearly appears to be a political rather than a judicial decision in Thaksin's case, the Court, which was instituted to safeguard the new constitution, raised doubts concerning its independence, and lost the opportunity to send a clear message to politicians concerning the possible consequences of illegal and unethical practices. Instead, the onus of reform has quickly swung back to Thaksin, who wasted no time in launching an efficiency and accountability drive within the bureaucracy on the grounds of "unprecedented political clout", following the Court's favourable decision.⁴⁰ The verdict left political reform languishing while Thaksin's 'good guy' image continued to evoke public sympathy for becoming entangled in the net designed for the real offenders: the bureaucrats. As the current Interior Minister, Purachai Piemsomboon, who would have been the likely replacement for Thaksin if he had been found guilty, has pointed out, "50 percent of the national budget disappears through corruption".⁴¹ As an expression of the influence and interests of the democratically motivated Thai middle class,⁴² the Constitutional Court has failed to endorse the emerging view that political transparency and accountability are not negotiable. The Court has demonstrated that the weight of capital will continue to steer Thai politics, and constitutional reform is unlikely to counter this influence in either the short or longer term. Indeed, the reforms serve to focus debate on the politics of ethics, legitimising 'clean politicians' and deflecting concerns about economic policy, and thereby helping to undermine a major goal of the Thai democratic movement: the development of a more equitable society.

A lot of Thaksin's tough talking about the bureaucracy though has turned out to be only that. Instead of trimming the fat from an obese public sector through

⁴⁰ Thana Poopat and Piyanart Srivalo (2001) 'Red-tape reform to get big push', *The Nation* Aug 5.

⁴¹ Poona Antaseeda (2001) 'The man most likely', *Bangkok Post*, July 29.

⁴² For evidence that the middle class is clearly the vanguard of democracy in Thailand, one need look no further than the May 1992 protest movement, with demonstrators being labelled by the press and scholars as "the mobile-phone mob" and "the yoghurt mob". For a good account of the extent of the movement across Thailand see James P.LoGerfo (2000) 'Beyond Bangkok: The Provincial Middle Class in the 1992 Protests', chapt. 9 in R.McVey (ed) *Money and Power in Provincial Thailand* (Honolulu: University of Hawaii Press), pp.221-70.

retrenchments and retirement schemes, six new ministries and many more departments have been established. Moreover, some reforms that had been expected including the introduction of performance-based compensation schemes have been shelved.⁴³ This turnaround has been described as a power play by analysts, with Thaksin paying much greater concern to building political alliances that enhance his prospects of ruling for four consecutive terms as he has made clear he wishes to do. Not only does a bureaucratic expansion bring more coalition members into the cabinet strengthening the Thai Rak Thai Party, but also allows Thaksin the opportunity to appoint many more hand chosen senior officials dedicated to his leadership.⁴⁴

The influence of capital and strong personalities in Thai politics is not a new phenomenon, the story of which arguably has its roots in the privilege allocation of the essentially two-class *sakdina* system⁴⁵ adopted in the 15th century. The close association with mercantilist economic accumulation and the accession to powerful nobility achieved largely from the Chinese rice trade during the Bangkok era beginning in the late 18th century demonstrates the emerging linkages between money and power. These two factors were entangled by the acceleration of internal and external trade arising from the Bowring treaty of 1855.⁴⁶ The mostly Chinese merchants depended on local chiefs, who in turn, by colluding with the capitalists, made substantial economic gains, while the peasantry continued to be exploited due to the lack of institutional support and the consolidation of the *sakdina* system.⁴⁷

King Chulalongkorn set about reforming these arrangements in the late 19th century. He was responsible for the rise of the bureaucracy and the centralisation of power that transformed Thailand into a modern nation-state that withstood the pressures of encroaching colonialism. In this new society, bureaucratic officials were dispersed by the central government, but given insufficient salaries and institutional support. In order to acquire local power,

⁴³ Crispin (2002) 'How To Disguise A Power Play'.

⁴⁴ Ibid.

⁴⁵ Descriptions of the *sakdina* and related *prai* systems are available from many Thai historical sources, however Likhit Dhiravegin (1992) *Demi Democracy: The Evolution of the Thai Political System* (Singapore: Times Academic Press) has been used here and is recommended.

⁴⁶ Ibid.

⁴⁷ Ibid, pp.87-8.

bureaucrats were expected to issue permits and concessions to merchants and provide opportunities of enrichment for 'village chiefs', who were in turn required to reinforce their headship using patron and client methods.

Chulalongkorn chose not to replace absolute monarchy with a constitutional monarchy and an independent parliament on the grounds of alleged widespread political ignorance and the belief that rich politicians would buy votes in order to reap the benefits of acquiring office.⁴⁸ It wasn't until 1932 that a group calling itself the People's Party managed to introduce a parliament in a bloodless coup, but with this neither the bureaucracy or elected representatives were able to short-circuit local networks of power and money.⁴⁹ It was essentially this system of power dissemination that Fred Riggs described as the bureaucratic polity model in his influential work published in 1962. Riggs argued that the military-backed bureaucracy monopolised and executed state power in an entirely self-serving manner that was politically unchecked.⁵⁰ Lucien Hanks linked this power with the acquisition of merit, claiming that this formed the basis of Thailand's patron-client structure.⁵¹ With good reason these views were widely accepted. Lately however, they have come under increasing attack as an accurate description of the Thai polity, *vis-à-vis* the rise of metropolitan capitalist interests in particular.

Private capital remains concentrated, but power has slowly filtered through to the emerging urban middle class. This is demonstrated by middle class support for democratic reforms in 1973, and again in 1977 after favouring an authoritarian crackdown the year previous. This pattern was repeated in 1991-2 when the middle class supported a military coup to oust a corrupt elected government,⁵² but unleashed a protest movement for democracy of unprecedented proportions in May 1992 when the military sought to cement their political position. The demonstrations of the "mobile-phone mob" effectively

⁴⁸ Ibid, p.116.

⁴⁹ Ruth McVey (2000) 'Of Greed and Violence and Other Signs of Progress', Chapt. 1 in *Money and Power in Provincial Thailand*, p.9.

⁵⁰ Fred W. Riggs (1962) 'Interest and Clientele Groups' in J.L.Sutton (ed) *Problems of Politics and Administration in Thailand* (Bloomington: Indiana Uni), pp.153-92.

⁵¹ Lucien Hanks (1982) 'Merit and Power in the Thai Social Order', *American Anthropologist*, No.64.

⁵² This is a simplistic reading of the February 1991 coup. Pasuk Phongpaichit and Sungsidh Piriyarangsarn explain that the coup took place amidst competition for graft revenue between politicians and the military. See (1996) *Corruption & Democracy in Thailand*, 2nd edition (Chang Mai: Silkworm Books), p.16.

marked the final transition of military-bureaucratic power to the capitalists.⁵³ It should be pointed out though that while the military-bureaucrats have lost privileges and power, they remain a socio-political force of some significance.⁵⁴

The decline of military-bureaucratic power has failed to transform patron-client practices. Indeed, there are many more successful capitalists than influential bureaucrats capable of providing patronage. All capitalists require are organisations that can effectively channel favours for supporters. Under the new democratic system, the network that political parties have built up have made these even better vehicles for patronage than the military-bureaucrat system because they are run by likeminded businessmen and are by design more sensitive to local and individual interests. Bureaucratic patronage has not dried up, but parliamentary controls of the bureaucracy have asserted a better 'party' way in many instances. The end result of this development is that many wealthy businessmen are successfully standing for public office, with Thaksin a classic example.⁵⁵

In contemporary Thai civil society, money has come to dominate many facets of politics. As suggested, political parties are thinly disguised groups of successful capitalists that acquire political power as an automatic extension of their business interests. This has pushed the price of participating in politics to exorbitant levels that are unlikely to be sustainable over time as indicated by the fall of democracy and the rise of the Marcos regime in the Philippines in 1972 and the support given by Bangkok elites to the 1991 military coup.⁵⁶ For instance, many candidates spent 20-25 million baht (US\$800 000) and more running for a Northeast Thailand seat in the House of Representatives in the 1995 elections, although some of this money would have come from party donations, and of course many were defeated. At least a quarter of their expenditure would have been allocated to vote-buying.⁵⁷ The election-monitoring organisation, Pollwatch, estimated that for provincial-based parties

⁵³ McVey (2000) 'Of Greed and Violence...', pp.13-7.

⁵⁴ Ukrist Pathmanand (2001) 'Globalization and Democratic Development in Thailand: The New Path of the Military, Private Sector, and Civil Society' *Contemporary Southeast Asia* 23:1, p.39.

⁵⁵ *Ibid*, p.13.

⁵⁶ *Ibid*, pp.16-7.

⁵⁷ Surin Maisrikrod and Duncan McCargo (1997) 'Electoral Politics: Commercialisation and exclusion', chapt. 8 in K.Hewison (ed) *Political Change in Thailand: Democracy and Participation*, (London: Routledge), p.139.

such as the Chart Thai party, running costs rose another 20% in the November 1996 elections.⁵⁸

Ending vote-buying and other forms of political patronage became a major focus of the new constitution adopted the following year, however such practices continue regardless of the new regulations and increased policing. Instances of alleged and proven electoral fraud are too numerous to list, despite continuous prosecutions. For instance, in the mid-2001 Surin by-election, police confiscated 136,500 baht in small banknotes from an MP's van, allegedly being used to buy votes. Police also found a bundle of leaflets with the forged signature of an election commissioner designed to mislead voters regarding the disqualification of a rival candidate.⁵⁹ And altogether, six of the seven by-election winners were accused of fraud.⁶⁰ Corrupt polling is endemic in Thailand, and the situation is unlikely to improve without a much greater commitment to policing and more severe penalties.

It would appear then that the greatest obstacle to electoral cheating is not the consequences of being caught but the sizable cost of actually doing it. However, according to Senator Kraisaak Choonhavan, "political parties have figured out it's cheaper and easier to buy election commissioners rather than voters".⁶¹ Also a product of the 1997 constitution, the five-member Electoral Commission is a new institution that has already had its independence stripped by the appointment of the rejuvenated Council of State in October 2000 to oversee the Commission's prosecution of cases against candidates. The constitution was clearly designed to shore up new institutions against discredited arms of the state such as the Council, which has also compromised the independence of the constitutionally created Human Rights Commission, and is reportedly attempting to dilute measures written into the constitution designed to liberalise the media.⁶² All this suggests that constitutional and institutional changes have had a limited impact on embedded practices in Thailand, but it also emphasises the import of money in a fundamentally unequal capitalist society.

⁵⁸ Bangkok Post Weekly Review, Nov 29 1996, p.5.

⁵⁹ See 'Editorial' *Bangkok Post* July 12, 2001.

⁶⁰ *Bangkok Post* (2001) 'Six poll winners face fraud complaints', July 18.

⁶¹ Cited by Shawn W. Crispin (2001) 'Reform: At Death's Door' *Far Eastern Economic Review*, Feb 8.

The media illustrates the contested terrain which perhaps most of all represents the new face of Bangkok money and electioneering. In recent years the media has been instrumental in whipping up intense interest in individual politicians.⁶³ And it has clearly played a vital role in the populous support for Thaksin's reform agenda. The *Far Eastern Economic Review* for instance has labelled Thaksin's influence as "the taming of the press".⁶⁴ Thaksin struck back at the *Review* in retaliation to comments made in their January 10, 2002 edition criticising the Premier's relations with King Bhumibol. Thaksin threatened a defamation suit, while the Immigration Police Bureau threatened to expel their correspondents, Sean Crispin and Rodney Tasker. Their visas were withdrawn, but were eventually returned on appeal given the demonstration of "remorse".⁶⁵

Thaksin is a large shareholder in the only nominally independent television station, and this has undoubtedly skewed its political reporting. Likewise, massive advertising contracts between the companies Thaksin controls and the press provide significant leverage for colouring the way many newspaper stories are presented.⁶⁶ Perhaps the most blatant attempt to curb media freedom though was the ban on the Nation Multimedia Group's coverage of politics. The group, which operates a pay-TV Channel UBC 8, and broadcasts on FM 90.5 MHz radio station, is at the mercy of the Defence ministry, which controls radio frequencies in Thailand. The ban was reportedly slapped on the Nation Group following the broadcast of interviews with Sqn-Ldr Prasong Soonsiri on February 27, 2002 and soon after with Democrat MP Abhisit Vejjajiva on March 4. Prasong, who is director of the Naew Na daily and a prominent critic of Thaksin, is believed to be the "man with a pipe" accused by Thaksin of providing information to journalists of the *Far Eastern Economic Review*.⁶⁷ And disapproval of Thaksin's tactics is even coming from within his

⁶² Ibid.

⁶³ Surin and McCargo (1997) 'Electoral Politics', pp.142-3.

⁶⁴ Rodney Tasker (2001) 'The Taming of the Press: Thailand's Robust Media Succumbs to Pressure from Above', *Far Eastern Economic Review*, May 31.

⁶⁵ *Far Eastern Economic Review* (2002) 'A Right Royal Headache', Jan 10; *Bangkok Post* (2002) 'Defamation threat dropped: Pair get 30-day visa reprieve for appeal', Feb 28; Tamsak Traisophon (2002) 'Journalists permitted to stay', *Bangkok Post*, March 8.

⁶⁶ Ibid; Ukrist, 'Globalization and Democratic Development in Thailand', p.39.

⁶⁷ *Bangkok Post* (2002) 'Nation will no longer talk politics', 6 March; David Plott (2002) 'A Broken Mirror', *Far Eastern Economic Review*, March 14.

own party. Piyanat Watcharaporn, a renegade Thai Rak Thai list MP, openly criticised Thaksin for interfering in the state-run media.⁶⁸

Thaksin's conflicts of interest in the media, despite constitutional articles aimed at liberalisation and avoiding oligarchies, together with modern western-style campaigning and a reversion to old-style military controls, appear indicative of the future of Thai politics. The interests of big capital shored-up by big spending that ensures popular appeal, is becoming well entrenched.

Thammarat (good governance)

Thailand's battle with corruption is by no means unique, however it does present itself as an ideal case for analysing the impact of new constitutionalism as tool for the governmentality-good governance project. This is due to the commitment to reform of the well-educated largely urban Thai middle-class, allowing the linking of initiatives to a relatively narrow platform of concerns. Moreover, the ambiguity surrounding the meaning and interpretation of good governance in Thailand clouds democratically framed responses to the challenge. For instance, the World Bank's idea that good governance is a product of the market economy protected by a 'neutral' state that guarantees property rights and contractual transactions is keenly contested by many Thais.⁶⁹

The notion of a neutral state is inescapably a political construction, given that it must be maintained by a configuration of government-citizen arrangements that stabilise conditions underpinning neutrality. Such a position is clearly endorsed by Chuan's Democrat Party. The role of the citizenry in a Democrat ruled 'neutral' Thailand has been most clearly articulated by Thiriyut Bunmee in his book *National Good Governance*, the title of which is a translation of the Thai word '*thammarat*'.⁷⁰ Published during the Democrats term in office, Michael Connors describes Thiriyut's work as a "naïve nationalistic manifesto of "good-

⁶⁸ Wut Nontharit (2001) 'Piyanat says he won't be scared off', *Bangkok Post* July 18.

⁶⁹ David Williams and Tom Young (1994) 'Governance, the World Bank and Liberal Theory' *Political Studies*, 42, p.94.

⁷⁰ Thiriyut Bunmee (1998) *National Good Governance: A Thailand Recovery Strategy* (Bangkok: Saithaan).

governance”.⁷¹ Connors alleges that Thiriyut has attempted to take the reform movement beyond the new constitution to a project of economic rejuvenation and society building.⁷² In Thiriyut’s view, the Thai social and political spheres require a transformation of values from wasteful and extravagant “western” ways to self-reliance, prudence and thrift.⁷³ It sounds very much like the co-operative and normative agenda of the World Bank cloaked in nationalist garb. As Connors concludes, the negation of class politics, and the advocating of sacrifice and co-operation for the purpose of national capital accumulation positions Thiriyut as an “intellectual of Thailand Inc.”⁷⁴

Just as economic policy has become more protectionist in Thailand under Thaksin,⁷⁵ so too has the politics of good governance. According to the Premier, the banking reforms recommended by organisations such as the IMF and the Bank for International Settlements, a co-ordinating body for central banks, fuelled the 1997 financial crisis. Thaksin blames bank transparency and good governance for the escalating public debt and reduced funds for poverty alleviation in the 1990s. This he claims ensured that the economy would be unable to independently pursue solutions to poverty.⁷⁶ By contrast, the Premier advocates an endogenous plan for national recovery centred on the establishment of the Thai Assets Management Corporation (TAMC) through which he hopes to eventually absorb debts worth more than a trillion baht. And he is backing this up with infrastructure projects worth 1.5 trillion baht in an effort to sustain the current recovery.⁷⁷

An important pillar in his plans is to reinforce confidence in him as Premier, and this means he has to redefine good governance in terms of integrity and capability of leadership. Even officials from the World Bank have weighed in to describe Thaksin as “consistent”, and compared the attributes of consistency to

⁷¹ Michael K. Connors (1999) ‘National Good Governance’, *Journal of Contemporary Asia*, Vol. 29, No. 4, p.547.

⁷² Ibid. See also ‘Now ho [sic] to translating thammarat to real life?’, Editorial from *Khao Sod*, published in the *Bangkok Post* April 9, 1998.

⁷³ Thiriyut (1998) *National Good Governance*, pp.23-4 & 30.

⁷⁴ Connors (1999) ‘National Good Governance’, p.547.

⁷⁵ Shawn W. Crispin (2001) ‘Thaksin Turns Back the Clock’, *Far Eastern Economic Review*, April 19.

⁷⁶ Parista Yuthamanop, Wichit Sirithaveeporn and Darana Chudasri (2001) ‘PM says western solutions hindering war on poverty’ *Bangkok Post*, April 24; and Editorial (2001) ‘Don’t be too quick to assign blame’ *Bangkok Post*, April 26.

⁷⁷ Shawn Crispin, (2004) ‘An Expensive Fiscal Stimulus’, *Far Eastern Economic Review*, Dec 25.

good governance measures such as accountability, responsibility and transparency.⁷⁸ Nevertheless, the Bank is quick to point out that Thailand should concentrate on being more competitive by modernising regulatory frameworks, by downsizing and increasing participation of the private sector, introduce new laws on competition policy, and implement trade and investment reform.⁷⁹

Support for Thaksin's nationalisation policies as a response to the global forces of capital and trade have come from various sections of the population. Some of the reasons for this are associated with the discourse of localism.⁸⁰ Kevin Hewison argues that local nationalism drew strength from the Chuan government supported IMF and World Bank strategies for economic recovery in the wake of the 1997 crisis, and this has clearly contributed to Thai Rak Thai's electoral success.⁸¹ However, it is not so clear that the poor have newfound parliamentary representation.

It would appear that at best, the rural and urban poor remain under-represented, but as Philip Hirsch argues, opposition to centralised decision-making based on the politics of the environment has been increasingly legitimised.⁸² This has amplified the voice of Non-governmental organisations (NGOs), and expanded their role from primary organisational instruments of environmentalism to champions of all those whose livelihoods are threatened. And this, put simply, includes a large percentage of the Thai population. Hirsch explains that the environment cuts across a raft of social and economic issues including disputes over resources, the decentralisation movement, and struggles to participate as stakeholders, all of which usually distils into questions over the competing interests of state and civil society.⁸³ As the voice of 'the people' in a majority sense, it is worth quoting *verbatim* the views of leading Bangkok-based environmental NGO, Towards Ecological Recovery and Regional Alliance (TERRA) regarding the debate over good governance. In an

⁷⁸ Voranai Vanijaka (2001) 'What's unsaid means a lot' *Bangkok Post* June 15.

⁷⁹ *The Nation*, 'World Bank urges reform', July 23, 2001.

⁸⁰ Pasuk Phongpaichit (1999) 'Developing social alternatives: walking backwards into a Klong'. Paper presented to the Thai Update. Canberra: Australian National University, April 21, p.1.

⁸¹ Hewison (2000) 'Resisting globalization', p.287.

⁸² Philip Hirsch (1997) 'The politics of environment: Opposition and legitimacy' in K.Hewison (ed) *Political Change in Thailand: Democracy and Participation* (London: Routledge), pp.179-94.

⁸³ *Ibid*, p.193.

editorial in their glossy quarterly, *Watershed*, TERRA states: “Good governance’ programmes promoted by the aid institutions are a euphemism for speeding up economic reform, trade liberalisation and foreign investment”.⁸⁴ Or as Srisuwan Kuankachorn, the Director of TERRA’s sister organisation Project for Ecological Recovery, claims, the development model based on foreign investment and reinforced by the World Bank and the IMF is not only illusory, but threatens “Thailand as a culture”.⁸⁵ Given the current anti-globalisation environment, Thaksin’s plans to reinvent Thai good governance is sure to be well received by many grassroots NGOs.

Criticism of the ‘globalisation’ good governance agenda is not confined to representatives of those who stand to be most disadvantaged by the forces of international capital. A letter to the editor of the *Bangkok Post* by Assistant Professor Michael Montesano expresses the view that the World Bank’s promotion of good governance is generally unhelpful and self-serving. Jayasankar Shivakumar, the World Bank’s proconsul for Thailand over the last four years, claims that the country needs better governance. However, this is not just stating the obvious according to Montesano, but what it actually “means, in World-Bank-speak, is that it [Thailand] still needs the advice of his successor”.⁸⁶

Despite the weighty advice of World Bank experts, the economic model that Thailand will pursue remains unclear. Thaksin’s views have been well supported however in the corridors of power, and are representative of many of Thailand’s bankers and business elites, who of course stand to benefit most from the TAMC. The consensus within these circles that suffered most from the economic crisis is that unfettered market capitalism entrenches unfavourable terms of trade and allows unacceptable risks of capital flight. And this has the potential to cripple a developing country. Hence, developing countries must develop endogenous models of capitalism that promote incentives, but limit exploitation and abuse.⁸⁷ It seems that ‘Thaksin capitalism’ is breathing new life into some of the ideas developed by the waning Democrat *thammarat*

⁸⁴ TERRA Editorial (1998) ‘The Politics of Aid’, *Watershed*, 3:3, p.2.

⁸⁵ In Pasuk (1999) ‘Developing social alternatives’, p.12.

⁸⁶ Michael J. Montesano (2001) ‘Stating the obvious isn’t that difficult’, letter to the Editor, *Bangkok Post* July 27.

movement. Thaksin's *thammarat*, however, emphasises even more emphatically the role of domestic capital, finding little place for the role of civil society. As Ukrist Pathmanand affirms, Thai Rak Thai success in the January 2001 elections "represents a victory for local capitalists" and a "threat to civil society's programme of reform and liberalisation".⁸⁸

Thaksin has scored political points with rural Thais with his big-spending pledges, such as a three-year moratorium on debt for farmers and a 1 million baht development fund promised to each of the country's 77,000 villages. As has been recently revealed though, only farmers with debt under 100,000 baht (US\$2,200), or no more than a quarter of all farmers, will benefit, while the village development funds will be made available only to viable development projects on a revolving-loan basis.⁸⁹ When the money dries up and farmers and villagers find themselves little better off, Thaksin may struggle to maintain widespread support. Nevertheless, there is reasonable evidence that these types of policies are helping fuel domestic consumption, which is nursing the economy back into positive growth. Thaksin's policies have even found a supporter in the Philippines President Gloria Arroyo, who is claiming to be attempting to emulate them.⁹⁰

Discussion

On balance, Thai politics in the context of Thailand's economic recovery is likely to continue to be characterised by resistance to global pressures, at least in the short to medium term. Paradoxically, the very resistance to change welling up from the grassroots is the same momentum denying the pledge of the new constitution to turn "government by politicians into government by the people".⁹¹ Even though much of the new constitution is conservative,⁹² the reforms that it stipulates conflict with many of the popular interventionist objectives that are currently being pursued. If a lesson is to be drawn from the recent Thai

⁸⁷ Narongchai Akrasanee (2001) 'Life after market capitalism' *Bangkok Post*, May 13.

⁸⁸ Ukrist (2001) 'Globalization and Democratic Development in Thailand', pp.38-9.

⁸⁹ Tasker (2001) 'Thaksin Is Big. Is Thailand Bigger?'

⁹⁰ James Hookway, 'Silencing Sceptics', *Far Eastern Economic Review*, Sept. 19, 2002.

⁹¹ Pasuk Phongpaichit and Chris Baker, *Thailand's Boom and Bust* (Chiang Mai: Silkworm Books, 1998), p.329; also Borwornsak Uwanno and Wayne D. Burns, "The Thai Constitution of 1997: Sources and Process," *Thailand Law Forum*, available (online): www.thailawreform.com/articles/constburns1.html (May 30, 2002).

⁹² Pasuk and Baker, *Thailand's Boom and Bust*, p.328.

experience with constitutionalism as a way of locking-in good governance reforms, then perhaps it is the need to include 'the people' in the drafting process in more meaningful ways.

It is clear that Thaksin has fully grasped the resonance of governance discourse, and is whole-heartedly pursuing it within his 'CEO' understanding of leadership. This demonstrates how global discourses can be incorporated into concurrent nationalist visions that are antagonistic towards reform.⁹³ Good governance in Thailand must therefore redress unrealistic expectations of its leaders, and grasp once again the importance of struggle, opposition and political bargaining.

Thailand has surprised many observers by the way it is recovering from the economic crisis. This case study has not sought to analyse or compare this recovery, but has raised certain questions about the policies and practices that allegedly contributed to the crisis, and those that are arguably central to future 'crisis-proofing' of Thailand. Many of these causes and solutions are related to good governance discourse. The problem is though that this discourse originates from neoliberal ideas about public policy that are not easily recognisable in Thailand's political and economic traditions. Therefore, the identification by Government of 'bad' outdated policies and their replacement with modern 'good governance' policies has been a treacherous exercise that has lent itself to all sorts of agendas. Clearly, the country is heading towards greater civil restrictions rather than proceeding to a new vision of governance built on social capital.

Whether Thaksin will ultimately succeed in personifying good governance in the eyes of Thai voters, or the new constitution project will re-emerge as a political force and sweep him out of office remains to be seen. What we can be sure about though is that discourses of good governance are set to play an increasingly influential role in Thai politics, and that a unified position on the notion appears unachievable for now. The casting of globalisation as potentially hazardous, and the populist attraction of the current Premier, indicates that the World Bank's interpretation of good governance is losing ground. Yet the way the discourses of good governance are used suggests that as a concept good

⁹³ Kimmert, "Global discourse, local recourse".

governance will continue to occupy the locus of political manoeuvring as long as globalisation remains contested.

All this supports the finding, as stated at the outset, that good governance, understood as strong economically astute government is rapidly becoming the ultimate measure of legitimacy for public administration in Thailand. Fundamental to this reified exaltation of the benefits of good governance has been the process whereby the notion has become synonymous with the principles on which the new constitution was founded. Interestingly, the ascendance of good governance as a powerful political notion is marked by flagging support from the Thai Government on the virtues of free markets. Instead, Premier Thaksin is gaining political mileage from propagating local interpretations of good governance that are essentially calls to alleviate poverty and to construct the conditions for broad-based economic prosperity, something which is only implied by the new constitution.

New constitutionalism, understood as a recent and discernable development within IPE, has been clearly influential in the drafting of Thailand's 1997 constitution. It is a notion that helps us understand why certain elements of the constitution were included. It also describes the process by which good governance principles have been infused into Thai public policy in a way that reinforces commitment to the market, privileging the interests of capital, and cultivating a new political rationality that replicates the modern West.

In the short to medium term at least, there is likely to be continued resistance to change, denying the pledge that Thailand's new constitution will turn "government by politicians into government by the people".⁹⁴ Not only does the ruling Thai Rak Thai led Coalition Government serve a narrow band of interests despite practicing distributional politics supported by rhetoric to the contrary, it also appears that the Constitutional Drafting Assembly had a limited conception of what defines 'the people'. Much of the new constitution is conservative, and there is nothing in it to regulate campaign funding or make it more transparent,

⁹⁴ Pasuk and Baker (1998) *Thailand's Boom and Bust*, p.329; also Borwornsak Uwanoo and Wayne D. Burns (undated) 'The Thai Constitution of 1997: Sources and Process', *Thailand Law Forum*, available on the web at www.thailawreform.com/articles/constburns1.html

which is arguably a crucial first step toward exposing the incestuous links between business and politics.⁹⁵

Finally, the way good governance is used in Thailand shows us that politics does matter, and indeed is paramount to the evolution of an enabling environment. However, while it remains a politics that excludes debate questioning the primacy of the market and is instead premised on technical issues designed to improve management and transparency, it is unlikely to make significant headway. Perhaps the most important lesson arising from this study though is that if good governance is to become the standard bearer of prosperity in Thailand as some claim, the scope of the agenda needs to be explicitly broadened. Specifically, the discourse should address the rich-poor divide, be made more precise, and emphasise the centrality of politics and not the centralisation of power as the key component in reform processes.

Conclusion

In this case study we have seen that the new constitution is closely associated with inadvertent and certainly unarticulated efforts to introduce a new governmentality. However, the Thaksin Government has been rolling back reforms aimed at increasing a self-governance induced political rationality by strengthening its own powers using a range of tactics. This means that while the standard of living of metropolitan Thais continues to rise, the country is not becoming any more like the modern West in the way it thinks about government generally, and governance as a self-regulated exercise in particular.

Thailand's decision making is increasing becoming centralised and authoritarian, with Thaksin freely commenting that Bangkok residents should elect a Governor in the July 2004 Local Government elections "from the party in power so that the implementation of "orders" would be smooth".⁹⁶ Indeed, one way the Thaksin Government is attempting to demonstrate public satisfaction with effective governance" is by acting to reduce the number of protests each

⁹⁵ Pasuk and Baker (1998) *Thailand's Boom and Bust*, p.328. On the need for election funding regulation see Edmund Terence Gomez (2002) 'Introduction' in E. T. Gomez (ed) *Political Business in East Asia* (London: Routledge), p.21.

⁹⁶ Nirmal Ghosh (2004) 'Warm-up fight in Thai capital', *The Straits Times*, Jan. 20, p.A4.

year.⁹⁷ There is also evidence emerging that human rights are being flagrantly disregarded under license from the Premier's personal war on drugs and alleged insurgents. Meanwhile, the economic gap between the urban rich and the rural poor is increasing, expectations that new constitution watchdog institutions would reform election processes have been dashed, and the military is firmly under the control of Thaksin. Perhaps even more critical from a governmentality perspective, the central bank and the judiciary has clearly been captured by Thaksin, profoundly compromising efforts to cultivate ideas and initiatives that have their roots in the increasingly complex network of institutional arrangements. This has been partially offset by Thaksin's much publicised assets conversion scheme for the poor.⁹⁸ Further evidence that a Western governmentality characterised by good governance reforms is being resisted at Thailand's highest levels are the continued propagation of protectionist trade policies. It is not surprising therefore from an International Development Agency perspective that corruption in Thailand is not under control. As the Chairperson of Thailand's Transparency International chapter admits, "[t]he process of anti-corruption action has started but is not yet widespread".⁹⁹

These findings point to the comprehensive failure of the good governance agenda in Thailand. Apart from the influence exerted by Thaksin, another reason for rejecting the project could be the cultural explanation for resisting foreign mentalities. As Pairoj Polpetch of Thailand's Civil Liberty Union suggests "Thais have never learned the value of other people's ideas and expressions."¹⁰⁰ Transparency Thailand's Anand Panyarachun sees the problem in terms of moral degradation. Anand believes that Thais "have come to lose the ability to judge right from wrong, good from bad, and desirable behaviours from undesirable behaviours" due to the society-wide resignation that "corruption is a way of life".¹⁰¹ Either way, politics has played a leading role in good governance being inverted to become a tool that actually reinforces

⁹⁷ Supara Janchitfah (2004) 'Learning the value of expression', *Bangkok Post*, Jan. 25, p.6.

⁹⁸ *Bangkok Post* (2004) 'Poor must be given chance, says Thaksin', Jan. 20.

⁹⁹ Transparency Thailand (2003) An address by Anand Panyarachun, Chairperson of Transparency Thailand, *Transparency Thailand Newsletter* Year 5, Vol. 1, May, p.1.

¹⁰⁰ Supara Janchitfah (2004) 'Learning the value of expression'.

¹⁰¹ Anand Panyarachun (2001) 'Message from the Chairman', *Transparency Thailand Newsletter*, Year 3, Vol. 1, June, p.7.

rather than dismantles remote governance from the centre. Specifically this has been a politics focussed on leadership capability rather than society capacity, and the triumph of policy over process, proving the hypothesis correct in Thailand's case.

CHAPTER 6: MALAYSIA

Like Thailand, good governance in Malaysia acquired a somewhat schizophrenic quality under former Prime Minister, Dr Mahathir Mohamad. Promising a more transparent and efficient government, his successor Abdullah Ahmad Badawi succeeded in his first election held in March 2004 by a record margin. This speaks volumes for the political currency of good governance in Malaysia. However it only further clouds the issues focussed on in this thesis – whether the agenda protagonists are pushing for targeted state-led reforms that are likely to have a limited impact on the way Malaysian's think about government, or if something much broader is taking place in Malaysian society indicative of a fundamental shift in political rationality.

By comparison with the present, Malaysia's governmentality during the Mahathir era appeared more clearcut, despite the many contradictions that the authoritarian leader personified. On the one hand, neoliberal aspects of good governance symbolised perceptions of overbearing *neo-colonial capitalist imperialism* of the international financial institutions that Mahathir relished denouncing. On the other, the agenda presented an opportunity to use the good governance nomenclature to promote 'moderate' nationalism and reinforce existing structures. On the whole, Mahathir's approach to the politics of good governance was useful for expounding the virtues of 'Asian Values', and it is clear that he fully understood that his final term would largely determine his legacy. And any doubts about his approach to the discourse were dispelled by his claim that:

"It is good governance by good people that we need. And feudal kings, even dictators, have provided and can provide good governance".¹

It is inconceivable that Abdullah would make a comment like this. Malaysia's softly spoken fifth Prime Minister, has unquestioned religious credentials that contrast to Mahathir's secularism, meaning that he closely aligns the notion of

¹ Mahathir Mohamad quoted in *Malaysiakini* (2001) 'Good' dictators are what some countries need: PM', April 26.

good governance with Islamic principles.² Nevertheless, it would be wrong to suggest that Mahathir was totally opposed to the types of reforms that Abdullah has been given a mandate to carry out. Before bowing out of politics, Mahathir had taken some unsteady steps towards regulating for corporate governance reforms.³

What this study concerns itself with is whether the neoliberal challenge embedded in the IFI's good governance agenda is an increasingly important source of political legitimacy in Malaysian politics. This, it is argued, is a strong indication whether attitudes towards leaders, and patronage and corruption more specifically, are being transformed. Central to the analysis then is exposure of the myths concerning Malaysia's opposition to the neoliberal interests of global capital.

The demonstration effect

No attempt is made here to revisit the Asian values debate, which in itself is the subject of an extensive, though rapidly dating literature, nor is our purpose to point out the overlap that exists between the economic crisis-challenged Southeast Asian development model and recent claims of commitment to a consensus driven reform agenda. It is important though to consider that the economic crisis was a time when Malaysia, like much of the region, was particularly vulnerable to external influence, and it was during the crisis that the dissemination of good governance discourse was significantly amplified. It was also a time when Mahathir acted decisively in the name of good governance to shore-up political and economic sovereignty in defiance of neoliberal recommendations. And this defining act of decisive authoritarianism, perhaps more than any political event in Malaysia over the last decade or so, has shaped perceptions of good governance in the country. It would certainly explain why there is already mounting disquiet arising from the impression that by comparison with his predecessor, Abdullah appears ponderous and lacks

² Michael Vatikiotis and S. Jayasankaran (2002) 'Extremists, Step Aside', *Far Eastern Economic Review*, Sept. 5.

³ Azmi Setapa (2001) 'Internal reform alone won't do', *New Strait Times*, July 21, p.11.

charisma.⁴ However, as one of Abdullah's close family members has explained, "we can't take on the whole system – that's too hard. But we are hoping for a demonstration effect." And this is precisely the kind of approach that is most likely to succeed in delivering good governance in the 'Western way' – inspiring self-reform by following the example of 'closer' government.

Malaysia is well on its way to realising Mahathir's vision of becoming a developed country by 2020. It was able to refuse the IMF crisis bail-out offer, and has graduated from most bilateral aid programs. It has therefore been able to minimise its exposure to international financial pressure, while still clearly anxious to procure foreign investment. This helps to explain Malaysia's willingness to play its part in America's war against terror, despite comments by Mahathir following the events of September 11, 2001, to the effect that the World's only superpower had it coming. Before retiring, Mahathir did his best to get Washington to see him in a new light, even visiting Washington for the first time. Although typical of his contradictory style, this was also the time he chose to make claims about the inherent Islamic fundamentalism of the Malaysian state.⁵ Clearly he was shrewdly drawing support locally for his defence of Islam on one hand, while on the other he was replenishing his international stocks with his tough stance against possible al-Qaeda linked terrorists cells in Malaysia. But Abdullah's more celebrated religious devotion negates any need for him to further align himself with Islam, while continuing Mahathir's efforts to accommodate the US security agenda in the region.

While US recognition as a friend and ally may have been a little novel for Mahathir, political crises at home were nothing new. Six years into his prime ministership he narrowly defeated a factional challenge within the ruling United Malays National Organisation (UMNO) Party, and quickly and ruthlessly took steps to consolidate his position. How he dealt with his former deputy Anwar Ibrahim in the late 1990s, his efforts to unearth suspected terrorists, and his systematic attempts to silence critics and muffle the opposition, shows that he was no less willing to use coercion under Malaysia's draconian security laws in

⁴ Michael Vatikiotis and S. Jayasankaran (2004) 'Softly, softly go reforms', *Far Eastern Economic Review*, June 3.

⁵ S. Jayasankaran and Lorien Holland (2001) 'Profiting From Fear', *Far Eastern Economic Review*, Oct. 11.

his final years at the top than in 1987. To find out if there is anything distinctly 'Malaysian' about authoritarian governance tendencies let us now we take a broader, historical look at Malaysia's political development.

Despite the pre-existence of a sophisticated urban trading centre at Malacca, the construction of modern Malaysia has been undeniably forged by its British merchant-colonial experience. While colonialism is largely responsible for Malaysia's social, political and economic foundations, its politico-cultural roots can be traced to the 17th century. As Hari Singh explains, this was "when ideas of governance were crystallised in epics like the *Sejarah Melayu* [Annals that recorded 15th and 16th century tales featuring Malay court practices] ... in which ideas of governance were derived from Hinduist precepts of divine rule".⁶ The Annals are quite explicit that such divine authority hinges on the respect shown to subjects, and hence as Surain Subramaniam implies, Mahathir's treatment of Anwar not only helps to explain a loss of popularity in the late 1990s, but also highlights important cultural aspects of Malaysian politics.⁷ Obligations are of course mutual, with subjects bound to obey the ruler notwithstanding the caveat arising in the case of inappropriate rule.⁸ However, withdrawing that allegiance requires maturity and independence of the type associated with the term *Melayu Baru*, meaning native Malay confidence, and implicit in the ideology of 'Bumiputera' (a term meaning the favouring of 'sons of the soil' by the state in the pursuit of economic parity).⁹ This ironically is precisely the social development project UMNO has undertaken since its inception in 1946, and which accelerated under the presiding influence of Mahathir.

Thus, the colonial legacy inherited by independent Malaysia in 1957 included a typically British-styled bureaucracy together with a Westminster parliamentary structure equipped with a constitution that privileged Islam. Malaysia's economy at independence was export-oriented and resource-based, built on rubber and

⁶ Hari Singh (2000) 'Democratization or Oligarchic Restructuring? The Politics of Reform in Malaysia', *Government and Opposition*, 35:4, p.522.

⁷ Surain Subramaniam (2001) 'The Dual Narrative of "Good Governance": Lessons for Understanding Political and Cultural Change in Malaysia and Singapore', *Contemporary Southeast Asia*, 23:1, endnote 48, p.79. On this point prior to the Mahathir-Anwar conflict see William Case (1995) "Malaysia: Aspects and Audiences of Legitimacy", in *Political Legitimacy in Southeast Asia: The Quest for Moral Authority*, Muthiah Alagappa (ed) (Stanford: Stanford University Press), p.82.

⁸ See Chandra Muzaffar (1977) *Protector? An Analysis of the Concept and Practice of Loyalty in Leader-led Relationships within Malay Society* (Penang: Aliran).

tin and worked by migrant labour, giving rise to an ethnically heterogeneous population. In the late 1950s Malaysia's population was around ten million. It has since more than doubled, and comprises more than 60% Malay, 30% Chinese, and less than 10% Indian. British colonial masters were unwilling to relinquish power to the slender Malay majority,¹⁰ but there were other, more fundamental reasons for the formation of a race-based party coalition that has successfully monopolised power, and is arguably a root cause of many of the country's social problems.¹¹ Essentially, each of the allied parties depended on the coalition for survival. Not only had multi-racial parties apparently lacked electoral appeal, UMNO the MCA (Malaysian Chinese Association), and the MIC (Malaysian Indian Congress) found it necessary to help each other. The financially beleaguered UMNO was willing to trade endorsement of MCA candidates for financial support. The MCA, who were seeking to protect economic interests by political means, were unpopular even amongst the Chinese population, and needed UMNO backing. Meanwhile, the MIC viewed the coalition as a mechanism to provide a voice in government given the much smaller percentage of their highly dispersed constituency.¹²

A more cynical explanation of why multi-ethnic parties never developed in preference to an ethnic party coalition is that the British systematically inhibited the development of an indigenous entrepreneurial class, leading to uneven economic distribution and endemic Malay suspicion of Chinese wealth accumulation. This in turn entrenched Malay aspirations to dominate politically for the purpose of preventing further economic marginalisation. Induced by a strong relationship of economic function and ethnicity, “[b]y participating in the coalition, the three parties were able to retain their communal identities and bases while achieving elitist, multi-ethnic co-operation.”¹³ This account also helps to explain the 1969 race riots.

⁹ Robert Brown (1994) *The State and Ethnic Politics in Southeast Asia* (London: Routledge).

¹⁰ Indeed, only 49% of the population in 1955 were Malay. However, they comprised more than 80% of the eligible voters. See Gayl Ness (1967) *Bureaucracy and Rural Development in Malaysia* (Berkeley: Uni of California Press), pp.56-7.

¹¹ Terence Gomez and Jomo K.S. (1999) *Malaysia's Political Economy: Politics, Patronage and Profits*, 2nd Edition (Cambridge: Cambridge University Press), p.1.

¹² *Ibid*, p.12.

¹³ *Ibid*.

The post-independence Governments' accommodation of Chinese and foreign capital failed to satisfy the increasing interests of the Malay middle class. As a result institutions were established to assist Malay wealth accumulation. Malay income disparity grew regardless of these initiatives, but the interventionist preferential policies did manage to heighten tensions in the Chinese community, and the government Alliance suffered a significant swing against it in the 1969 election. While the Alliance hung on to power due to rural gerrymandering and opposition disorder, it failed to prevent ethnic clashes breaking out three days after the election. The Deputy Prime Minister, Abdul Razak Hussein, took control, imposed two years of martial law and set about introducing government and constitutional reforms that served to strengthen UMNO's hegemonic leadership.¹⁴ For instance, 'ethnically sensitive' issues that privileged Islam and the Bumiputra were excluded from discussion in parliament.

The year after the race riots, Mahathir published a timely 'treatise' entitled *The Malay Dilemma*.¹⁵ His manifesto, which was banned at the time, prescribed the cultivation of Bumiputra capitalism by privileging those that are most capable. For instance, he criticised the Council of Trust for Indigenous People (MARA) for not helping "rich people become richer".¹⁶ Interestingly, Mahathir's book coincided with the announcement of the redistributive New Economic Policy (NEP), the objective of which was national unity by eradicating poverty and restructuring society, irrespective of race. In reality, there was little government effort to address non-Bumiputra poverty, and while there has been much emphasis on 'wealth restructuring' since the commencement of the NEP period, it has been argued by several researchers that much of the reduction in poverty Malaysia has enjoyed is due to factors outside of the NEP strategy.¹⁷ Predictably, when Mahathir became Prime Minister of Malaysia in 1981, emphasis on private Bumiputera wealth accumulation replaced the trust agency policy of his predecessor. This re-orientation contributed to the centralisation of power by forging strong links between well-connected Bumiputra business identities and the government, and particularly the most senior UMNO leaders who were most responsible for the distribution of government allocated rents. In

¹⁴ Ibid, p.22.

¹⁵ Mahathir Mohamad (1981) *The Malay Dilemma* (Singapore: Times Books International).

¹⁶ Ibid, p.40.

¹⁷ Jomo K.S. (ed.) (1989) *Mahathir's Economic Policies* (Kuala Lumpur:Insan).

short, Mahathir's Bumiputra capitalist policies have induced political patronage, which has perpetuated rent-seeking behaviour, and prevented the evolution of a purer form of capitalism, whatever the merits that such a system might have.

A further policy initiative associated with the Mahathir era, and not unrelated to rent allocation, has been privatisation. Announced in 1983, the new strategy was at least in part a response to pressure from bilateral and multilateral agencies that had begun to promote neoliberal ideas such as 'minimising the state'. Of course, Mahathir defended privatisation in the much more nationalist terms of consolidating the Bumiputra business class, which had been created by the "temporary vehicle" of state funded public enterprise.¹⁸ This could only be assured by opaque transactions, with most private beneficiaries chosen on the grounds of ethnicity, political affiliation, and for other personal reasons.¹⁹ As Gomez and Jomo point out, by the early 1990s, most successful Malaysian businesses were closely associated with Mahathir, Anwar, or the notorious economic adviser at the time, Daim Zainuddin, suggesting that the reinforcement of political hegemony by patronage practices has been a distinguishing feature of Malaysian politics.²⁰

Having run its course, the NEP was followed by an even longer term 'Vision 2020' plan in 1991, featuring a toned down ethnic rhetoric. The 30year 'vision' essentially entailed achieving fully developed status by focusing almost exclusively on economic growth, reiterating many of the policies begun in the mid 1980s such as financial liberalisation, privatisation, and some deregulation. However, the central dilemma acknowledged even by Daim that Malay business had developed a state dependent, subsidy mentality, remained uncontested by 'Vision 2020'.²¹ The openness of the economy and the uncompetitive nature of Malay capitalism combined to ensure that the Malaysian stock market was the worst hit among all the economies affected by the economic crisis that unfolded in 1997. It fell by more than 80 per cent in the 18 months leading up to September 1998.²² It was a regional crisis²³ that called for desperate measures.

¹⁸ Gomez and Jomo (1999) *Malaysia's Political Economy*, p.80.

¹⁹ *Ibid*, p.91.

²⁰ *Ibid*, p.99.

²¹ *New Straits Times* (1994) June 28.

²² Susan Loone with Prof Jomo K.S. (2001) 'Renong: never-ending saga', Part 2, *Malaysiakini*, Aug. 17.

For Thailand and Indonesia this meant International Monetary Fund (IMF) bailouts. However, this was a particularly unsavoury option for Mahathir, as the accompanying re-structural program would have targeted the Bumiputra system.

Instead, Mahathir announced capital controls on the 1st of September 1998, sacking his deputy the following day. Anwar's stinging counter-attack accusing the government of cronyism, corruption and nepotism, harnessed unprecedented mass dissent, and triggered a political crisis that UMNO is still recovering from, particularly in International circles. Mahathir silenced Anwar by detaining him under the Internal Security Act (ISA), and then sanctioned his prosecution for alleged corruption and sexual offences, culminating in a 15year sentence. That he would be found guilty was inevitable given that Mahathir had stood down the Lord President of the Supreme Court a decade previous during a constitutional struggle, effectively making the judiciary directly accountable to the executive. While this removed Anwar as a political foe, his treatment by Mahathir evoked public sympathies, and hurt UMNO in the 1999 general election.

The battle over the constitution in the late 1980s was not a unique event. Indeed, there has been in excess of thirty alterations to the constitution since, indicating that the government does not consider it a document enshrined in the foundation principles of the Malaysian federation. Arguably it is better understood as an instrument to pursue political objectives. Favourable judicial appointments, constitutional manipulation, and the retention of the ISA and other draconian measures that enabled Mahathir to crack down on Islamic hardliners, students and publication activities, have combined to undermine the rule of law and the role of state assemblies. However, the most alarming aspect of the 1999 election for the Government was that despite their increased muscle, less than half of the ethnic Malay population voted for them.²⁴ UMNO dropped a total of 22 seats and 9% of the popular vote, winning only 72 seats with 56% of the vote and only narrowly holding on to the its two-thirds majority

²³ As Jomo explains (*ibid.*), although it was a regional crisis, unlike the high foreign debt of Thailand, Indonesia and South Korea, Malaysia's problems stemmed from the loss of foreign investor confidence in the Kuala Lumpur Stock Exchange.

²⁴ Santha Oorjitham (2000) 'Thinking Hard About Reform', *Asiaweek*, July 14.

in parliament necessary for constitutional amendment privileges. UMNO's state-media machine therefore remained in campaign mode throughout Mahathir's final term, and did much to instil Malay hopes for a very different kind of administration led by Abdullah.

Reconceptualising the West

Mahathir's rhetoric was two-pronged. He used every opportunity to deride the Barisan Alternatif (BA) opposition and its "potentially destabilising agenda" together with its sheltering of "terrorist suspects". And to the very end of his reign at the top he habitually demonised the 'West' for its "conspiratorial neo-colonial capitalist imperialism". Even in the wake of the October 2002 Bali bombing he was standing up for Islamic communities in Australia by lambasting what he described as reprisals. These diatribes were supported by the construction of the nationalist Barisan Nasional (BN) narrative that characterised the ideals of the governing coalition. Specifically, the narrative promoted self-betterment and modern sophistication in the face of insidious and infectious influences, underpinned by moderate Asian 'Islamic' normative values as distinct from pan-Asian religious values that ironically would more accurately have reflected the coalition's composition.²⁵ An important element of this narrative was the appeal for solidarity and the acceptance of strong leadership that acted in the national interest. And it was precisely this reading of the 'national narrative' in daily political affairs that had the opposition crying out "sandiwara" (a charade or stage play) in response to much of what Mahathir's Government said and did.²⁶ Since Abdullah's promotion however, the opposition appears to be floundering in their efforts to bait a much less angry leader.²⁷

To the 'West', Mahathir promoted the impression that Malaysians spoke with a single voice against the threat of Islamic destabilisation, and the forces of

²⁵ The relationship between Islamic values and Malaysian modernisation policies is usefully explored in Farish Noor's chapter in Han Sung-Joo (ed) (1999) *Changing Values in Asia: Their Impact on Governance and Development*, (Tokyo: Japan Centre for International Exchange).

²⁶ This is a recurring claim in the free online press such as Malaysiakini.com and often defended in the dailies. See for example Sajahan Waheed (2001) 'Dr M: Some people use Umno for their own gains', *New Straits Times*, Aug. 26.

²⁷ Leslie Lopez (2004) 'Taking anger out of politics', *Far Eastern Economic Review*, Feb. 19.

globalisation and unscrupulous foreign investors. The truth is that attracting foreign investment remained as important to the Malaysian peninsula during the Mahathir era as it had been for at least the previous hundred and fifty years.²⁸ However, the policy volatility that often accompanied Mahathir's verbal outbursts, particularly at the height of the economic crisis, was an incessant frustration to investors, making it difficult to quantify risk and rendering Malaysia's economy worse off than it might otherwise have been had it maintained consistent policies.²⁹ Moreover, the need to restore investor confidence explains why Mahathir eventually dropped currency controls that safeguarded against capital flight, at least as far foreigners were concerned, although he kept the ringgit pegged to the U.S. dollar.

Mahathir was a big target for the good governance agenda, and there were indications that he made concessions to firewall his leadership. There is evidence he listened to accusations of nepotism levelled against him, no doubt amplified by the family factor in the fall of Indonesia's former President Suharto. Mokhzani, Mahathir's second son, resigned from his UMNO job and sold sizeable stakes in two companies with government contracts for a significant loss, in order to concentrate on support his father's final political battles.³⁰ Mahathir's efforts did not stop with himself and his family. He clearly made a concerted effort to forge a lean, clean and united UMNO in his fight against the opposition and its supporters. This admittedly was a difficult thing for him to do given that UMNO has been traditionally factional due to the personalised nature of patronage politics.

'Accepting' Daim's resignation, who represented the second power nucleus in UMNO at the time, further demonstrated Mahathir's attempt to reinforce his party leadership, allowing him to stage his own departure from politics in due course. And as was the case following Anwar's ouster, Daim's business allies also lost control of their empires. Even before Daim resigned, and perhaps pivotal in Mahathir's embarkation on a new 'unification' strategy, a ruckus developed over the nationalisation of Malaysian Airlines that damaged the

²⁸ Loone with Jomo (2001) 'Renong' Pt. 2, *Malaysiakini*, Aug. 17.

²⁹ Andrew MacIntyre (2001) Institutions and Investors: The Politics of the Economic Crisis in Southeast Asia', *International Organization*, 55:1, p.111.

³⁰ S. Jayasankaran (2001) 'Final Sacrifice: Daim Bows Out', *Far Eastern Economic Review*, June 14.

relationship of UMNO's two most senior figures. Daim had pushed through a deal that paid out the national carrier's chief and former business partner, Tajudin Ramli, at almost three times the listed value. After Daim went, another of his associates, the Malaysian Resources chief, Abdul Rahman Maidin, soon followed with his resignation.³¹ Daim's protégé, Halim Saad, also lost control of the Renong Group, the former jewel in the crown of Malay business that had been drowning in debt following the economic crisis. Renong was made a subsidiary of United Engineers Malaysia (UEM), which the government then proceeded to take over. Replacing Daim's political supporters was also imperative. Between April and August 2001, twenty senior UMNO officials, including the party's secretary general and many division heads and branch leaders were suspended or removed based on allegations of offences relating to money politics.³²

Mahathir continued to defend privatisation, so he clearly wasn't embarking on a nationalisation spree,³³ with his initiatives perhaps better understood as personnel changes and debt restructure funded by government revenue under the guidance of the young London-trained accountant Azman Yahya.³⁴ This was confirmed in August 2001 when the Corporate Debt Restructuring Committee finally announced the acceleration of restructure plans for 32 firms that owed a total of RM29 billion. It was a bold attempt to get business back on its feet and re-establish Malaysia Inc. as a force to be reckoned with. Mahathir clearly recognised that this was essential evidence of good economic governance in action – 'Malaysia's way'. However, this government-sponsored rationalisation of business was not a cue for greater transparency or accountability.³⁵ Nevertheless it was an important step towards re-consolidating the powers of the Prime Minister in the project of promoting "the rule of the man of prowess rather than the rule of law".³⁶

³¹ S. Jayasankaran (2001) 'Mahathir to the Rescue', *Far Eastern Economic Review*, Aug. 23.

³² Waheed (2001) 'Dr M'..

³³ Susan Loone (2001) 'Mahathir defends privatisation policy, says it's not perfect', *Malaysiakini*, Aug. 27.

³⁴ *Far Eastern Economic Review* (2001) 'Malaysia's Debt Buster', Oct. 18.

³⁵ Terence Gomez (2001) 'Why Mahathir Axed Daim', *Far Eastern Economic Review*, July 5.

³⁶ Martin Jones (2000) 'What Mahathir Has Wrought'.

The consolidation of a united UMNO front is an additional strategy that has been recently added to the more traditional politicking that invoked the race and religion cards. UMNO have always argued that Malay political dominance that invites Chinese and Indian parties to be part of the governing process is the only way to ensure racial harmony. Moreover, UMNO warn that if the opposition was to be elected, the senior party in the BA, Parti Islam se-Malaysia (PAS), will impose an 'Islamic state' legal code in Malaysia that will marginalise non-Muslims and hinder modernisation. The 'Islamic state' claim is well grounded, as the issue has been a point of contention between PAS and its Chinese coalition partner, the Democratic Action Party (DAP). PAS signed a BA manifesto prior to the 1999 election agreeing not to pursue Islamisation of the state, although they had no intentions of downplaying their religious agenda in the Islamic heartland in the northeast. Interestingly, in one of Mahathir's backflips, the Prime Minister widely pronounced that Malaysia was already an Islamic fundamental state. While out of character for Mahathir, his claim was understandable in the context of his imminent graduation to the ranks of elder statesman in the mould of Singapore's Lee Kuan Yew. Mahathir clearly wanted to project himself as the definitive Malaysian Moslem.³⁷ And it also served to wrong foot the opposition and make inroads into their support-base. Perusal of the Malaysian dailies at the time turns up numerous news stories quoting Mahathir and other senior UMNO figures denouncing 'PAS fundamentalism'. The inference being that there is a distinction between religious and politically motivated religious fundamentalism.

A true Islamic state has been a long held ambition for PAS, who maintain that it is constitutionally feasible because of the religious concessions made by its departing British architects. This view was accommodated by the pre-Mahathir BN, which actually included PAS between 1969 and 1978. However, tension over control of the state government in Kelantan at the time, together with the impact of Islamic fundamentalism on a new generation of Malays, prompted PAS to leave the coalition. Mahathir proceeded to promote 'sensible Islam' as definitive majority (or at least middle-class) values, while attempting to progressively marginalise what he labelled socially divisive radicalism. This task

³⁷ Michael Vatikiotis and S. Jayasankaran (2002) 'Extremists, Step Aside'.

was made simpler by the recruitment of Anwar, who was a prominent Islamic student activist.³⁸

Despite Mahathir's efforts to paint PAS as extremist, the Islamic party managed to not only retain control of the Kelantan government in the 1999 election, but was also successful in the adjoining oil-rich state of Terengganu. This helps to explain Mahathir's brazen actions during his final term such as the detaining of seven PAS 'militarist suspects' under the ISA, including Nik Adli, the son of Kelantan's Chief Minister and PAS spiritual leader, Nik Abdul Aziz Nik Mat.³⁹ But in a vote of confidence for Abdullah's moderate Islamic policies, PAS lost Terengganu to UMNO and only retained Kelantan by a 3 seat majority in 2004. And the record-breaking 85% electoral turnout in Terengganu is testament to Abdullah's positive, machinery-backed, "populist and very effective campaign".⁴⁰ Also contributing to this result is the express desire of Malaysians for outsiders in this post September 11 climate to see the country as a moderate Islamic democracy. In total, PAS picked up only 7 seats, 5 seats less than the DAP. This was a devastating result for PAS, which won 27 seats in 1999.⁴¹

Meanwhile, a third member of the BA⁴² with parliamentary representation is the National Justice party known locally as Keadilan Nasional, which was formed by Anwar's wife, Wan Azizah Wan Ismail, prior to the 1999 election. The party's aim is to rise above the politics of race and religion, although its affiliation with PAS arguably compromises this goal somewhat. Mahathir argued that these cleavages are unavoidable in Malaysian politics because of the ethnic challenge to Bumiputra development and the perennial appeal of an Islamic state to "extremists". His major criticism of Keadilan's policies was that their notions of national justice threaten the BN pact that has sustained growth and largely avoided inter-racial violence since independence, while drawing attention to the instability that has resulted from *reformasi* in Indonesia. This truly reformist

³⁸ Ibid.

³⁹ Mark Baker (2001) 'Son jailed for 'sins' of the father', *The Age*, Aug. 25; *Malaysiakini* (2001) 'Islamic extremists plotting to seize power: PM', Aug 31.

⁴⁰ S. Jayasankaran (2004) 'A vote of confidence', *Far Eastern Economic Review*, April 1, quotes Bridget Walsh of John Hopkins University.

⁴¹ Ibid.

⁴² Parti Rakyat Malaysia (PRM) is the fourth member of the BA.

element of Malaysian politics appears to be a spent force though after the 2004 elections, with Wan Azizah Wan Ismail only just securing re-election in Anwar's old seat, albeit with a 93% reduction in her majority.⁴³

Important in terms of the focus here, Mahathir's 'stability-punctuated' rhetoric implied that Malaysia's long-term economic performance during his leadership, outweighed other social and political determinants as the ultimate good governance yardstick. It is arguable though that this emphasis on Malaysian macroeconomics and its defence against 'Western hegemony' actually deflected the heat from inefficient and improper governing practices. Hence, by disciplining party members for alleged money politics, Mahathir reinforced his repudiation of cronyism allegations and the government's lack of transparency.⁴⁴ Nevertheless, even before Abdullah took over, he made it clear, "[t]he perception that UMNO is a corrupted institution must be changed."⁴⁵ In reality though, the tough disciplinary measures imposed by Mahathir from above reinforced the idea that effective governance remains concentrated in a few hands that are able to act swiftly and decisively, unhinged from party politics and an ethos of mutual protection. And the Office of Prime Minister was further strengthened by the 2004 landslide election victory. In essence, governance emanating from the UMNO machine remains top-heavy, autocratic, and economically focussed. And there is little chance of this platform being modified anytime soon, despite Abdullah's more conciliatory style.⁴⁶

'East Asian' good governance

Much of Mahathir's neo-colonial diatribe was aimed at the IFIs, and these arguments also served to detract from the validity of 'Western' good governance as an agenda, without having to negotiate the minefield of directly critiquing the notion's individual facets. Conveniently for Mahathir, the 'Western' notion of good governance tied together its IFI architects and their Malaysian political 'proxy' prior to September 11, the BA. This prompted Mahathir to label Anwar and the opposition "foreign stooges" following former US Vice-President Al Gore's criticism of Anwar's dismissal and arrest, and open support for

⁴³ Jayasankaran (2004) 'A vote of confidence'.

⁴⁴ Holland (2001) 'Shaking the Party Grip on Power'.

⁴⁵ Penny Crisp and Arjuna Ranawana (2001) 'Rebranding Mahathir', *Asiaweek* June 29, p.18.

⁴⁶ Michael Vatikiotis and S. Jayasankaran (2002) 'Extremists, Step Aside'.

reformasi, in a Kuala Lumpur APEC meeting in November 1998.⁴⁷ Much was made of this union during the 1999 election campaign, in response to the opposition's repeated calls for good governance, interpreted to mean government reforms relating to transparency, accountability, separation of powers, and corruption.⁴⁸ The criticism from Gore chilled political relations at the time, but Mahathir and now Abdullah have clearly built a much better relationship with the Bush administration.⁴⁹ If nothing else, these closer ties will dampen the enthusiasm of prominent US-based officials in calling for improved Malaysian governance, preparing the way for good governance – 'UMNO style'.

The similarity between Abdullah's recent policy initiatives and the official discourse associated with the policies that have consistently "crowded out" Western notions of good governance in neighbouring Singapore, appear more than coincidental. On a visit to Malaysia while Mahathir was still Prime Minister, Lee Kuan Yew stated that the erosion in UMNO's moral authority "could be stemmed if UMNO adopted 'certain policies'".⁵⁰ His comment only thinly veiled the confidence that Lee Kuan Yew has in the Singaporean method of quelling 'liberal democratic' discontent, and it is this path that UMNO has clearly been pursuing.

The 'Asian values' debate has raged in Singapore for at least a decade, with the argument for liberal democracy defended largely by the distinctly home-grown notion of 'good governance'.⁵¹ This is explained by the Singaporean government as constituting: (1) an accountable and transparent government, (2) a long-term orientation by the government in deciding policy options for its society, and (3) social justice, that is, equality of opportunity irrespective of race or religion.⁵²

In contrast to Mahathir, who denied that the first component of Singapore's good governance prescription required administering, this has ostensible

⁴⁷ Mahathir Mohamad (1999) *A New Deal for Asia* (Kuala Lumpur: Pelanduk), p. 147.

⁴⁸ Ibid, pp.71-2.

⁴⁹ *Far Eastern Economic Review* (2001) 'Mahathir Eyes the White House' July 26.

⁵⁰ Leong Kar Yen (2001) 'Umno may lose 'moral authority' to rule, says Kuan Yew', *Malaysiakini*, Sept 5.

⁵¹ Subramaniam (2001) 'The Dual Narrative of "Good Governance"', p.68.

⁵² Ibid. See also Singapore government 'Principles of Governance'. Available at www1.moe.edu.sg/ne/About_NE/Government/governance_principals.htm.

become Abdullah's central thrust. In regard to the second tenet of Singapore's good governance, there is no disputing that the Malaysian government has a long history of affirmative decision-making on behalf of citizens. The 2 decades of Mahathir's as head of an undefeated political party has enabled long-term central planning, a situation that may be comparable to some authoritarian regimes but is seldom found within democracies. Before retiring, Mahathir acknowledged the unique longevity of his leadership, arguing that this had been beneficial for Malaysia. He claimed that "[t]wenty years is a 'good amount of time' to spend in office as a country's leader as shorter terms could be a stumbling block to proper governance".⁵³ Or as Singapore Prime Minister Goh explains, consistent electoral success with comfortable majorities prevents his country falling "hostage to the multiplicity of narrow interest groups; [and] to the clash and clamour of contending opinions".⁵⁴

The third component of good governance emphasised by the Singaporean government is linked to these ideas of limited democracy. Meritocracy and notions of the 'common good' are the two issues that the Singapore government prefer to highlight for the purpose of encapsulating social justice. More than anything else, it was the implications of these ideas that quite literally drove Malaysia and Singapore apart in 1965, and remain a major stumbling block to reunification. While UMNO is not likely to embrace what is essentially Keadilan's 'national justice' opposition platform anytime soon, surprisingly Mahathir tentatively commenced working on replicating the dual foundations of Singapore's social justice system. This initiative is continuing under Abdullah.

Some commentators described Mahathir's dabbling into the meritocracy debate as a 'knee-jerk reaction' to the realisation that student racial quotas have inflamed anti-UMNO sentiment.⁵⁵ Clearly it was part of a twofold approach to curb the rise of Islamic student activism and its invariably PAS political affiliations, a strategy that appeared to be highly successful based on the 2004 election results. The meritocracy 'offensive' is confined to diluted notions of the

⁵³ Leong Kar Yen (2001) 'Twenty years as PM a 'good amount of time', says Mahathir', *Malaysiakini*, June 27.

⁵⁴ Goh (1997) 'Singapore and the East Asian Miracle', address given to the African-Asian Society in South Africa, Johannesburg, Feb. 27. In *Speeches: A Bimonthly Selection of Ministerial Speeches*, 21:1, p.15.

⁵⁵ Nik Nazmi Nik Ahmad (2001) 'Meritocracy plan a knee-jerk reaction', *Malaysiakini*, August 21.

term, which actually effect stiffen entry criteria for Malays wishing to attend university. The government is even considering scrapping entrance quotas for Malays. Such talk has encouraged a rapid increase in expectations within the tertiary education sector. For instance, calls have been made to embrace meritocracy as the guiding principle for senior academic appointments. More worrying for the government, the debate is spilling out into the wider community. As Bruce Cheesman observed however, even a restricted version of meritocracy may lead to unrealistic expectations within the Chinese, and particularly the “needy” Indian, populations.⁵⁶ If expectations do result, and are inevitably disappointed, there is a possibility that race relations will be inflamed. Adopting a Malaysian brand of meritocracy discourse is a perilous exercise, but it appears that UMNO is prepared to take that risk in the hope of acquiring the ‘good governance’ legitimacy apparently enjoyed by Singapore.

The second method being employed to counter student ‘extremism’ involved a media campaign that resulted in the proliferation of newspaper articles citing activities of *Mujahideen* motivated student youth.⁵⁷ The reports were accompanied by warnings that strict measures were being taken to force students to refocus on their studies. And students suspected of organising activities considered “detrimental to national security” were been arrested under ISA provisions.⁵⁸ Yet reports of suspected *Mujahideen* and even Al-Qui’da conspirers, according to Farish Noor, have been just the government’s spin on *Jihad*, “which has become common currency and part of public discourse”.⁵⁹ Indeed, in-depth discussions that cast *Jihad* in a favourable light can even be found on a linked page to UMNO’s official website.⁶⁰

Singapore’s ‘common good’ arguments were more familiar territory for Mahathir. Such arguments generally claimed that UMNO rule represented the best interests of all Malaysians in terms of racial harmony, political stability, and economic development. Once again though there are significant differences in

⁵⁶ Bruce Cheesman (2001) ‘Mahathir plays the merit card’, *The Australian Financial Review*, Aug. 17, p.25.

⁵⁷ Anil Netto (2001) ‘Militant’ Islam focus mixed with politics, say some’ *Malaysiakini*, Sept. 13.

⁵⁸ Mark Baker (2001) ‘Mahathir wields security laws to teach student critics a lesson’, *Sydney Morning Herald*, July 7-8, p.17; Holland (2001) ‘Legal Battle’.

⁵⁹ Farish A. Noor (2001) ‘Jihad in a tea cup: The other Malaysia’ *Malaysiakini*, Sept 9.

⁶⁰ See www.umno-online.com/

common good constructions in Singapore and Malaysia. In the island metropolis, the term implies self-sacrifice for the purpose of the ultimate betterment of all. Lee Kuan Yew describes Singapore as a Confucianist society where individual interest is usurped by communitarian culture.⁶¹ Malaysia, on the other hand, espouses a majority Islamic culture, which has been consistently challenged by the modernist nationalism of UMNO. The Bumiputra system shares some similarities with Singapore's communitarian development ethic in a racially restricted sense, although UMNO's rent allocation methods are in marked contrast to the purer capitalist methods employed by its merit-based neighbour. In essence, the battle for the moral high ground of the 'common good' as far as UMNO is concerned, is characterised by the notion of *Sejarah Melayu*, which is closely related to confucianist mandate ideas. The thinking implies that governments are the guardians of the 'national interest' and deserve bipartisan policy support. It follows that any oppositional views to government policy are not only considered unhelpful, but are actually regarded as a hindrance to government efforts to do 'good'.⁶²

This negation of the role played by the opposition in functioning democracies points to a third component of UMNO's understanding of 'social justice' that it shares with the governing regime of the island state to its south: legal state-centricity. Admittedly, Singaporean leaders are more hesitant to promote the primacy of the state over citizens than meritocracy and a 'common good' ethos, but the neighbours' similarity in respect to the legal apparatus of the state has implications for the way in which 'social goods' are delivered. A state-centric approach to social justice requires the construction of a legal institutional structure designed to serve the needs of the state as the chief dispenser of social goods, meaning that reform emanates from the state and not from the struggle of social movements.⁶³ The key to this orientation of public policy is explained by Jayasuriya as judicial independence "within rather than from the executive" (emphasis in original), leading ultimately to the fusion of civil society and the state.⁶⁴

⁶¹ Lee Kuan Yew (2000) *From Third World to First: The Singaporean Story 1965-2000, Memoirs of Lee Kuan Yew* (Singapore: Singapore Press), p.542.

⁶² Susan Loone (2001) 'Opposition prevents gov't from doing good, says PM', *Malaysiakini*, April 23.

⁶³ Mark Beeson (2001) 'Globalization, Governance, and the Political-Economy of Public Policy Reform in East Asia', *Governance*, 14:4, p.495.

⁶⁴ Kanishka Jayasuriya (1999) *Law, Capitalism, and Power in Asia* (London: Routledge), p.180.

Finally, Mahathir's blend of East Asian good governance was not an entirely new formula concocted in his 'Asian Values laboratory'. In substance it combined 'buzzword' vernacular with the traditional notions of *musyawarah* (deliberation) and *muafakat* (consensus), ideas that have gained significant currency with Abdullah as Prime Minister. These local terms characterise the government's policy contract that for so long has pandered to the interests of the psychologically and economically dependent Malaysian middle-class, who have been the traditional beneficiaries of the *status quo*.⁶⁵ Deliberation is not interpreted in a substantive democratic sense, but is understood as the relative arbitrary autonomy of the governing regime to incrementally make policy based on 'astute consideration' of events, without the need to engage in lengthy and potentially limiting consultations. This is balanced by the need for consensus, which is also used in a restricted sense to include only the government and its supporters rather than the entire population. Such a consensus is demonstrated by the electoral gerrymander that favours UNMO's constituency. Indeed, convinced by the virtues of political gerrymandering, one government sympathiser declared in a letter to the *New Straits Times* that:

"One man, one vote" in many societies fails to mask severe social injustices and unconscionable exploitation glossed over by a global fixation with the so-called "free and fair election" and largely impervious to the best efforts of some wellmeaning "do-gooders"... "How fortunate we are to have leaders not motivated by mere dreams of self-enrichment and how especially lucky that they are able to pursue dreams of greater glory for the nation without being hamstrung by interminable debates, hearings, demonstrations and other obstructionist actions by this interest group and that".⁶⁶

Views outside this 'consensus' of 'good governance in action' are simply not published in the state run media, which has become widely disbelieved, with circulations falling more than 20%.⁶⁷ The independent news website *Malaysiakini*, with both English and Malay reporting, has much greater credibility, attracting as many hits as the Malaysian dailies have readers, and many more than the sharply falling circulation of the leading English daily *New*

⁶⁵ See Martin Jones (2000) 'What Mahathir Has Wrought'.

⁶⁶ John Teo Kuching (2001) 'The price one often pays for democracy', Letter to Ed. *New Straits Times*, Aug. 7.

Straits Times.⁶⁸ The government has of course recognised this emerging 'problem', and has moved to regulate Internet journalism, but these efforts have met with only limited success to date.⁶⁹

Discussion

Mahathir was undoubtedly the quintessential 'good governor' for some Malaysians. Going by the 2004 election, many Malaysians believe Abdullah may be even 'better'. Mahathir got the good governance ball rolling by sacrificing friends, reining in family, consolidating debt, talk of meritocracy and clamping down even further on critics. And Mahathir's strategy was strengthened by his claims of victory in the currency control argument, the assertion of his economic 'prowess', his alleged defence of Islam, and the rebounding of demands for the restructure of Malaysia's financial architecture back to the international community.⁷⁰ Since retiring, Abdullah has continued to raise the good governance agenda's profile and is clearly more comfortable with the 'International' discourse in contrast to Mahathir's domestic authoritarian variant. Meanwhile, the race and religion cards that continue to be played by UMNO supplement these measures.

Mahathir promoted 'moderate nationalism', 'moderate Islam', and even 'moderate democracy'⁷¹, and fully grasped the resonance of good governance discourse, using it deftly to bolster his East Asian paradigm. The opposition used the quite different 'Western' version of good governance to reap a much-improved performance in the 1999 general election. But Abdullah and UMNO have learnt quickly about the power of good governance discourse, successfully reversing the result in 2004. Having spurred UMNO into action, the BA has been left with limited opportunity to debate the nature of good governance using conventional means. Nevertheless, the politics of good governance is playing an increasingly influential role in Malaysia, not only in terms of policy, but in the way Malaysians themselves are thinking about the way they are governed. Ultimately, the agenda may even help to instil the importance of struggle,

⁶⁷ Funston (2001) 'In Malaysia, a leader who's lingered just a little too long'.

⁶⁸ James Wong Wing On (2001) 'A tale of two key NST editors', *Malaysiakini*, Sept. 17.

⁶⁹ Jayasankaran (2001) 'Final Sacrifice'.

⁷⁰ See Setapa (2001) 'Internal reform alone won't do'.

opposition and political bargaining to ideas about democracy that arguably only a transformation in political rationality can bring about.

Malaysia has rebounded well from the economic crisis in the late 1990s, not that this study has focussed on this recovery. Instead we have undertaken a close reading of Malaysian politics to ascertain the influence of good governance discourse and ideas. In Malaysia's case, this discourse largely stems from international sources that have been systematically denounced for a generation. This resulted in delayed embrace, distortion of meaning, an empowered opposition, and finally a reinvented administration that is rapidly learning the potency of good governance notions throughout society. Yet the lop-sided 2004 election result is likely to ensure that it remains very much an East Asian version of the agenda, retaining civil restrictions and maintaining power at the centre.

This supports the findings in the Thailand case that good, 'economically astute' and 'strong' governance continues to be the benchmark of legitimacy for public administration in Malaysia. The foundations for this rationale date back to Malay court practices that demonstrated how divine rule pivoted on the respect shown to subjects. This helps to explain the 2004 vote of confidence in UMNO with the diplomatic Abdullah at the helm, and the implementation of the new 'demonstration' strategy, which strikes at the heart of good governance ideals. However, this strategy is not just about leading by example and building capacity, it is a politically charged initiative that further undermines the arguments of the opposition by occupying the moral highground in a way that emulates its economic powerhouse neighbour, Singapore. If anything, this will reinforce the East Asian political rationality alternative to the modern West's governmentality perspective, resulting in the consolidation of power at the centre rather than the centrality of a more open politics.

Conclusion

In Malaysia we have seen how stability and an overriding state-sponsored development ethos has reinforced a governmentality that many have described as the Asian way. Just how vulnerable this Asian way can be to the volatility of

⁷¹ *Malaysiakini* (2001) 'Good' dictators...?.

markets was demonstrated with shuddering affect during the economic crisis. Malaysia's attempt to generate good governance and avoid future crises have involved a cross pollination of ideas from the West to an undeniably East Asian root stock. Good governance in Malaysia is more about following the example of a reinvented centre than improving self-governance and being empowered by a range of tactics. Like Thailand therefore, the standard of living, particularly for urban Malaysians, continues to rise, while the people are not becoming significantly more Western in the way they think about government and governance practices.

Hampered by being ruled by a Coalition that lacks serious opposition, Malaysian public administration remains largely impervious to the limited advocacy of broader social and political forces. Nevertheless, as Garry Rodan points out, in response to the Asian crisis, "authoritarian governments in Singapore and Malaysia have now legitimated a domestic transparency discourse that their critics and opponents can be expected to try and harness for their own causes".⁷² Such efforts are only likely to become more concerted very gradually as East Asian governmentality is more seriously challenged. Perhaps the greatest obstacle to be overcome is the Government's demonstration strategy itself, given that while it has started talking about the need for transparency, it continues to exercise control over central banking policy, maintains a tight grip on the judiciary and the press, and jealously guards central decision making.

Good governance politics is playing an increasingly significant role in Malaysia. The politics is not about the transplantation of a Western governmentality yet, but it would appear inevitable that its own development agenda will continue to bring Malaysian 'East Asian' political rationality under question. For now though, good governance is proving to be a useful discursive tool in UMNO's hand to further diminish the legitimacy of the opposition, reinforcing remote governance from the centre. Specifically this has been a politics focussed on leadership capability that has recently undergone a metamorphosis with the change in Prime Minister to become more about the demonstration of good governance

⁷² Garry Rodan (2002) 'Do Markets Need Transparency? The Pivotal Cases of Singapore and Malaysia', *New Political Economy*, 7:1, p.42.

from the centre. This is not learning by doing and self-discipline, it's improving by following, induced by discipline from above. This finding proves the hypothesis correct in Malaysia's case.

CHAPTER 7: INDONESIA

Perhaps more than anywhere else in Southeast Asia, the politics of good governance in Indonesia is changing the expectations of the people, resulting in the emergence of a credible 'bottom-up' political movement. Widespread discontent with hypocritical and distant populist and military leaders who talk much about good governance but do little to root out corruption amongst their associates, has provided a platform for an Islamic-based good governance agenda led by relatively unknowns who practice what they preach. Better representation is the message coming out of the April 2004 elections, when the PKS (Justice and Prosperity Party) benefited from the shrinking of the major party vote, particularly in Jakarta. The PKS is almost entirely focused on delivering good governance and cracking down on corruption, and has so far managed to downplay its advocacy for introducing Sharia Law.

This demand for better representation is arguably the unfinished business of the reformasi movement, which commenced in the 1990s. Reformasi in Indonesia has been characterised by the apparent convergence of political actors pursuing good governance within new demokrasi frameworks. The rise of the reformasi movement in Indonesia was also accompanied by a new public discourse, in which the notion of good governance became fully integrated.¹ Years of administrative and political repression buckled under burgeoning aspirations fed by mass protests that brought down the Suharto regime and secured new freedoms such as those of association and publication, and delivered a more democratic electoral system. The doctrine of good governance was rapidly and widely accepted as a superior set of social, economic and political ideas to the pancasila ideology of Suharto's 'New Order', which championed family values, order and nationalism.

According to many in Indonesia, good governance is the prime facilitator of sustainable social and economic development. The general opinion is that development under the Suharto regime was stilted and finally collapsed under

¹ Ginandjar Kartasmita (1999) 'Governance and the Problem of Corruption', address to the 8th Consultative Group on Indonesia, Paris, July 27.

the internal contradictions that emerged. Voices of reform within the reformasi movement were claiming that good governance could be achieved largely by legal reforms that enforced the rule of law, and by sponsoring institutions that cultivate a robust civil society that will safeguard against human rights abuses and endemic corruption. This chapter investigates these claims, and finds that despite major advances being made in terms of legislation and the strengthening of certain aspects of civil society, many of the objectives of good governance are yet to be realised. This in the very least suggests that the transition period between authoritarian rule and well performing more 'participatory' democratic forms of governance is likely to last much longer than many people would have hoped.

To test this dissertation's hypothesis we will need to examine a number of important questions. For instance, what does good governance mean in Indonesia, why has it become so rapidly embedded in the public discourse, who have been the main protagonists of the agenda, and who is set to benefit most from it? Central to answering these questions is the understanding that good governance in Indonesia was ideologically accepted as a national goal in May 1998 after the fall of Suharto. In this respect, it is characterised by a loose consensus of opinion of what the notion actually means, and there remains lively debate about the best way to implement the agenda, particularly amongst powerful political interests. Viewing good governance within the historical as well as current contexts of Indonesian politics helps to explain why there is debate over the implementation agenda, and sheds light on why government strategies and decisions appear to diverge in some instances from what good governance advocates repeatedly prescribe.

A second line of investigation evaluates aspects of the legal and civil society components of Indonesia's demokrasi project, taking into account Alasdair Bowie's suggestion that given the fuzziness normally associated with value judgements, it may be more useful to talk of 'better' rather than 'good' governance in Indonesia.² Following on from the discussion about the meaning of good governance in Indonesia, it is reasonable to suggest that better

governance is validated by better outcomes. And better outcomes are often said to include substantive democratic reforms that foster institution building and the enhanced participation of civil society. In terms of legal benefits, better outcomes include a reduction in corruption, and the reinforcement of the rule of law creating an 'enabling environment' for economic security, growth and investment. And it is economic growth that is said to bring prosperity and meaningful benefits for the bulk of the population. However, as many observers have pointed out, despite major electoral reforms, the flourishing of NGOs, and a return to positive economic growth figures³, most of the indices that are used to measure good governance demonstrate that there has been little improvement since May 1998.

The findings suggest that certain continuities in the lingering 'special relationship' between the military and elitist elements within the major parties, and the disconnection between the state and the citizenry, appears to have offset legislative advances. This has resulted in half-hearted attempts at enhancing the capacity of civil society. It may be that achieving good governance would be more likely if concerted attempts were made to expose and disenfranchise such interests. For this to occur, it would appear that good governance in Indonesia must have a specific and clearly articulated political dimension. The rise of the PKS embodies this dimension, and appears to be laying the foundations for a comprehensive shift in political rationality, albeit within an Islamic framework.

A question of discourse

There is nothing particularly 'Indonesian' about good governance, although the construction of the national persona in terms of values undoubtedly helps to underpin the current widespread popularity of the concept. By this it is meant that the 'Indonesian national project' draws its strength and politics from administrative unity overlaid on social and cultural diversity.⁴ Specifically, this

² Alasdair Bowie (2001) 'Harnessing Gravity', address to the Globalization: The Agent of Good Governance? Workshop, April 25. Available on the net at: <http://wwics.si.edu/asia/reports/2001/glblgov.htm>

³ It should be pointed out that gains from modest economic growth has been offset by 11% inflation, 18% depreciation in the rupiah, and rising interest rates during the first 6 months of 2001.

⁴ Michael Leifer (1983) *Indonesia's Foreign Policy*, (London: Allen & Unwin), p.xiii.

administrative influence stems from its Dutch colonial experience, replete with the harsh excesses of the culture system in the mid 1800s. And the pattern setting Javanese emigration strategy of the early 20th century 'Ethical Policy', was clearly instrumental in administrative unification of the native and immigrant peoples of this vast archipelago. Inadvertently though, this history bound the East Indies together in their struggle not only for independence, but for a "just government". This was pointed out by the indigenous lawyer, S.L. van der Wal, who argued that a just government, whether that be Dutch, Japanese or Indonesian in form, was the ultimate priority of the Indonesian people prior to independence.⁵

This helps to explain the re-emergence during Suharto's New Order of the three historically dominant political values of order, harmony, and unity within a hierarchical framework of statecraft. These values originally took root in the old Javanese kingdoms, and permeated the Hindu-Buddhist kingdoms and the Islamic Mataram kingdom.⁶ It gave resonance to Suharto's claim that Sukarno's 'Guided Democracy' had deviated from the Pancasila and the 1945 Constitution through its obsession with revolution. As pointed out above, the Pancasila was the official state ideology of 'New Order' Indonesia, and comprised the principles of belief in God, a just and civilised humanitarianism, national unity, democracy through consultation and consensus, and social justice. It was cited extensively by Suharto to rhetorically justify the New Order, but in practice it served to deflect criticism from the reinforcement of the historical imposition of state over society, an idea captured in the well-used term *manunggaling kawulo-Gusti*.⁷ Conveniently, the notions of opposition and accountability are inconceivable within Pancasila ideology, lending weight to New Order legitimacy derived from its core objective: political stability, and as a function of this – economic development.⁸ This is despite the Pancasila's explicit directive that Indonesia should not be a 'capitalist' society.⁹

⁵ S.L. van der Wal (1964) *De Volksraad*, pp.587-97, reproduced in C.L.M. Penders (ed.) *Indonesia: Selected Documents on Colonialism and Nationalism 1830-1942* (St. Lucia: Uni of Qld Press), p.347.

⁶ *Ibid*, pp.120-1.

⁷ *Ibid*, p.121.

⁸ *Ibid*, p.122.

⁹ Agus Wahyudi (1999) 'The Indonesian middle class intellectual and the end of the new order', in *Indonesia di Abad 21: Menju Masyarakat Baru*, Risalah Sarasehan ed. (Canberra: Indonesian Embassy), p.38

Four elements arising from stability and economic development help explain the longevity and ultimate demise of the New Order. The Suharto regime successfully managed to repress political struggle. It created 'New Order friendly' institutions. It transformed existing organisations into instruments of the government on every level of society. And it crowded out competing ideologies, even Islam. This meant that many of the most dedicated Islamic followers preferred to support the official opposition. And perhaps most decisively, Suharto won acceptance by delivering economic goods, albeit at the cost of rising indebtedness and the coexistence of extreme poverty and wealth in the resource-rich outer regions.¹⁰ However, by the 1990's, these elements could no longer operate cohesively. Fundamental economic transformation and the influences of globalisation eventually gave rise to political and ideological discontent and the emergence of new values associated with good governance: in short, enhanced democracy allowing increased participation, transparency of decision-making, a crackdown on corruption, collusion and nepotism, and respect for human rights. However, this is not to suggest that the new values have been conceptualised the same way as in countries with lengthy liberal traditions, and this has implications for expected outcomes and the testing of our hypothesis here.

The terminology frequently used to denote the notion of good governance in Bahasa (Indonesian) is *pemerintahan yang bersih dan berwibawa*, which directly translated means 'clean and honourable governance'.¹¹ *Pemerintahan* (meaning governance) derives naturally enough from the word *perintah* (to govern), and carries with it clear connotations of a vertical relationship such as would exist between employer and employee, teacher to student, parent to child, and so on. In the context of the state, *pemerintahan* refers to the instructions within the structured chain of command that positions the president on top, and descends to the lowest authority represented by the local police chief or the village head in rural areas. Moreover, the public excluded from this authoritative structure of the state occupy a collective group that generally

¹⁰ Ibid, p.127; Jamie Mackie (1993) 'Indonesia: Economic Growth and Depoliticization', in J.W. Morley (ed.) *Driven by Growth: Political Change in the Asia-Pacific Region* (New York: M.E. Sharpe), p.81; and Gerry Van Klinken (2001) 'The Coming Crisis in Indonesian Area Studies', *Journal of Southeast Asian Studies* 32:2.

¹¹ Mangara Tambunan (2000) 'Indonesia's New Challenges and Opportunities: Blueprint for Reform after the Economic Crisis', *East Asia: An International Quarterly*, Summer, 18:2.

expect to be 'governed' by those that are a part of the state apparatus. This vertical governance relationship overlaid by a clear separation between the state and civil society is clearly evident in the harsh and arrogant attitudes exhibited by many government officers and the mixed response of fear and unquestioned respect from the citizenry. Interpreting governance in this way may well be testimony to the effectiveness of the New Order and its efforts to invoke social continuities from Indonesia's feudal past, but also underscores how difficult it will be to introduce western notions of 'good management' that operate within a democratic culture defined in Western terms.¹²

Now that we have seen how good governance is conceptualised in Indonesia, it is important to find out who is behind this new discourse. Indonesian specialist, Mangara Tambunan, argues that the World Bank and other international institutions are primarily responsible for popularising good governance in Indonesia. Tambunan explains that "[p]rior to the Asian economic crisis, various domestic organisations had criticised the World Bank for its failure to use good governance as a basic prerequisite for extending loans to the government".¹³ In this pre-crisis phase, most of the Bank's efforts to effect structural and normative change had been directed at poorly performing less developed economies such as those in Sub-Saharan Africa. A popular analysis of the economic crisis however, pointed to widespread corruption, crony capitalism and weak institutional structures, prompting the Bank to refocus its good governance agenda on those states in East Asia in most need of assistance. The Asian Development Bank also clearly blames poor governance for the enormous costs of the crisis to the Indonesian general public, if not specifically attributing the crisis to poor governance itself.¹⁴

Other international interests pursuing good governance in Indonesia include multi-national companies (MNCs). Not only are MNCs seeking self-interest in terms of improved investment conditions, but are more innocently the instrument for the conveyance of policy and practices that have been developed elsewhere. As Bowie points out, "ideas come into a country on the heels of

¹² Zeky Ambadar (2001) 'Do we use appropriate terminology?', *Jakarta Post*, May 23.

¹³ Tambunan (2000) 'Indonesia's New Challenges and Opportunities'.

foreign capital". He qualifies this observation though by adding that "[i]f foreign investors have provided services beneficial to the Indonesian population, it is only because activists and NGOs (non-Government Organisations) have held their feet to the fire".¹⁵ A plethora of NGOs have also taken up the good governance agenda, aiming for reforms at the community level. However, with corruption rampant even within grassroots organisations, unless NGOs can practise good governance themselves, their message of reform is less likely to be taken seriously.¹⁶

There is no doubt that the student protests of 1998 represented a genuine mass-based movement against perceived bad and repressive governance, fuelled by the incorporation into popular culture of the issues and prevalence of nepotism, corruption and collusion.¹⁷ The May 1998 riots were clearly the expression of grassroots political anger that had simmered for up to four years previously.¹⁸ It is therefore wrong to view these events in isolation as the only demands for reform of any significance, but was more accurately the culmination of mass protests that were launched in July 1996, after two years of organised street protests dating from 1994. It is difficult to gauge the level of endorsement for good governance amongst 'the people'. However, even if the agenda enjoys overwhelming support within the community, there are few avenues for expressing it given the lack of genuine grassroots political representation. This means that there are not only restricted opportunities for demanding responses, but public opinion itself has limited political currency.

Other community spokespeople from the rapidly expanding band of NGOs, some public academics and political commentators, and elements within the media have worked towards the realisation of good governance. However, the most prominent domestic voices hailing good governance have been on the other side of the governed – governor divide. These belong to a handful of

¹⁴ *Asian Development Bank* (1999) 'Good Governance and Anticorruption: The Road Forward for Indonesia', paper presented at the Eighth Meeting of the Consultative Group on Indonesia, p.14. Online: http://www.adb.org/Documents/Papers/Governance_Anticorruption/4agov-an.pdf

¹⁵ Bowie (2001) 'Harnessing Gravity'.

¹⁶ Dini Djatal (2001) 'A Small Matter Of Trust', *Far Eastern Economic Review*, Sept. 20.

¹⁷ Max Lane (1999) 'Mass politics and political change in Indonesia', pp.239-51 in A. Budiman, B. Hatley & D. Kingsbury (eds.) *Reformasi: Crisis and Change in Indonesia* (Melbourne: Monash Asia Institute), p.246.

¹⁸ *Ibid*, p.240.

prominent reform-minded politicians and generals and the collective pressure of the PKS. Until recently these voices have had only tacit approval from the majority of political, military and religious elites who have largely dictated political discourse, and have been chiefly responsible for the replacement of Suharto's monopoly with an "oligarchy" made up of a handful of New Order apologists.¹⁹ The most prominent single spokesperson for good governance in Indonesia is Laksamana Sukardi. Laksamana is widely recognised as one of Indonesia's most incorruptible public figures, and has done a reasonable job in President Megawati's administration as State Enterprises Minister responsible for selling off and restructuring Indonesia's many insolvent firms. A very popular news and opinion publishing web-site featuring many of his articles is even named in his honour.²⁰ And close scrutiny uncovers reformers in the military also. Although not focused on good governance specifically, the 'loose cannon' General Agus Wirahadikusumah is perhaps the most committed officer in the armed forces to the decree directing the removal of the military from political affairs.

International interests, prominent domestic campaigners, and to a lesser extent, the general public have thus forged a good governance alliance that is working towards the embedding of a new, imported 'Western-liberal' value system. At present though, the 'new values' alliance is struggling against being crowded out at best and marginalised at worst by elites who recognise the importance of legitimate governance, but lack the will to discard their old values for a number of reasons. Still, the new values are gaining ground, having been primarily responsible for sweeping Suharto out of office after 32 years as president, with timely assistance from the Asian economic crisis. Suharto's regime admittedly had been in decline since the mid 1990s, and he "himself became the only functioning government institution".²¹ Nevertheless, he had only just been returned after yet another decisive election victory in May 1997²² when the crisis struck, and opposition political organisations were only in embryonic

¹⁹ John McBeth (2001) 'Nothing Changes', *Far Eastern Economic Review*, Nov. 1.
Nursyahbani Katyasungkana (2000) 'Exchanging Power or Changing Power? The Problem of Creating Democratic Institutions', pp.259-68 in C. Manning & P. van Diermen (eds) *Indonesia in Transition: Social Aspects of Reformasi and Crisis* (London: Zed Books), p.267.

²⁰ See www.laksamana.net

²¹ Laksamana Sukardi (2001) 'The Roots of Nationalism in Indonesia', *Laksamana.net*, March 16.

²² The elections were marked by over a million demonstrators on the streets of Jakarta.

forms. “Stability and development” thus made way for “reformation and development”, and the prime aims of eliminating the tyranny and nepotism of Suharto’s regime. This is what Arief Budiman described as the “transplacement” of Suharto’s authoritarianism with the New Order opposition.²³ And it was to this purpose that Suharto’s deputy, B.J. Habibie, dedicated himself when he took over in accordance with Article 8 of the 1945 Constitution in May 1998, surprising many by presiding over what has been described as an “almost Gorbachev-esque period of political reform”.²⁴

Measuring better governance

As pointed out, May 1998 also marks the emergence on the public stage of the official opposition, led most visibly by the brazenly ambitious Amien Rais, now head of the National Mandate Party (PAN) and the former People’s Consultative Assembly Chairman.²⁵ Under Habibie’s Presidency, Rais shared the opposition with his New Order opposition colleagues, Habibie’s successor Abdurrahman Wahid (often referred to as Gus Dur) head of the Partai Kebangkitan Bangsa or PKB (National Awakening Party), and his successor Megawati Sukarnoputri of Partai Demokrasi Indonesia-Perjuangan (PDI-P, meaning the Indonesian Democracy Party of Struggle, which was originally created by the Government in 1973). Their task was to distance themselves from the corruption-stained ruling Golkar Party, and position their parties as popular alternatives. The new stability and development platform however, left the opposition with nowhere to go but claim that Habibie’s reforms were not enough.²⁶ Notwithstanding a vigorous underground publication alliance²⁷, such claims could only be widely broadcast by one of the greatest achievements of the Habibie administration,

²³ Arief Budiman (1999) ‘The 1998 crisis: change and continuity in Indonesia’, pp.41-58 in A. Budiman, B. Hatley & D. Kingsbury (eds) *Reformasi: Crisis and Change in Indonesia* (Melbourne: Monash Asia Institute), pp.47-8.

²⁴ David Bourchier (2000) ‘Habibie’s Interregnum: *Reformasi*, Elections, Regionalism and the Struggle for Power’, pp.15-38, in C. Manning & P. van Diermen (eds) *Indonesia in Transition: Social Aspects of Reformasi and Crisis* (London: Zed Books), p.15.

²⁵ When asked by a *Dateline* reporter, “[b]asically you want to be President, right?” in the program ‘Wahid’s Legacy’ which screened on *SBS Television* on July 25, 2001, Amien Rais replied, “[y]es. Also, I know I do not have any hesitation to tell this to you publicly because you are a Western man and it is quite normal in the Western countries for a politician to speak out his or her ambition. But in this country, I cannot tell plainly like that. People will get at me.”

²⁶ Takashi Shiraishi (1999) ‘Indonesian politics: Current situation, future outlook’, *Asia-Pacific Review*, 6:1, p.63.

²⁷ David Hill (1997) ‘Pressing Challenges: The threats facing Indonesia’s print media’, *Harvard Asia Pacific Review* 2:1, pp.39-41.

the lifting of media restrictions. The new freedoms culminated in the drafting of the new Press Law 40/99, which was quickly implemented despite resistance from Habibie's Minister for Information, General Yunus Yosfiah.²⁸ The end of media bans in Indonesia clearly represented the most significant shift towards media freedom in financial crisis-ravaged Asia, and no doubt increased the momentum of the reform agenda, leading to what William Neilson describes as a "rush to law" and half-baked institution building.²⁹ It certainly opened the floodgates on media discussions about the need for good governance, and an information-starved public hungrily consumed these offerings.

Accordingly, the Indonesian people embraced the discourse of good governance more so than their new leaders. Political elites became engrossed in attempting to balance the new popular demands along with the perceived imperatives of 'structural conservatism', expressed as the courting of the Indonesian military and the emerging art of party politics and coalition building. Moreover, traditional links to business elites were maintained, seriously jeopardising less visible reforms, and creating major obstacles to the restructure of the corporate and financial sectors that had succumbed to the 1997 economic crisis. This has been possible by camouflaging the need to reform business by amongst other techniques, the articulation within certain spheres of interests of a nationalist discourse. This discourse has been coined the "politics of resentment", and is vaguely directed at global actors such as the IMF, the World Bank, and other icons of international capitalism that are perceived to be exerting influence on the direction of domestic policy.³⁰ Expressions of resistance thus partially explain the persistence of some business elites to flagrantly disregard the law.³¹

²⁸ Damien Kingsbury (2000) 'The Reform of the Indonesian Armed Forces', *Contemporary Southeast Asia* 22:2.

²⁹ William Nielsen (1999) 'The Rush to Law: The IMF Legal Conditionalities Meet Indonesia's Legal Culture Realities' in T.Lindsey & D. Duncan (eds.) *Prospects for Reform in Post-Soeharto Indonesia* (British Columbia: Centre for Asia Pacific Initiatives, University of Victoria); and Tim Lindsey (2000) 'Black Letter, Black Market and Bad Faith: Corruption and the Failure of Law Reform', pp.278-92 in C. Manning & P. van Diermen (eds) *Indonesia in Transition: Social Aspects of Reformasi and Crisis* (London: Zed Books). On the relaxation of media bans in Indonesia see Garry Rodan (2000) 'The Implications of the Asian Crisis for Media Control in Asia', chapt. 4 in *Reconfiguring East Asia: Regional Institutions and organisations after the crisis*, M.Beeson ed. (London: Curzon).

³⁰ See Richard Higgott (1998) 'The Asian Economic Crisis: A Study in the Politics of Resentment', *New Political Economy* 3:3; and in relation to Gus Dur, R. William Liddle (2001) 'Indonesia in 2000: A Shaky Start for Democracy', *Asian Survey* 41:1.

³¹ Richard Borsuk (1999) 'Markets: The Limits of Reform', chapt.5 in D.K. Emmerson (ed) *Indonesia beyond Suharto: Polity, Economy, Society, Transition* (New York: ME Sharpe).

More sinister is the analysis of Tim Lindsey, who sees a conspiracy between political, military and business elites aimed at supporting progressive legislation. This support is given in the knowledge that this will ease pressure from reformist groups and allow a "shadow system" to continue flourishing as it did in the New Order, under little threat from an ineffectual judiciary.³² Lindsey argues that there is not much prospect of new laws changing what is the accepted, and the only effective way of conducting business "given the overwhelming power of the conservative military elite alliance that controls political life in 'black' Indonesia".³³ According to this reading of Indonesian politics, the enactment of largely unenforceable legislation is really not much more than a veiled attempt to maintain business as usual, while upholding a pretense of good governance measures in the hope of having to avoid addressing some of the underlying problems perpetuating a weak judiciary.

The stalling of reformasi under the presidency of Gus Dur following the burst of activity from Habibie's administration adds weight to Lindsey's analysis. A closer look at Gus Dur and his presidential strategy illuminates many of the reasons why reformasi, and by implication good governance, stagnated for the 22 months he held office. We find that Gus Dur promised much yet delivered little, and this alone demonstrates how difficult it is to convert the discourse of good governance into practice in Indonesia. Gus Dur had been the voice of reform in his 15 years as head of the traditionalist Muslim organisation Nahdlatul Ulama (or NU, and meaning the Awakening of the Religious Scholars), which claims to have a membership of 35 million and be the world's largest Muslim social and educational organisation. The PKB Party he founded is essentially the political arm of the NU, and when he was President, it held 11% of the seats in the DPR, finishing fourth in the 1999 general election. Such a small representation of the PKB in the DPR meant that Gus Dur had to rely heavily on General Session appointed members from the military and regional and functional groups to win the presidency.

³² Lindsey (2000) 'Black Letter...', p.289.

³³ Ibid, pp.290-1.

Three points are drawn from Gus Dur's success in the 1999 General Session presidential contest that aids the discussion here. Firstly, the significant political skills that enabled him to lobby non-elected People's Consultative Assembly (Majelis Permusyawaratan Rakyat or MPR) members indicates the structural and institutional weaknesses of Indonesia's electoral system. Secondly, the result demonstrates the continuity of the importance of personalities in Indonesian politics.³⁴ And finally, it was evident from the outset and proved to be the case that as soon as Gus Dur attempted to pursue a policy that failed to cater for the interests of all his MPR supporters, his government would be destabilised, leading to paralysis, making it difficult for him to survive the annual MPR sessions.

Gus Dur's first two moves as President reflected this reality with the appointment of the election winner, Megawati, as his Vice-President, and naming a 'national unity cabinet' that consisted of representatives from all the major parties. From there, William Liddle wryly observed, "it was almost all downhill", alleging that instead of pursuing reform, Gus Dur "narrowly, perhaps even corruptly, focussed on building his personal power base and that of his party, the PKB".³⁵ For instance, he sacked Coordinating Minister for Social Welfare Hamzah Haz, a principal leader of the Islamic Partai Persatuan Pembangunan (PPP, or United Development Party, the second opposition party created by Golkar in 1973), a month after taking up office. It would appear that Haz was perceived to be a political rival of Gus Dur's, despite being a major contributor to the coalition that elected him president.³⁶ The fact that Haz later became Megawati's Vice President was a point not lost on Gus Dur's supporters.

There is strong evidence to suggest that Gus Dur's failed presidency was the result of a disengaged, disempowered and placated citizenry having little influence on the self-serving attitudes of Indonesia's ruling elites.³⁷ Or more cynically, when cracks appeared in the public rhetoric defending Suharto's

³⁴ Marcus Mietzner (2000) 'The 1999 General Session: Wahid, Magawati and the Fight for the Presidency', pp.39-57 in C. Manning & P. van Diermen (eds) *Indonesia in Transition: Social Aspects of Reformasi and Crisis* (London: Zed Books), p.39.

³⁵ Liddle (2001) 'Indonesia in 2000'.

³⁶ Ibid.

³⁷ Nursyahbani Katyasungkana (2000) 'Exchanging Power...', especially pp.262-65.

highly formalised structures, the old tool of legislation was used to patch them up and prevent the entire façade of elitism from crumbling. Once the ‘transition’ to an elected President was completed, elites could return to furthering their own interests. As Ed Aspinall points out, the student movement in 1998 may have helped to remove Suharto but essentially failed because it aimed for “nothing less than the downfall of the entire ruling elite”.³⁸ A major reason for the movement’s failure may have been the legitimacy that students ascribed the MPR in May 1998 in calling for a special session without promoting any new political representatives on their behalf. And while demands had advanced by the November 1998 sitting of the MPR, the loss of momentum and direction of the movement relinquished the advantage to the military. What eventuated then was a re-arrangement of power sharing amongst the “New Order loyal opposition”.³⁹

It is important to look at the role played by military elites in Indonesian political reform, given that the armed forces ‘dual function’ (known in Indonesian as *dwi fungsi*) responsibilities have made them highly influential in domestic politics since 1957. On the surface, this era appears to be drawing to a close. Both the armed forces and Megawati made a public commitment to a long-term decree (MPR Decree No. 7/2000) demanding that the military vacate its 38 appointed seats in the DPR by 2004 and in the MPR in 2009. Megawati has even said that “[i]nternal security is the responsibility of the National Police”, and asked the TNI (Tentara Nasional Indonesia – Indonesian National Military) to give up its ‘territorial’ role.⁴⁰ This is the term given to the policy of placing soldiers within civilian populations, essentially creating a parallel military-administrative – civilian social structure that invites the army to operate like paramilitary police.⁴¹ The reformer, General Wirahadikusumah, has described the *dwi fungsi* doctrine as a temporary, illegitimate child that became institutionalised because officers enjoyed the benefits of the military’s socio-political role.⁴² However, despite Wirahadikusumah being quite outspoken about military corruption, and wanting

³⁸ Ed Aspinall (1999) ‘The Indonesian student uprising of 1998’, pp.212-37 in A. Budiman, B. Hatley & D. Kingsbury (eds) *Reformasi: Crisis and Change in Indonesia* (Melbourne: Monash Asia Institute), p.234.

³⁹ Lane (1999) ‘Mass politics...’, pp.248-9.

⁴⁰ *Jakarta Post* (2001) ‘Quit practical politics, Megawati tells TNI’, Oct. 6.

⁴¹ Kingsbury (2000) ‘The Reform of the Indonesian Armed Forces’.

⁴² *Ibid.*

the removal of the TNI from politics speeded up, he remains subordinate to the more moderate TNI commander-in-chief Admiral Widodo under Megawati's administration. Interestingly, Widodo was actually groomed for the top military job by Suharto's last armed forces chief, General Wiranto, who escaped charges of human rights abuses in East Timor, and defeated Parliament's Speaker and Golkar chairman, Akbar Tanjung for Golkar's 2004 presidential nomination. Tanjung himself was also fortunate to contest the candidacy following his acquittal in a Supreme Court appeal over his conviction of embezzling 40 billion rupiah of state funds allocated to feed the poor.⁴³

It would be wrong to view the military as a consistently united body, but should be seen as a complex organisation characterised by factional splits and mergers. It was a powerful faction that contributed to the fall of Suharto, marking the commencement of the reform movement in the armed forces, and the beginning of the military's journey away from the politics.⁴⁴ To make matters more complicated, the military has shown that it can pursue reforms whether united and strong as was the case under Habibie's administration, or in the more splintered state that the armed forces found themselves in as Gus Dur's presidency progressed. And the government-military relationship once again flourished under Megawati as she headed back to the barracks to secure support for her nationalist policies most noticeably pursued in Aceh..

As an ardent nationalist, Megawati wasted no time making it clear that a major priority of her Government was to preside over security forces that were "effective, highly disciplined and under government control."⁴⁵ Indeed, the observation can be safely made that if anything, Megawati held to a New Order view of good governance, interpreted as 'good government control'. After all, before the resignation of Suharto, Megawati remarked that Indonesia's political system was not that bad, and only needed "a little more light let in."⁴⁶ Indonesia's conservative policy direction after she took up office confirms that her views had changed little. Speculation over what she meant by 'government control' also surfaced as a result of the mixed messages her cabinet choices

⁴³ John McBeth (2004) 'Cleared to run', *Far Eastern Economic Review*, Feb. 26.

⁴⁴ *Ibid*, p.302.

⁴⁵ John McBeth (2001) 'Hard Hearts, Bitter Minds', *Far Eastern Economic Review*, Aug. 30.

⁴⁶ John McBeth, (2001) 'Nothing Changes'.

sent out. Reformers applauded Megawati for her appointments to key economic posts, such as the resurrection of the public career of Laksamana after Gus Dur had sacked him.⁴⁷ However, Megawati's selection for attorney-general indicated that executive control of the military was arguably more a function of personal favours than the expression of 'civilian supremacy'.

Megawati's appointed career bureaucrat and former Deputy Attorney-General, Mohammad Abdul Rachman, as attorney-general. His reputation has been dogged by allegations of "petty corruption", and complaints made to Ombudsman Antonius Sujata.⁴⁸ His appointment was unfortunate according to former Attorney-General Marzuki Darusman, who explained that "[y]ou can't have someone from the inside cleaning up the Attorney-General's Office because they are all corrupted".⁴⁹ The implication is that it is difficult to comprehend how somebody can climb to the top of what is widely acknowledged to be one of the world's most corrupt judiciaries without being corrupt themselves. With judges unconcerned about negative publicity arising from contentious decisions, Rachman's appointment was a further example of how the Indonesian legal system has managed to resist reform, despite a newly empowered legislature.⁵⁰

An explanation for Rachman's promotion may stem from a meeting between Megawati, Wiranto, and the civilian intelligence chief, retired general Hendropriyono, which allegedly took place five days after the rest of the cabinet had been selected, and only hours before the announcement of the new attorney-general. Interestingly, Rachman had served with Wiranto on a special law enforcement council in 1998, and afterwards had left Wiranto off a list of 19 high ranking officers suspected of being implicated in human rights abuses in East Timor. If Wiranto and Hendropriyono did influence Megawati's choice for attorney-general by way of some form of trade-off, it demonstrates how vested interests are still preventing meaningful reform in Indonesia. It also reflects a

⁴⁷ John McBeth (2001) 'Rule of Law's Let-Down', *Far Eastern Economic Review*, Sept. 6. It is more likely that Gus Dur fired Laksamana because he enjoys close links with Megawati and in the interest of his coalition-building activities rather than for his outspoken reformist orientation.

⁴⁸ Allegations of "petty corruption" were reportedly made by an unnamed former senior law enforcement official. See McBeth (2001) 'Rule of Law's Let-Down'.

⁴⁹ Ibid.

further continuity from Suharto's New Order in terms of leadership style, by putting capable technocrats in charge of the economy, cultivating allegiances within the military, and keeping a firm grip on the judiciary.⁵¹ In value terms, it would appear that economics are perceived as isolatable from, and of greater national importance to, the legal apparatus of the state.

There is no more profound example illustrating the state of the Indonesian legal system that Rachman has been chosen to preside over than the lethargic prosecution of charges against the Suharto family. Outrage was expressed both inside and outside Indonesia concerning the family's blatant and systematic crony nepotism that arguably laid the foundations for a culture of corruption. However, Suharto managed to escape trial for health reasons, while the quashing by the Supreme Court of Hutomo Mandala Putra's (Tommy Suharto) corruption conviction and 18-month jail sentence for his part in a 1995 land scam, further undermined the credibility of the judiciary. The Court's decision appears particularly peculiar given that Tommy had appealed for clemency from Gus Dur in November 2000, effectively admitting guilt, and moreover had his case reviewed while he was a fugitive.

In the fallout from Rackman's appointment, Tommy's case had major implications for the way Megawati's government was perceived in terms of its legal objectives. And yet the President did little else apart from calling for the sacking of the judges responsible.⁵² This failure to follow through on her usual "elliptical, late and enigmatic"⁵³ comments strengthened the popularly held conception that it is still business as usual when it comes to protecting the political elite, and confirmed Megawati's reluctance to rein in the judiciary.⁵⁴ It shows that what has clearly been pursued in post-Suharto Indonesia is the balancing of elitist political bargains and a technocrat guided economy,

⁵⁰ McBeth (2001) 'Nothing Changes'.

⁵¹ McBeth (2001) 'Rule of Law's Let-Down'.

⁵² *Laksamana.net* (2001) 'Politics: Steady on the Tightrope', Oct. 14.

⁵³ This is a general observation of Megawati made by *The Australian* columnist, Greg Sheridan, although the context of the article is the Asian Islamic response to Arab muslim notions of religious fundamentalism and violence. See Greg Sheridan (2001) 'Acid test for Asian Muslims', *The Australian*, Oct. 18. See also McBeth (2001) 'Nothing Changes'.

⁵⁴ John McBeth (2001) 'Teflon Tommy', *Far Eastern Economic Review*, Oct. 11.

something that appears to make little sense in a politically dominated economy such as Indonesia's.⁵⁵

In short, the demokrasi movement has helped to reintroduce politics in a meaningful electoral sense to Indonesia, but results in terms of 'better' governance have not been forthcoming. This in itself demonstrates some of the differences between notions of politics and governance, at least during the transitional stages of democratic development. Suharto's regime did not lead directly to a governance crisis but to a political emergency that eventually delegitimised the government, hindering its ability to govern. According to Olle Tornequist, it was brought about by an internal contradiction between political monopolisation and economic liberalisation, what he calls "despotic liberalism".⁵⁶ The New Order had cultivated a 'virtuous cycle' of economic expansion and development based on 'discipline', and by contrast, the reformasi movement has been stalled by a 'vicious cycle' of economic and political stagnation.⁵⁷ Corruption, if anything, is on the rise, with Transparency International initially downgrading Indonesia's corruption status to the fourth worst state in their annual survey, prior to recovering 2 places to be currently sixth on the list.⁵⁸ It is no wonder that Magawati is attempting to scale back reforms undertaken in the previous two short-lived administrations since Suharto's removal.

What the current crisis highlights is that Indonesia has suffered from institutional breakdown due to the repression and control of the Suharto years. Since then, ill-prepared institutions have not enjoyed sufficient support aimed at developing their political independence, nor have they been actively encouraged to pursue collective goals. Indonesia teaches us that democracy cannot be successfully embraced by attention to a 'thin' application of institutionalism that protects human rights and allows limited political rights, without a supportive framework of wider reforms aimed at rectifying an inherently unjust system of power distribution. And in the absence of strong individuals capable of uniting the

⁵⁵ Olle Tornequist (2001) 'Where did Indonesia go wrong?', *The Jakarta Post*, April 9.

⁵⁶ Ibid.

⁵⁷ Howard Dick (2001) 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies* 37:1.

⁵⁸ Transparency International corruption index is available at <http://www.gwdg.de/~uwww/icr.htm>

people around a program of cohesive national objectives, institutions have tended to fragment and decentralise, preferring to pursue single issues and serve local interests. It is therefore worth devoting some attention to this decentralisation movement in Indonesia, and its implications for the political rationality evident within civil society more generally.

The regional autonomy movement

While it is true that active elements of civil society took important steps in May 1998 to determine Indonesia's future, it is going too far to suggest that those events demonstrated Indonesia's readiness to begin devolution of governance responsibilities. This is not to say that such a capacity could not be acquired in the medium to long term, but arguably this depends on the recognition of pre-existing conflicts, struggles and potentialities, notwithstanding their former obscurity. The legal system and the broader institutions within civil society had been systematically forged as tools in the hands of Suharto's regime, producing sparks that eventually set ablaze the fires of reformasi. Institutions were in turmoil, and their 'great transformation' would take time and policy foresight that fundamentally recognised the importance of comprehensive reform at every level of authority. Such reforms would stem from a clear understanding that overlaying existing structures with measures designed to share decision-making and revenue-spending responsibilities would fail to ensure transparency, accountability, equity, and efficiency objectives. Failure to grasp the saliency of this explains why the implementation of regional autonomy, beginning on January 1, 2001, graphically highlights the current limits of civil society and the judiciary in Indonesia.

In a *Laksamana.net* article entitled 'combining old and new wisdom in search of good governance' Mochtar Buchori cited Philippe Schmitter's observation that, civil society is a "reservoir of resistance to arbitrary and tyrannical action".⁵⁹ He offsets this view with Nancy Bermeo's argument that events in Western Europe during the social revolution of the 1960s and 1970s demonstrated that an "overly active civil society can harm our chances for good government." On

⁵⁹ Mochtar Buchori (2000) 'Combining old and new wisdom in search of good governance', *Laksamana.net*, Nov. 8.

balance, the 'calculating' and 'competent' civil society Buchori envisages for Indonesia is one that will achieve nothing less than facilitating the replacement of "an inept government with one capable of implementing the principles of good governance". As the Indonesian people are discovering though, bringing down a government is much easier than replacing it with one that not only pays lip service to good governance but also actively works towards the far reaching reforms necessary to implement these principles.

A brief profile of the organisation of the New Order serves to illustrate how and why civil society was so effectively constrained, shedding light on why it was so unprepared for its roll in demokrasi. During the Suharto era, economic development strategies were structured to favour the wealthier elements of Indonesian society based on the neo-classical understanding that their wealth would trickle down to the poor. This was justified in terms of the Pancasila doctrine of mutual assistance, cooperation and consensus. Indeed, over time, everything was made subject to Pancasila, culminating in a 1985 law requiring all social organisations of every conceivable type to adopt the ideology as its azas tunggal, or singular exclusive principle. What this meant in practice is that all public life in Indonesia became 'golkarised'. Golkar, which is short for Golongan Karya, meaning functional groups, offers political representation that theoretically transcends ethnicity, class, religion, and military and civilian divisions, positioning itself as the distinctly Indonesian path to social and political organisation that surpasses the 'failed' parliamentary system.⁶⁰ In this way, Golkar's chairman at the time, President Suharto, acquired absolute authority in every facet of organised life in Indonesia. This was reinforced by the appointment of armed forces personnel to most of the Executive Committee positions. And with its monopoly on power, opportunity and promotion, many of Golkar's most loyal supporters were leaders of local and central branches of its functional groups.

With this golkarised structure firmly in place, it was extremely difficult for community activist 'outsiders' to influence or aspire to join special interest groups that became a feature of the policy-making terrain in Indonesia after the economic crisis struck. This assumes great importance given that policy reforms

in the post-Suharto era have been a function of bargaining between these special interest groups and the government. Muhammad Chatib Basri argues that this is why democratic good governance notions of participation in Indonesia “can only be realised through a ‘big bang’ or radical departure from the past”.⁶¹ A more measured view put forward here makes the suggestion that civil society and institutions such as the judiciary have already experienced their genesis, and indeed have negotiated the exodus from Suharto’s pharaonic hand. However, entering the ‘promised land’ that flows with good governance is likely to depend on the triumph of exiled civil society elements over interests that dominated the demokrasi process. In geo-political terms this equates to the usurping of the centre by the periphery.

Reformasi has had major implications for regional and provincial relations with a centre that has undergone a fundamental crisis of authority resulting in a “diminished presidency”.⁶² And efforts to decentralise Indonesia are further evidence that the crucial problem with effecting reform is not widely seen as resting exclusively on writing appropriate legislation at the centre but is also understood to be a function of building an extensive network of coherent empowering institutions. However, the absence of support for the new decentralisation laws indicates a lack of political will at the highest levels, demonstrated by a reluctance to appoint respected administrators that are recognised as capable of successfully overseeing reform projects.⁶³ Interestingly, the legislation detailing comprehensive devolution of fiscal and decision-making responsibilities to over 400 autonomous regions, comprising 370 regencies and municipalities within 32 provinces, was actually drafted while Suharto remained in charge. Habibie’s government succeeded in getting it through the DPR, but since its January 2001 implementation, limited headway

⁶⁰ Hans Antlöv (1995) *Exemplary Centre, Administrative Periphery* (Surrey: Curzon Press), p.39.

⁶¹ Muhammad Chatib Basri (1991) ‘Indonesia: the political economy of policy reform’, pp.27-37 in A. Budiman, B. Hatley & D. Kingsbury (eds) *Reformasi: Crisis and Change in Indonesia* (Melbourne: Monash Asia Institute), p.36.

⁶² McBeth (2001) ‘Nothing Changes’.

⁶³ Tiarna Siboro (2001) ‘Regents tell govt to delay revision of autonomy laws’, *The Jakarta Post*, Oct. 25; *Laksamana.net* (2001) ‘Autonomy: Excise Share Move’, Oct. 22; and R. William Liddle (2001) ‘Indonesia in 2000: A Shaky Start for Democracy’, *Asian Survey* 41:1.

was made under Gus Dur's presidency and even less progress was made under Megawati.⁶⁴

Gus Dur initially appointed the highly respected Ryaas Rasyid as the first state minister for regional autonomy, who then commenced preparations for overseeing decentralisation. However, the President eventually abolished the portfolio and transferred Ryaas to an unrelated department, effectively blocking the decentralisation movement.⁶⁵ Despite the disappointment of Gus Dur's stalling, Ryaas argued that Megawati's government had even less commitment to local autonomy than its predecessor. Ryaas accused the Megawati government of a lack of transparency regarding its intentions, pointing to Megawati's failure to discuss autonomy. Those in favour of decentralisation also pointed to the dropping of the "regional autonomy" adjunct to the Minister for Home Affairs portfolio title in Megawati's Cabinet.⁶⁶ Ironically, according to Ryaas, the national goal that Megawati is clearly aiming to preserve is being put in increasing jeopardy by procrastinating on supporting decentralisation.⁶⁷ It also explains why Megawati prioritised good military relations throughout her term, culminating in the violent crushing of the Aceh separatist movement.

For reasons of preserving national unity rather than any great desire to empower local communities, the original legislation drafted during Suharto's regime subtly attempts to transcend the potentially destabilising provincial governments, and places a considerable burden on the limited capacities of local governments. Nevertheless, the legislation represents a genuine effort to rollback centralisation, and the Jakarta administration has drafted an amendment designed to reappropriate greater authority in the regions with provincial governors. What remains unclear is the future of the decentralisation project in Indonesia given that key powerful elites are clearly unconvinced of its virtues, and there is a deep sense of dissatisfaction emerging both in the regions and at the centre over individually brokered power and revenue sharing

⁶⁴ *Laksamana.net* (2001) 'Autonomy'; see also Gandhi Sukardi (2001) 'Messy autonomy', *The Jakarta Post*, July 7.

⁶⁵ Liddle (2001) 'Indonesia in 2000'.

⁶⁶ Asip A. Hasani (2001) 'Government avoids confrontation with newly empowered regions', *the Jakarta Post*, Sept. 5.

⁶⁷ *Laksamana.net* (2001) 'Autonomy'; see also Gandhi Sukardi (2001) 'Messy autonomy', *the Jakarta Post*, July 7.

deals.⁶⁸ This is made more acute by the realisation that some provinces are rich in natural resources and infrastructure, while neighbouring regions have little. What has occurred then is a grab by local officials for maximum revenues, without consideration for issues such as sustainability.

The problem with corruption amongst contractors for NGOs demonstrates the universality of graft at all levels, although the World Bank's fraud unit which is studying 30 cases in Indonesia, is consistently finding that locals manage projects with much greater transparency than 'professionals'.⁶⁹ This suggests that good governance initiatives from below are likely to be more effective over time than centralised 'top down' methods. A significant emerging problem though is that the distinction between government and NGO administration is blurring as the role of officials diversify, NGO numbers expand exponentially, and there is a continuing incapacity to adequately supervise projects. This in itself provides some hope for combating endemic corruption using the 'bottom up' approach, as some NGOs are realising that it is up to them to initiate change and develop guidelines. In Bandung for example, NGOs have established a network that involves local communities in reforms, with social workers understanding that they need to practice as well as teach good governance.⁷⁰

Discussion

It is no coincidence that the shift from centralised to more localised forms of corruption has occurred at a time of transition from authoritarianism to elite political manoeuvring and partly stalled, partly chaotic decentralisation. With the notable exception of Aceh, West Papua, Maluku, Ambon and a limited number of other contested regions, the relative stability and the strong ties that continue to hold together the national project indicate that we are not witnessing a failure

⁶⁸ Gandhi Sukardi (2001) 'Opinion: Regional Autonomy Bind', *Laksamana.net*, Aug. 9.

⁶⁹ Djalal (2001) 'A Small Matter Of Trust'. This finding gets little recognition in discussions over bureaucratic corruption, which are often dominated by the debate over insufficient salary levels as the primary reason for widespread graft. See for example *Kompas Online* (2001) 'Eradication of Corruption Very Difficult', Sept. 27. Ross McLeod also emphasises the need for large salary increases for higher-level bureaucracy and military officers, although admits that this is unlikely while these elements are perceived to be corrupt, and in the wake of "shameful" military acts in East Timor. See McLeod (2000) 'Soeharto's Indonesia: A Better Class of Corruption', *Agenda* 7:2, pp.110-1.

⁷⁰ *Ibid.*

of the state. Instead, what arguably is occurring is a crisis of governance that struck in synchrony with the economic crisis, and likewise remains unabated. According to the discussions in this chapter, the root cause of the crisis is a fundamental severance between the citizenry and Indonesia's ruling elites. This finding is supported by the dearth of public pressure on Megawati's government over domestic economic issues, indicating that while institutional reforms remain blocked, her government need not be concerned about conventional sources of societal change.⁷¹ And this helps to explain the phenomenal rise of the corruption-free PKS as a truly connected and representative party of the people.

There is no doubt that the World Bank has led other international institutions in disseminating the competing good governance discourse associated with demokrasi. And NGOs have taken up their good governance agenda, aiming for reforms at the community level. However, with corruption rampant even within grassroots organisations, unless NGOs can practise good governance themselves, their message of reform is not likely to be taken seriously.⁷² There are a handful of reform-minded politicians and generals in the major parties, but they have only tacit approval from the majority of political, military and religious elites who have been chiefly responsible for protecting the existing "oligarchy" of New Order apologists.⁷³

This poses the question of the effectiveness of good governance and rule of law projects in a state where the leadership is not brought to account by civil society, and where global discourses can be incorporated into pre-existing visions that are antagonistic towards reform. Good governance in Indonesia must therefore redress flawed relations between governors and the governed, which is extremely difficult and potentially very messy given that such relations have cultural, linguistic, ideological and historical dimensions, and are subject to social, economic and political influences. And the case of Indonesia underscores the inadequate horizontal linkages that have been forged between notions of good governance and democratic structures. Developing these

⁷¹ McBeth (2001) 'Nothing Changes'.

⁷² Djalal (2001) 'A Small Matter Of Trust' *Far Eastern Economic Review*, Sept. 20.

⁷³ John McBeth (2001) 'Nothing Changes'.

linkages offers real hope for meaningful accountability, but is inevitably a political task.

On balance then, the new demokrasi alliances have been dominated by elites who recognise the importance of legitimate governance, but lack the will to discard their old values. The new voice of the PKS is poised to change this over the next few years as it manoeuvres to project its increasingly popular message of good governance beyond its Jakarta heartland. And perhaps by time the next election is due, the party will be in a position to put forward a presidential candidate who could potentially change the face of Indonesian politics, with profound wider society implications. In the meantime, the frontrunner for the presidential elections of 2004 is the PD's (Democratic Party) former Chief Security Minister under Megawati, retired General Susilo Bambang Yudhoyono. If successful at the second round September 2004 run-off between the top 2 candidates selected in July, Yudhoyono faces the same dilemma as Gus Dur – being President when his party only holds 10% of the seats in the House of Representatives. At this early stage, Yudhoyono appears to be sounding out an alliance with Gus Dur's PKB⁷⁴, which will strengthen his position to govern, but many compromises will still be necessary if he wishes to succeed where his potential alliance partner failed.

Conclusion

Enormous insights into the political rationality of the governing elite can be ascertained from Megawati's reflection of the major problem she faced during her presidency. At a rare press conference called the day before official campaigning began for the first round of presidential selection on July 5, 2004, Megawati declared that

“for three years, the lesson I have learned is how easy it is for people to condemn...[to resist this]...what is need is one's own mental strength, and so this means the process in the future will be to develop a national mentality that can choose between good and bad.”⁷⁵

⁷⁴ John McBeth (2004) 'Delivering the message', *Far Eastern Economic Review*, April 22.

This not only tells us a lot about Megawati's distaste for opposition, but also emphasises her perceived need for Indonesians to cultivate an apolitical rationality built on personal responsibility. This doctrine of 'good behaviour' has much in common with good governance principles, but assumes improved governance outcomes are the inevitable product of better governed responses. This of course is a 'top down' 'new order' view that accompanies claims of benevolent governance, positioning the people as the problem rather than the cure. Ironically, it may very well be the development of the understanding between good and bad governance that marks the end of elitist disconnected government in Indonesia, and the rise of bottom-up anti-corruption politics.

Predictions that the emergence of this new politics of good governance will reflect practices and policies in the modern West though are premature. Indeed, given the Islamic fundamentalist roots of the flagship of this new politics, the PKS, it is likely that a whole new governmentality is in the making. This is particularly in respect to the institutional structures that may become the disseminators of governance tactics and techniques in an Islamic reformation context that remains tolerant of competing sacred and secular rationalities.

Indonesia's decision making has remained centralised and authoritarian, despite the regional autonomy movement. What this movement is producing though is increasing disparity between developed and underdeveloped regions, which in itself is sparking discontent and a degree of enlightenment across the population.⁷⁶ This appears to be prompting Indonesians to think differently about their Government, expecting much better, corrupt-free representation. While this doesn't constitute a shift in mentality from being governed to self-governance, it demonstrates the desire for remote structures of dominance to be replaced by 'closer' government. If they get their way, this could well result in the empowerment of citizens and a more productive society. The prominence of the military, the ineffectiveness of the judiciary, and the culture, indeed structure of corruption that induces the omnipresent armed forces to extract protection money from the population, has characterised Indonesian 'New Order' society. And the political system has not only been ineffective in combating this problem,

⁷⁵ Sian Powell (2004) 'Megawati's election pitch for the poor', *the Australian*, June 1, p.8.

⁷⁶ Point made by Harold Crouch at a seminar at Griffith University.

it is clearly part of the problem itself. And this is what Indonesians are beginning to understand. So in this respect, the good governance agenda in Indonesia is beginning to show signs of success. This is despite, and probably because, the country continues to languish near the bottom of Transparency International's corruption index.

As far as the hypothesis of this dissertation is concerned, the good governance agenda in Indonesia has met with some success in the task of generating an anti-corruption conscience at the grassroots. However, this progress is constrained by the absence of any meaningful efforts at self-regulation to date, but admittedly this is a structural problem that has a limited range of specifically political solutions. The discourse surrounding the agenda has been inducted into the 'New Order' reformasi context in an attempt to reinforce existing remote governance structures, but there is increasing evidence that this is not working to the advantage of established interests. The 2004 elections have seen a swing away from the major parties and there is a strong likelihood of a new President taking over. In the longer term, the phenomenal growth in popularity in Jakarta of the 'good governance Islamic party' – the PKS, may well spread to the outer reaches of the archipelago. The PKS promises to bring government to the people, demonstrating that the politics of good governance in Indonesia is threatening to reignite the reformasi movement.

In sum, our hypothesis that that the good governance agenda in Indonesia is primarily focussed on improving representative rule rather than encouraging self-regulation is not proven by the promising recent events in Indonesia. This could be due to the broader agency access enjoyed by the international agenda protagonists. And if this is true, the hypothesis is arguably strengthened based on the assumption that recent developments are a result of the agenda's access to the grassroots rather than its limited 'top-down' approach in Thailand and Malaysia.

CHAPTER 8: THE PHILIPPINES

The Marcos regime conjures up enduring images of corrupt practices. Poor governance though is far from being a thing of the past in the Philippines. In many cases its not head-line grabbing blatant corruption on a grand scale, but socially embedded insidious practices that impoverish the treasury and inhibit redistribution, leading to a monumentally unequal society. Good governance then is very much a social project to effect behavioural change in the Philippines. However, at present it is largely being pursued institutionally, with limited results.

Democratic processes re-emerged after the 1986 'people power' revolution that brought about the fall of Marcos and propelled Corazon Aquino into power, but steady undercurrents prevented major public policy reforms taking place. With Aquino's ascendancy, and each presidential transition since, there have been significant opportunities for social and economic reforms. However, after short bursts of action and many promises, each administration succumbed to entrenched forces resistant to change. The current President, Gloria Macapagal-Arroyo, has just been narrowly returned for a full 6 year term, having used the last 3 years to curb the excesses of the toppled Joseph Estrada. Vice President before Estrada's removal. Arroyo had pledged in 2002 not to pursue a new term at the recently held 2004 elections, but reversed her decision in October 2003.¹

While Arroyo has managed to slash spending to levels that the IMF acknowledges has reached its limits, she has not escaped criticism for what has been spent.² Indeed, there are few indications that her administration has managed to free itself from traditional socially structured impediments such as strong local political and business interests that simply override the palace.³ With an increased majority in Congress and the Senate, Arroyo has a mandate

¹ Hrvoje Hranjski (2004) 'Philippines election bogs down in scandal-ridden mess', *Bangkok Post*, Jan. 20, p.10.

² Ted P. Torres (2001) 'IMF airs concern over RP's ability to sustain revenue collection', *The Philippine Star*, December 12. Online: <http://www.philstar.com/>; Margot Cohen (2004) 'The six-year plan', *Far Eastern Economic Review*, June 3.

³ For a thorough discussion of these impediments see John T. Sidel (1999) *Capital, Coersion and Crime: Bossism in the Philippines* (Stanford: Stanford Uni Press).

to significantly improve the living standards of 17 million Filipinos living in absolute poverty on less than the equivalent of \$1 a day.⁴ So while good governance discourse has become a feature of the political agenda in the Philippines, it clearly must target the provision of basic services and reasonable economic opportunities if it is to make any sense to the average voter, and help transform the political rationality of Filipinos.

Despite this decidedly grim picture, nowhere in Southeast Asia have notions of good governance been so enthusiastically embraced across society and throughout government, at least rhetorically. It is therefore peculiar that unethical behaviour and ineffective public policy is so entrenched that the country was recently ranked by an American Chamber survey as the most corrupt nation among the newly-industrialised countries in Southeast Asia.⁵ Thus, while there is a high level of commitment to the principles of good governance in many circles, resistance to reform underscores the influence of local oligarchies and the interests of elites in a relatively weak state encumbered by strong societal elements.⁶ This major impediment to governance does not appear to have escaped Arroyo as indicated by her 'State of the Nation' (SoNA) speech a year and a half into her first term in office. Entitled 'Toward a Strong Republic'⁷, her SoNA is clearly a comprehensive good governance 'statist' strategy that views the state as the disseminator of power and resources for the collective good. By definition, such a view contrasts with a traditional liberal view that is cynical of state power and seeks protection through legal and constitutional apparatus that theoretically provides for more horizontal governance structures.

⁴ This is the World Bank's figure. A third of the Philippines population lives on less than the equivalent of \$1 per day. See Deidre Sheehan (2001) 'Rural Poor Are The Real Key', *Far Eastern Economic Review*, May 24.

⁵ The survey did not include Indonesia. See Genalyn D. Kabling & Ferdie J. Maglalang (2002) 'Arroyo vows drive vs corruption', *Manila Bulletin*, June 26. Online: <http://www.mb.com.ph/>

⁶ See for example Alasdair Bowie and Danny Unger (1997) *The Politics of Open Economies: Indonesia, Malaysia, the Philippines, and Thailand* (Cambridge: Cambridge University Press), pp.127-8. This analysis is almost unanimous, although some accounts point out that certain aspects of the state in the Philippines are strong, such as in the perception of legitimacy while democratic processes are maintained, and the states ability to suppress rural land reform claims. See Benedict Kerkvliet (1998) 'Land Regimes and State Strengths and Weaknesses in the Philippines and Vietnam', chapt. 9 in *Weak and Strong States in Asia-Pacific Societies*, Peter Dauvergne (ed), (St Leonards, NSW: Allen & Unwin), pp.158-174.

⁷ Gloria Arroyo (2002) 'Towards a strong republic', *Manila Bulletin* State-of-the-Nation Address, July 22. Online: <http://www.mb.com.ph/>

Interestingly, Mick Moore argues that a strong state, which aims to improve collective outcomes, is unlikely to provide good governance if much of its revenue is “unearned”.⁸ Moore explains that the impression of unearned revenue is generated by a profound “‘disconnect’ between states and citizens”.⁹ In the Philippines there is a good deal of evidence pointing to a fundamental social disconnection, which is most clearly expressed by the perennial problem of uncollected revenue. This failure to pay and collect taxes has systematically undermined the ‘social contract’ between the government and the people. The social contract is not only understood in Lockean or Rousseauian terms as the duty of the Lawgiver to persuade without violence, but also in the sense of obligating government through collective remittances. It has been estimated that the Philippines loses 10% of its GDP to tax evasion every year, or about 242.47 billion pesos.¹⁰ Given that the Philippines collects only 12.3% of GDP, we can assume that a transformation in the national tax paying culture could net almost twice the current revenue take.¹¹ And there doesn’t appear to be any regional impediment to a wholesale attitudinal change to paying tax. By comparison, Malaysia collects a lofty 25% of GDP and Thailand about 17%.¹²

The tax collection problem has clearly compounded the fundamental inequality of Filipino society, and consequentially there is an inability to reduce budget deficits and provide modern services. Thus, while a lot can be said about Arroyo’s SoNA strategy, or for that matter, the key opposition Senate member Edgardo J. Angara’s alternative 8 point “road map on good governance”¹³, much of the country’s future prospects for good governance arguably rests on the nurturing of a culture amenable to effective taxation. This view is grounded in the fiscal sociology pioneered by Joseph Schumpeter.¹⁴ In short, Schumpeter claimed that society is shaped by the way finances pressure the state. And if good governance is generally perceived as a normative project of individual and

⁸ Mick Moore (2001) ‘Political Underdevelopment: What causes ‘bad governance’, *Public Management Review* 3:3, pp.385-418.

⁹ Ibid, p.387.

¹⁰ James Hookway (2002) ‘Manila Comes To the Rescue’, *Far Eastern Economic Review*, Sept. 19; Des Ferriols (2002) ‘BIR, Customs seek lower revenue targets for rest of year’, *The Philippine Star*, May 17. Online: [http:// www.philstar.com](http://www.philstar.com)

¹¹ Cohen (2004) ‘The six-year plan’.

¹² Hookway (2002) ‘Manila Comes To the Rescue’.

¹³ Mario B. Casayuran (2002) ‘Angara proposes 8-pt reform agenda’, *Manila Bulletin*, July 24. Online: [http:// www.mb.com.ph/](http://www.mb.com.ph/)

institutional reform as is argued here, then clearly fiscal sociology provides useful tools to measure the project's progress.

The first section of this case study will look more closely at fiscal sociology before discussing the revenue problems in the Philippines in more detail in the second section. The final section examines the broader good governance – tax nexus, and finds that Filipino leaders are hoping for beneficial outcomes from good governance strategies without seriously encouraging the bargaining processes that characterise fiscal politics. Such expectations therefore appear unrealistic, because they fail to bring politics to the people, straddling the rich – poor divide that is arguably a prerequisite to a governmentality that reflects thinking in the modern West.

Fiscal sociology in the Philippines

The Philippines is not a 'tax haven' according to the usual understanding that little if any revenue is legally required of its citizenry and businesses. Neither is it a tax haven for the purpose of attracting foreign investment. The term only makes sense with reference to its ineffective collection, insufficient deterrents to avoiding taxation, and the lack of incentive to pay up. While there are legal and moral components of these problems that highlight individual transgression, they result from attitudes broadly dispersed throughout society. It is with this in mind that the term 'cultural tax haven' seems appropriate for countries such as the Philippines.

A recent study of why people pay tax in Tanzania interestingly found that severe sanctions actually increases resistance to the collection of tax, while other factors such as the ability to pay, the probability of prosecution, knowing tax evaders personally and perceptions of seeing little return in the form of services are all strongly correlated to tax compliance.¹⁵ From the perspective of this analysis, resistance to severe sanctions is explained as a statist failure of order and authority, while the other impediments analysed in the Tanzanian study are

¹⁴ Joseph Schumpeter (1991 [1918]) 'The Crisis of the Tax State', in *Joseph A. Schumpeter: The Economics and Sociology of Capitalism*, R.A. Swedberg (ed) (Princeton: Princeton Uni Press).

¹⁵ Odd-Helge Fjeldstad and Joseph Semboja (2001) 'Why People Pay Taxes: The Case of the Development Levy in Tanzania', *World Development* 29:12, pp.2059-74.

more socio-economically based. Admittedly, conditions differ significantly across the developing world, reflecting widely diverging historical paths and unique political dynamics.¹⁶ However the insights gleaned from the Tanzanian study supports the idea that the Philippines is handicapped by a culture hostile to taxation.

Tax havens in the developing world, and perhaps to a lesser extent, cultural tax havens such as the Philippines, are invariably characterised by relatively rapid and incomplete state formation with a high degree of elite autonomy. These states must be understood in their relations with more powerful states in terms of trade regimes, aid flows, and strategic and historical interests. This assessment invites us to look more closely at Schumpeter's 'fiscal sociology' with the illumination of Karl Polanyi's 'great transformation' thesis, as a possible explanation for taxation hostility. For instance, Schumpeter argued that fiscal sociology, or the approach to the study of socio-economic change from a public revenue perspective, strips the state "of all misleading ideologies", and is "one of the best starting points for an investigation of society, especially although not exclusively of its political life."¹⁷

Nevertheless, few have followed Schumpeter's cue, with at least two scholars remarking that taxation and revenue issues are rarely used as a basis of comparison between states.¹⁸ This is particularly surprising in modern Asian studies given the voluminous literature on the East Asian economic 'miracle' and subsequent 'crises'.¹⁹ While this analysis is not overly concerned why this is the case, it is suggested that the highly influential Weberian tradition that focuses on the organisational capacity of the state is one possible reason for neglecting a fiscal approach to the study of socio-economic change. If this is so, it may explain why the state often appears to be conceptualised as some kind of

¹⁶ A frequent observation in the literature. In relation to Southeast Asia in particular see Multhaih Alagappa (1995) 'Introduction' in *Political Legitimacy in Southeast Asia: The Quest for Moral Authority*, M. Alagappa (ed.), (Stanford Uni Press: Stanford, Cal.), p.5.

¹⁷ Schumpeter (1991 [1918]) 'The Crisis of the Tax State', p.100 & p.101.

¹⁸ Particularly developing states, although the work of Boskin and Mclure (1990) *World Tax Reform: Case Studies of Developed and Developing Countries* (San Francisco: IC Press) is a prominent exception. There are however many studies linking taxation to economic growth, especially in industrial countries. The observations were made by Moore (2001) 'Political Underdevelopment', p.399, and D. Bachman (cited by Moore) (1987) 'Implementing Chinese Tax Policy', in *Policy Implementation in Post-Mao China*, D.M. Lampton (ed) (Berkeley: Uni of California Press), p.1.

¹⁹ Moore (2001) 'Political Underdevelopment', p.412.

'natural' repository of organised power rather than a set of regulated institutions and constructs that reflect the exchange of relations within a defined geographical space. Fiscal sociology is arguably useful in this respect due to its emphasis on the financial exchange between citizens and the state as an account of the way power is distributed. More specifically, the approach suggests that the rule of the state is characterised by quality and type as a function of the flow of its finances. This is helpful if the neoliberal critique of the state as a potential encumbrance to economic growth is to be given due consideration.²⁰

Fiscal sociology helps us to measure *modern* governance performance in relation to the progressive disengagement of the wider populace from the state in at least two ways. In the first instance, it is helpful as an account-keeping check on incestuous or disengaged public-private relations. Put another way, viewing reciprocity and obligations of subjects and their role in exerting discipline on the apparatus of an impartial state in the context of its fiscal history provides a transactional record of polities. Where elements of society have never disassociated themselves from the state, or have managed to penetrate it in new ways, these transactions lack transparency, pointing towards governance failures. Likewise, where the state operates completely outside the sphere of its constituency, the isolation and autonomy also generates ineffective governance. Both of these patterns are evident in the Philippines.

The second way fiscal sociology is useful is for mapping the evolution of governance. In this respect, fiscal processes depict the individualisation of the citizenry, positioning the government as the manager of a population of individuals in contrast to traditional sovereign ideas of authority over a collective mass. Specifically, fiscal history accounts for the transformation of collective contributions in pre-existing economic exchange systems into the individual financial engagement of market-centric organisation. In short, fiscal sociology provides the tools to trace the historical transformation of mercantilism and other earlier exchange systems to the point where modern government

²⁰ For a detailed account see Graham Burchell (1991) 'Peculiar interests: civil society and governing 'the system of natural liberty'', chapt. 6 in *The Foucault Effect: Studies in governmentality*, Graham Burchell, Colin Gordon & Peter Miller (eds) (London: Harvester Wheatsheaf), p.125.

recognises the ‘naturalness’ of the economic domains they govern, *vis-à-vis* Polanyi’s thesis.

It follows that a major divergence in the fiscal histories of developed and developing countries commences from the physical structure of their governing domains. Governments of industrialised countries guided by a liberal tradition have reconfigured the family-group in terms of *population*, while the fiscal concerns of government have been reconfigured into a complex relationship with the interests of *individuals*. These new ideas are being prescribed to developing countries without significantly enhancing the capacity of the state to invest in education, health and welfare, partly because the state is perceived as much of the problem. While at an *individual* level in the Philippines for example, organisations such as the World Bank in partnership with numerous NGOs have been active implementing land reforms, building community infrastructure projects, conducting educational programs, providing micro-credit and accompanying financial guidance, and improving health services that include family planning advice. The aim is clearly to nurture economic attitudes from the ground up, in order to facilitate engagement from the top down. However, unless the state becomes the provider of these services, it will largely remain disconnected to its citizens and will continue to experience problems raising revenue. In this respect then, the fiscal relationship between the Filipino state and individuals remains under-developed.

This problem has not gone unnoticed by either international interests or the government of the Philippines, and has resulted in a series of tax reform initiatives that will be discussed in more detail in the next section. The “re-regulation” project is flawed though, simply because the discipline associated with increased surveillance, auditing, and other good governance inspired procedures that are aimed at better revenue collection, must be reciprocated in terms of transparency, accountability and the rule of law at an institutional and state level.²¹ This does not seem likely without attention to capacity building of the state, particularly in terms of creating efficiency by trimming the bureaucratic

²¹ David Williams (1996) ‘Governance and the Discipline of Development’, *The European Journal of Development Research* 8:2, pp.165-9. The term re-regulation is used by Kanishka Jayasuria amongst others. See Jayasuria (2002) ‘Governance, Post-Washington Consensus and the New Anti-Politics’, chapt.

fat, and the professionalisation of what remains. And while significant social and economic reasons exist to discourage impartial and moral public management, then a fiscal sociology approach may represent the way forward. In this respect countries in the modern West such as Sweden are held up in particular as a model of high tax compliance in the collective interest.²²

The individualism inherent in modern governance structures is perhaps most clearly seen in the fiscal arrangements associated with labour. In the mid 20th century, governments were increasingly forced to safeguard labour against the worst affects of capitalist production. The substance to this idea is that OECD governments, whether consciously or not, progressively executed a social contract demanded by their constituencies. This contract formed an integral part of welfarist or Keynesian economics, which characterised the first 3 decades following the Second World War. Commencing with the oil shocks in the 1970s, the rise of neoliberalism has impacted on the terms and conditions of the contract between citizens and their leaders. However, the material gains arising from a redistribution of wealth and the heightened aspirations brought about by a sense of economic and social justice during welfarism had by then significantly altered the government-citizen relationship in favour of the interests of the people.

In contrast, citizens of developing countries such as the Philippines benefited little from the Keynesian period in terms of labour reform, meaning that the relationship between rulers and the ruled has changed little since the colonial period. Even if the Philippines manages to sustain economic growth, it would seem that without a boost to welfare spending the benefits would not be redistributed sufficiently to trigger a fundamental readjustment in the balance of the government-citizen relationship. Nor does it appear possible for a market mentality to entirely replace subsistence and other modes of economic exchange that pre-exist and compete with new notions of welfarism. And while social activism is highly organised in the Philippines, because labour largely

2 in *Corruption in Asia: Rethinking the Governance Paradigm*, T. Lindsey & H. Dick (eds) (Annandale, NSW: Federation Press), p.26.

²² For a good discussion of taxation for the common good see Liam Murphy & Thomas Nagel (2002) *The myth of ownership: taxes and justice* (Oxford: Oxford University Press).

remains commodified as a legacy of colonialism, the leverage that Filipinos are able to collectively exert on their government pales by OECD standards.

Advanced liberal states are learning to function as the schoolhouse for appropriate 'self-governance', without compromising their role as the storehouses of revenue and resources.²³ While these ideas have filtered through to countries like the Philippines, they have mostly been yoked to cultural and traditional communitarian behaviour that has largely resisted reconstitution as a population of individuals. Recent efforts to revolutionise economic and governance practices in the Philippines are therefore seen as an attempt to replicate the socio-economic climate that is usually associated with advanced capitalist systems. However, rather than evolving from a complex mix of technological change, social struggle and political bargaining, transformation in the Philippines is being undertaken by a coalition of interests that range from influential international organisations such as the World Bank to locally staffed single-issue NGOs at the grassroots, working within an increasingly global environment. This is problematic in that the necessary normative transformation remains incomplete at the social, cultural and political levels, all of which intersect with the state.

Fiscal sociology may make room for a range of power sources, but the approach still clearly recognises the state as the most important actor, especially in developing countries. For instance, the view supports ideas that in the absence of an economic contract between citizens and the state, population disciplinary action is exerted in an effort to maintain national boundaries. Paradoxically, it is this failure to prioritise the majority of citizens' economic interests through the redistribution of scarce resources, which has left aspirations of economic justice unfulfilled and keeps rebels plotting against the state. Developing country governments in turn place a high priority on survival and nationalist issues by allocating even more resources to subduing their populations. Recent events in Southern Mindanao, where Arroyo has stepped up her war on three fronts against the rebel forces, MNLF, MILF and Abu Sayyaf, illustrate this quite clearly.

²³ Burchell (1991) 'Peculiar interests', p.127; David Williams (1999) 'Constructing the Economic Space: The World Bank and the Making of *Homo Oeconomicus*, *Millennium* 28:1, pp.79-99.

This has contributed to the view that the state apparatus itself is increasingly becoming the prime impediment to economic development. The 'developing state' is often seen as incapable of restructuring society into a self-governing network of institutions, and then reinventing its own role by prioritising management over internal security and border protection concerns. In short, the principles of fiscal sociology suggest that this is largely because the state does not look to its citizens for a good deal of its revenue, and therefore society lacks the strength to hold the state to account. Moreover, a largely emaciated society like the Philippines suffering from fiscal malnutrition will continue to be characterised by educational inadequacies and other expenditure related service shortfalls, monopolisation and oligarchic structures, cultural constraints, political marginalisation of reformist groups, and a disengaged leadership.

Taxing problems

A recent diagnostic econometric comparative analysis in the Asia-Pacific found that Malaysia and Thailand derive benefits from indirect capital formation, Indonesia is invigorated by all disaggregated government spending, but the economy of the Philippines is specifically stimulated by broad-based taxation and expenditure on health, education and economic services.²⁴ Given that good governance is often conceptualised as the harbinger for sustained economic growth, this finding underpins the view here that the Philippines tax and governance efforts are entwined. Understanding this is important because while governance initiatives enjoy broad support in general, there are serious socio-structural impediments to effective tax collection and reforms. This section examines the problem of revenue raising in the Philippines, and discusses the barriers preventing easy solutions.

Arroyo's presidency, like her predecessors, hinges on appeasing elites. And as JP Morgan economist, David Fernandez observes, "[I]t's going to make a lot of politically powerful people unhappy if they are forced to pay what they owe."²⁵

²⁴ A. Bende-Nabende, J.L. Ford and S. Sen (2000) 'Governance, human capital, labour and endogenous growth in Asia-Pacific', chapt. 13 in *Finance, Governance and Economic Performance in Pacific and South East Asia*, D.G. Dickinson *et. al.* (eds) (Cheltenham, UK: Edward Elgar), p.260.

²⁵ Deidre Sheehan (2001) 'Time to Get Tough', *Far Eastern Economic Review*, 7 June.

Dismantling elitist ‘detachment’ is therefore probably beyond Arroyo’s capabilities even if she had the will to do so, which appears unlikely given her own extremely elite circumstances.²⁶ This is despite her penchant to highlight her father’s humble beginnings, “born in a nipa hut, into a family that tilled less than a hectare of land”.²⁷ Ensuring more effective revenue raising would be a major step towards fulfilling her promise of delivering good governance, and could stop the seemingly endless run of budget deficits that sends the Philippines into deeper debt each year.²⁸ The President has taken her cue from the IMF and has legislated significant tax administration reforms, however these are mostly still to be implemented. Her increased majorities in Congress and the Senate for her second term will help to ease this legislative gridlock. However, the Department of Finance (DOF) strongly resists pressure to raise taxes and initiate new ones, continuing to claim that there is much more scope in improving the collection of existing taxes.²⁹ There is no disputing the validity of this claim. Incredibly, only 1.7 million of the Philippines 28 million workers currently fill in tax returns.³⁰ And the country’s tax department officials are renowned for their corruption, which usually takes the form of allowing unentitled deductions. And this directly impinges on the government’s ability to afford efficient and adequate basic services to benefit the poor, such as garbage collection, water supply, housing, transport, health care and flood control. A story appearing in *Asiaweek* illustrates the problem.

“A successful Filipino doctor in Philadelphia, visiting [the Philippines], was shocked at how little income was being declared by his ex-classmates who live in luxurious houses and frequently vacation abroad. [He points out] with our Latin background, it is not realistic to base revenues on self-declarations of income. We should tax evidence of wealth like houses, cars, trips, club memberships and weddings. Our collections of estate taxes are

²⁶ Gloria Macapagal, the daughter of former president Diosdado Macapagal, is married to lawyer and businessman Mike Arroyo, whose family owns extensive properties around the country, including sugar haciendas in the central area of Negros. For more on this “alliance of politics and wealth” see Deidre Sheehan (2001) ‘Behind Every Good Woman’, *Far Eastern Economic Review*, Aug. 16.

²⁷ Arroyo (2002) ‘Towards a strong republic’.

²⁸ This suggestion is made in a *Business Week* (2001) article soon after Arroyo took office, ‘Making good on the thriller in Manila’, No. 3718, Feb. 5, p68.

²⁹ Des Ferriols (2002) ‘IMF mission due next month to assess RP performance’, *The Philippine Star*, May 25. Online: [http:// www.philstar.com](http://www.philstar.com)

³⁰ *Inquirer News Service*, (2001) ‘Tax cuts will worsen deficit, solon warns’, July 27. Online: <http://www.inq7.net/>

shockingly low. In a country with many NGOs, donations by the rich are miserably small.”³¹

However, few rich Filipinos appear willing to relinquish weekend shopping trips in Hong Kong to pay the taxes they have evaded for years.³² It is this problem that has prompted the latest tax reforms: a switch from net to gross income calculations, coupled with reductions in the rates and a rise in income thresholds. However, a gross income tax basis may work well in Hong Kong, but critics argue that the Philippines will raise even less revenue, particularly in the short term while the system changes over.³³ In defence of the reforms, the changes would deny corporate deductions for items such as advertisement, travel, representation and training, and it is claimed that it would also act as an incentive to encourage individual workers to submit returns. It is more than likely though that if the corruption is not addressed internally in the DOF, and particularly in the Bureau of Internal Revenue (BIR), which raises 80% of total revenue, then some other way of ensuring graft will be worked out. Meanwhile, the idea that lower taxes is an inducement to pay tax is a doubtful proposition, and should be seen for what it is - a hand-out to middle and upper class tax payers.³⁴

All this positions the commissioners for the BIR and the Bureau of Customs (BoC) as pivotal to the broader good governance project, and in this respect, the prospects for meaningful good governance reforms in the Philippines looks increasingly dubious. For instance, Rene Bañez, the former vice-president of Philippine Long Distance Telephone Co., who had been drafted into the BIR as its Commissioner, had tried to reorganise the tax bureau along private-sector lines. Specifically he had attempted to outsource some units to private firms, and align promotion with job performance, while those who failed to measure up would be forced into early retirement.³⁵ However, Bañez resigned in August 2002 claiming that he was forced out by recalcitrant elements in the Bureau who “had sabotaged his reform efforts” and were attempting to make him look

³¹ *AsiaWeek* (2001) ‘Impoverished Democracy: The nation must address the issue of economic inequality’, 27:4, Feb 2.

³² Sheehan (2001) ‘Time to Get Tough’.

³³ *Ibid*; and Gil C. Cabacungan Jr. (2001) ‘Business groups ask gov’t to review tax reform agenda’, *Inquirer News Service*, Nov 5. Online: <http://www.inq7.net/>

³⁴ *Inquirer News Service* (2001) ‘Tax cuts will worsen deficit, solon warns’.

³⁵ Hookway (2002) ‘Manila Comes To the Rescue’.

bad with deliberate revenue collection shortfalls, and by continually picketing against him.³⁶ Shortly before his resignation, the Philippines' budget deficit had blown out to 120 billion pesos, which was just short of its full-year target of 130 billion pesos with six months still to go.³⁷ Instead of getting tough, the palace immediately accepted his resignation given the exploding budget deficit and with the view to appointing somebody "better equipped to reform the bureaucracy and bolster the Philippines' tax take". Arroyo points out that Bañez' replacement, Guillermo Parayno, spent six years cleaning up the Customs Bureau during the 1990s, and "[h]is collections were very high."³⁸ And Parayno has made a strong start by conducting an investigation into seven tax collectors who allegedly are responsible for an \$8 million tax diversion scam. Nevertheless, the fate of Bañez also helps to explain why the BoC Commissioner and former Finance Undersecretary, Romeo Bernardo, is criticised for stalling reforms and failing to clean up his bureau.³⁹

As well as Bañez' plans to reorganise the BIR, there has been talk of ultimately creating a new autonomous revenue authority aimed at building capacity, improving human resources training, raising salaries, and eliminating political intervention in appointments. However, the establishment of a GOCC (a government owned and controlled corporation) would require legislation, and it is yet to be seen whether there is the political will to carry this through effectively. For instance, the *Anti-Money Laundering Act of 2001* has been criticised for being unworkable and insufficient, and will need to be revised before it is useful.⁴⁰ Thus, while legislative and even constitutional changes aimed at tax reform are welcomed by the international community of investors and financiers, it is clear that social and economic prosperity in the Philippines requires much deeper and broader efforts addressing the endemic problem of inequality.⁴¹ And this is where good governance applies most crucially to the Philippines. Of course, corruption is by no means confined to private business and the DOF. The judiciary also has a well-founded reputation for accepting

³⁶ Editorial (2002) 'A blow to reforms', *The Philippine Star*, Aug 21. Online: <http://www.philstar.com/>

³⁷ James Hookway (2002) 'Weathervane', *Far Eastern Economic Review*, Aug. 29.

³⁸ Ibid.

³⁹ Kabling & Maglalang (2002) 'Arroyo vows drive vs corruption'.

⁴⁰ *Asian Development Bank* (2002) 'Asian Development Outlook 2002: [II. Economic Trends and Prospects in Developing Asia](#) : Southeast Asia'. Online (accessed June 6): <http://www.adb.org/Documents/Books/ADO/2002/phi.asp>

⁴¹ *AsiaWeek* (2001) 'Impoverished Democracy'.

kickbacks. In August 2002 for instance, three judges and five prosecutors were charged with extortion and bribery, and according to Supreme Court justice Artemio Panganiban, "corruption is the single most persistent problem that erodes public confidence in the courts."⁴²

So how is it that the Philippines has become so encumbered by taxation and corruption problems when by Asian standards, the country has a long democratic history. The problem is that democratic processes have not been matched by socio-economic reform. Indeed, the suggestion that the early introduction of democratic procedures in a society dominated by landed elites actually retarded development over the longer term. This was due to the ability of elites and oligarchies to influence the government to the extent that politics itself became an instrument of the wealthy.⁴³ Goods and resources failed to be allocated to the state for distribution or delivered into the hands of the bureaucracy, as has been the case in some other countries in the region. A powerful business class has instead systematically appropriated them.⁴⁴ It is for this reason Jane Hutchison states that "the Philippine state has not itself been an effective appropriator of domestic economic surpluses – through the taxation system".⁴⁵

Being the victim of rampant internal plundering, the Philippine state has only survived financially through international funding. Indeed, an important role of the state has been posturing with a view to maximising external assistance. These have been skills that have in turn been learnt by the community organisations, explaining why civil society in the Philippines is vibrant, broad, focussed, professional, popular, and yet relatively ineffective. This in itself underscores the centrality of accountability demands that emerge from the public-private social contract. Unfortunately, the ongoing disconnection also helps to explain terrorist activity and resistance groups, supported by those that feel that negotiating with authorities in more peaceful ways is a waste of time.

⁴² Hookway (2002) 'Manila Comes To the Rescue'.

⁴³ Jane Hutchison (1997) 'Pressure on Policy in the Philippines', chapt. 3 in *The Political Economy of South-East Asia: An Introduction*, G. Rodan et.al. (eds) (Melbourne: Oxford Uni Press), p.79.

⁴⁴ Paul Hutchcroft (1994) 'Booty capitalism: business-government relations in Industrialising Asia', pp.216-43 in A.MacIntyre (ed) (Sydney: Allen & Unwin), p.230.

⁴⁵ Hutchison (1997) 'Pressure on Policy in the Philippines', p.80.

Finally, the posturing of the state in terms of international assistance also highlights why good governance discourse has been so eagerly embraced by Arroyo and her predecessors. And it isn't just the discourse that the government and business leaders are using. Elaborate programs for assessing quality assurance and codifying ethics are undertaken and modelled in donor countries as 'proof' of good governance value for their aid money.⁴⁶ Good governance is in this way contributing legitimacy to a state that takes a very narrow view of the agenda.

Arroyo's good fight

Gloria Macapagal-Arroya and Indonesia's president, Megawati Sukarnoputri, have much in common. Both are the daughters of former presidents, and both acquired their respective jobs in 2001 after corruption allegations brought down the previous presidents. Both have significant political support and boast clean images, but are married to men whose reputations have been marred by questionable business dealings, and are potentially their greatest liabilities. For instance, Megawati's husband, Taufik Kiemas, is responsible for plunging his wife into a media storm over asset hiding, listing a family villa in Gunung Geulis under the name of their daughter Puan Maharani, and not reporting it to the Public Servants' Wealth Audit Commission (KPKPN).⁴⁷ These high profile marriages in the Southeast Asian archipelago states are examples of what have been described by the commentators as alliances of politics and wealth.⁴⁸ And this in itself tells us something of the nature of politics in the region. Arroyo came to power repeatedly talking about the need for good governance, and for morality in politics, claiming that "she was determined to lay the foundation for good, effective governance by espousing an economic philosophy of transparency and free trade". Arroyo explained that "[g]ood governance is

⁴⁶ This was the substance of the 'powerpoint' presentation of Magdalena Mendoza, 'Measures of good Governance in the Philippine Public Sector: the use of an Organizational Excellence Framework', who was part of a two person delegation to the Asia Pacific Governance 2000: Ethics, Law, Management, Politics Conference, Brisbane, April 27-8. Ms Mendoza is the Managing Director of the Centre for Governance of the Development Academy of the Philippines, which is a government corporation.

⁴⁷ Fabiola Desy Unidjaja (2002) 'Megawati official residence extended temporarily: Aide', *The Jakarta Post*, Nov. 21; Devi Asmarani (2002) 'Questions raised over 'luxury homes of Mega', *Straits Times*, Nov. 21.

⁴⁸ See footnote 24. Also Sheehan (2001) 'Behind Every Good Woman'; and *Business Week* (2001) 'Making Good on the Thriller in Manila'. For Megawati's husband see John McBeth (2001) 'Rule of Law's Let-Down', *Far Eastern Economic Review*, Sept. 6.

based on a sound moral foundation...[and that]...[t]he most important thing is leadership by example."⁴⁹ In her own words she describes good governance as "everybody's business", meaning that it not only affects everyone, but is grounded on moral standards of society and not just government, essentially elevating transparency to a "philosophy".⁵⁰ John Silva argues that her conception is "rooted in a long-standing non-profit credo that "transparency" promotes clarity and community involvement and in turn, makes "good governance" possible."⁵¹ This differs to the understanding of Arroyo's predecessor, who was less inclined to share the onus of good governance with society. Estrada claimed that the Philippine economy was kept "afloat through sound macroeconomic fundamentals, prudent fiscal management, and good governance. We adopted a market-oriented approach to development, guided by the principles of liberalisation, deregulations [sic], and privatisation."⁵²

By endowing society with a moral responsibility, the current president's views appear to be consistent with the analysis of her Presidential Commission on Good Government (PCGG), but are at odds with critics who point out that Arroyo does not single out the wealthy. To quote again from *Asiaweek*, there is a "lack of concern by the upper-income group about corruption in all sectors of the government." This quote is extracted from an article pointing out that "corruption would not be possible if the rich did not provide the bribery funds", and there would be much more money available to tackle governance problems if upper-income groups didn't move funds abroad.⁵³ One reason why Arroyo is not cracking down on wealthy Filipinos could be that in her first term at least she has been attempting to secure her position, and has been careful not to suffer from the same fate as Estrada. The former president saw himself as the champion of the poor, and "raised the ire of the gentry" in the process.⁵⁴

⁴⁹ Sacha Shidasani (undated) 'President of Philippines on good governance', address to the Asia Leadership Forum (ALF) and the World Economic Development Congress, Kuala Lumpur, *Earth Times News Service*. Online (accessed June 9, 2002): <http://www.earthtimes.org/>

⁵⁰ Gloria Macapagal-Arroyo (2001) 'Reinventing & Returning the Government to the People', *Presidents & Prime Ministers* 10:1.

⁵¹ John L. Silva (2001) 'The New Philippine Presidency and the NGO Connection', *Focus on the Philippines* 9, Feb. 16. Online: <http://www.focusweb.org/publications/Bulletins/Fop/2001/fop9.htm>

⁵² Joseph Estrada (1999) 'Toward Development with a Human Face', address to the 32nd International General Meeting of the Pacific Basin Economic Council, Hong Kong, May 18.

⁵³ *AsiaWeek* (2001) 'Impoverished Democracy'.

⁵⁴ *Far Eastern Economic Review* (2001) 'What Keeps the Philippines Down', May 17.

Given her temperament and her economics background, few would doubt that Arroyo will further engage in 'capable' (state enhancing) governance and incremental, pragmatic policy development in her second term. This in itself can make a difference to the nature of politics in the Philippines, and is likely to slowly generate benefits for the poor that over time may enhance the bargaining position of workers. But this appears to be the extent of her vision. Even her supporters admit that Arroyo is no reformer, and is better described as a cautious coalition builder, a style she has used very successfully and is unlikely to change now.⁵⁵ And she has also surprised her opponents and shown that she can play the part of the authoritarian Asian leader with her military crackdown on the May 2001 pro-Estrada protests.⁵⁶ Economically advantaged groups in the Philippines must begin to realise though "that demonstrations are just the beginning of a process that should reduce their own privileges, increase their tax consciousness and upgrade their ethical standards."⁵⁷

If Arroyo's vision does reflect her insular elitist background, then it is not surprising that there is little elbowroom for civil society at the President's policy table. This restricts the influence of those international interests that have formed alliances with the NGO community, and ultimately casts doubt on the willingness of the current government to embrace the 'internationalist' agenda of better and closer representation, participation and human rights. Nevertheless, Arroyo has forged a good relationship with the multi-lateral financial institutions and strengthened her claims to good governance by responding to their concerns with token measures such as the tax reforms discussed here. As such, the current policy trajectory sits relatively comfortably with statist ideals, as distinct from traditional liberal orthodoxy. It is not surprising then that progress in the internationalist good governance agenda in terms of its democratic component, particularly since the economic crisis, has left much more to be done in the areas of responsiveness, accountability and transparency.

⁵⁵ Deidre Sheehan (2001) 'Keeping Her Eye On the Ball', *Far Eastern Economic Review*, June 14.

⁵⁶ Deidre Sheehan and Rodney Tasker (2001) 'Everybody, Get in Line', *Far Eastern Economic Review*, May 17.

⁵⁷ *AsiaWeek* (2001) 'Impoverished Democracy'.

Good governance pivots on striking a balance between state and society. This is not taken seriously in terms of obligation, bargaining and accountability, which underpin the social, political and economic contract between Filipino citizens and their government. Providing meaningful welfare, protection of workers rights, and modern basic services are functions of this contract, and predicated upon effective, broad-based taxation. Despite all the talk of good governance objectives, Arroyo's administration is not attempting to balance state and society, but instead is looking for ways to shore-up authority, promote order, and enhance capability. Good governance in the Philippines is therefore understood as a popular discursive mechanism for maintaining elitist control through the mechanisms of the state. This does not mean that reasonable governance cannot be achieved by a statist approach, but it differs considerable from the ideas and values driven by neoliberal views. Essentially it fails to make the connection between redistribution and good governance, driven by regulation, re-regulation and self-regulation initiatives.

The important point about fiscal arrangements is that optimal outcomes for the state are negotiated, and that the terms of this process reflect the sociological relationship across the public-private divide. If the relationship is unbalanced or skewed in favour of powerful interests, then this will be indicated in the bargaining processes that make up fiscal politics. In this light, ineffective taxation in the Philippines is arguably the result of contract failure itself rather than failure of the state or the taxpayer to specifically perform the contract. This would suggest that moralist concerns with individual behaviour are misplaced. Thus, a better understanding of fiscal sociology may help to shift the emphasis from the individual to the political processes at work, and highlight a major problem with good governance ideas that assume procedure is the most important facet of achieving efficiency. At the moment though, it helps to explain why there is much talk about the rule of law in the Philippines, and relatively unfocussed discussions about the actual tax reforms themselves.

Howard Dick claims that the stamping out of corruption is not attainable through good governance as it is presently understood, but "should be re-conceptualised as a problem of 'search strategy' in which politics are an essential part of the process and institutions are formed to embody learning-by-

doing.”⁵⁸ Instead of pursuing good governance as a linear path to sustainable development in Southeast Asia, Dick argues that ‘muddling through’ makes a lot more sense as a learning and search strategy.⁵⁹ This may result in *ad hoc* changes, but as Charles Lindblom points out, this more often than not produces better outcomes.⁶⁰ In short, piecemeal changes to the tax laws and the collection bureaucracy rather than the introduction of comprehensive new laws every few years is likely to be a more effective strategy.

It is possible to argue that legislators are muddling through the Philippines’ tax laws to some extent, however there has been limited consultations with community groups, while business groups are strongly represented. For instance, the Makati Business Club (MBC) leads the powerful Taxation Reform Task Force. The MBC includes heads of the Chamber of Commerce, leaders of other business clubs, a former Prime Minister, a former Central Bank Governor, former Finance Secretaries and Undersecretaries, and a former BIR commissioner. The MBC has lobbied for the further expansion of the withholding tax system and prosecution and conviction of big tax evaders amongst other reforms, but overall tend to advocate reforms that reflect the interests of the middle and upper classes.⁶¹ There is no talk of initiating serious safety-net policies for the poor simply because much of the burden to fund welfare would fall upon the wealthy and business. On the contrary, government spending continues to be trimmed at every opportunity. This demonstrates conclusively that representatives of the burgeoning poor have little meaningful access to tax politics in the Philippines.

What Arroyo is finding is the harder she strikes against entrenched interests, the more belligerent they become, and the more they hold the country to ransom. As Rene Bañez has complained, comfortable middle management bureaucrats “are holding the country hostage in their desire to protect their own personal interests.”⁶² In order to keep things running, Arroyo is finding that she

⁵⁸ Howard Dick (2002) ‘Corruption and Good Governance: The New Frontier of Social Engineering,’ chapt. 5 in *Corruption in Asia: Rethinking the Governance Paradigm*, p.72.

⁵⁹ Ibid, p.79.

⁶⁰ Charles.E. Lindblom, (1979) ‘Still Muddling, Not Yet Through’, *Public Administration Review*, Nov-Dec, pp.517-26.

⁶¹ Gil C. Cabacungan Jr.(2001) ‘Business groups ask gov’t to review tax reform agenda’, *Inquirer News Service*, November 05. Online: <http://www.inq7.net/>

⁶² Hookway (2002) ‘Manila Comes To the Rescue’.

must accept the blackmail. Arroyo is hoping that while she is fighting losing battles at present, eventually she will win the war against corruption. Bureaucrats certainly don't look like getting things all their own way. For instance, since Bañez' resignation, Finance Secretary Jose Isidro Camacho has warned tax officials that the Arroyo administration was about to get tough, explaining that "those who fail to meet their targets will be subject to disciplinary action".⁶³

Discussion

The growth of NGOs in the Philippines is providing the basis for a more cohesive society, and should over time strengthen the country's institutional structure. This has benefits in terms of the dissemination of behaviour modifying norms. What the NGO movement will find more difficult, and may actually inflame, is the breaking down of class structures built up over centuries of colonial and post-colonial experience. If issue-based NGOs were to aim for broader membership bases, and work towards positive outcomes with wider applications then this may go some way toward bridging the gap between rich and poor, both practically and psychologically. Perhaps more importantly for bridging this divide though would be the re-connection of the people to the government. In this respect, Arroyo would do well to learn from Estrada's incompetent leadership at least in terms of his outspoken commitment to the poor. A more efficient tax-take is only the first step – actually directing the extra revenue towards services and welfare programs for the poor would be the next crucial step towards good governance. Perhaps if reluctant taxpayers were to see tangible benefits for the poor in their midst, the healing of what is a highly fractured society could more realistically take place. As Margot Cohen from the *Far Eastern Economic Review* points out "[t]he question of taxpayer motivation looms large. Citizens tend to be deterred from paying when they see projects like the 1.1 billion peso Macapagal Highway in Manila, which rival political groups say cost 600 million pesos more than necessary."⁶⁴

⁶³ Ibid.

⁶⁴ Cohen (2004) 'The six-year plan'.

If good governance is to be interpreted as democracy and development in action, then finance and land for capital works, social services and community projects must literally be prised out of the hands of the rich and powerful minority.⁶⁵ The only likelihood of this occurring would be if the disadvantaged Filipino masses gain access to politics, rendering ineffective the World Bank's technical approach to good governance and the allegations here that it attempts to insulate economic institutions from political bargaining and conflict. It is this realisation that prompts Jayasuria to argue that it is not technical but structural reforms that will eventually achieve good governance in countries such as the Philippines.⁶⁶ And structural change is only likely if it is grounded in coalitions that cut across traditional cleavages, empowering the prime beneficiaries of such a process, ie. the rich working closely with the poor. And of course, the nurturing of such coalitions is itself inevitably a political exercise.

One way of encouraging a politics of coalition building is through notions of good governance. Rather than viewing good governance as a lineal path to sustainable development as it is currently celebrated, it would do better to portray it as a final outcome once a solid structural foundation is completed. In taxation terms, good governance could be seen as a promised refund rather than an immediate deduction. And this pretty much sums up the situation for the Filipino elite: they must be forced to forgo the benefits that accrue to them from ineffective fiscal arrangements. And the only way that elites can be forced into engaging the problems of the poor within a democratic framework is by means of political will to establish and empower broad coalitions of interest. Unless this takes place, a refund in terms of esteem, trust, shared outcomes and satisfaction is not possible. As one of the Philippines most notorious tax evaders, the businessman Lucio Tan, sums up the current mood of Filipino elite:

"I think this country will continue to sleep for the next 100 years... [w]e haven't yet produced a leader...[f]or me, I don't feel optimistic until we have discipline and believe in ourselves."⁶⁷

⁶⁵ Sheehan (2001) 'Time to Get Tough'.

⁶⁶ Jayasuria (2002) 'Governance, Post-Washington Consensus and the New Anti-Politics'.

⁶⁷ Hookway (2002) 'Manila Comes To the Rescue'.

A sense of discipline and self-belief seems to be a long way off. Candidates for public office are still largely recruited from the ranks of movie stars, television personalities and sportspeople. It would appear that the development of a sophisticated political rationality evident in the modern West, which according to this thesis establishes the conditions for good governance, is an elusive project if the average voter “can’t distinguish between movies and real life, fantasy and reality”.⁶⁸

Conclusion

What we are clearly dealing with in the Philippines are two disparate competing political rationalities. Those living on less than a \$1 a day have little or no understanding how to even access politics, never mind use it to better their cause, conceptualise the leadership, and lever improved outcomes from governance arrangements. Good governance for them is something delivered by a benevolent champion. The others view their wealth or success as a right, and something to be secured and not redistributed. Good governance for privileged elements is a desirable top down project that may eventually provide benefits for everybody.

It isn’t so much a case of minimising the reach of democracy by undermining opposition platforms like in other Southeast Asian states, but maintaining an immature elitist democracy that views much of the constituency as unproductive, disengaged, and part of the problem. Despite the efforts of protagonists at the local level, and a good deal of devolution which has been undertaken, good governance in the Philippines is not the governmentality project it is elsewhere. It’s more about bureaucratically supervised quality assurance than changing the way Filipinos think about the conduct of politics and the delivery of political processes. The discourse is helping to structure a ‘top down’ approach even in an increasing decentralised form, and is failing to get very deep. And if good governance is inescapably a ‘whole of society project’ as is argued here, it is no wonder that the agenda has much yet to achieve in the Philippines.

⁶⁸ Hranjski (2004) ‘Philippines election bogs down...’.

Governance remains elitist and populist in the Philippines, despite the popular protests that have taken place commencing with the bringing down of the Marcos regime. If anything, these protests have reinforced a perception amongst the poor that they continue to be a neglected, disfunctional and politically emaciated element that can do little to alter the course of Filipino politics. There is certainly no inkling that good governance assumes a shift in mentality from being governed to self-governance, or the replacement of remote structures of dominance by 'closer' government.

There is very little evidence of heightened self-regulation in the Philippines since good governance rhetoric has become a feature of policy speeches. This alone supports the dissertation's hypothesis, that the agenda is more focussed on improved rule than opening up governance and regulative opportunities within society. This finding to some extent undermines the suggestion in Indonesia's case that good governance progress in this more populous archipelago is a result of broader agency access enjoyed by the international agenda advocates. Instead it points to the ability of domestic politics to control the agenda, and ultimately society, in what is arguably a normatively structured governmentality project. Thus, the failure to disseminate this alternative message, which replicates public-private arrangements in the West, points to the capture of good governance discourse by powerful interests. The 2004 elections have provided further evidence that populism and elitism still holds sway in a democratic system that belies its considerable age.

CHAPTER 9: CONCLUSIONS

While Malaysia and Thailand have graduated from most donor-funded development programmes and many, particularly urban-based citizens, are beginning to enjoy higher incomes and better services, the multilateral financial institutions still have considerable leverage in their economies. This point was emphasised during the crisis in Thailand *vis-à-vis* the International Monetary Fund's (IMF) bailout, while the rebuttals of former Malaysian Prime Minister, Mahathir Mohamad, is indicative of the kind of pressure and publicity that can be exerted by international interests. Poverty is more widespread in the Philippines and Indonesia, and the many internationally funded development projects underway there are likely to continue running for many years to come. This lends a great deal of leverage to donor organisations, and discovering how this leverage is being used in terms of the good governance agenda is important. And it appears that international interests are beginning to have some influence in Indonesia, while they are yet to see promising signs in the Philippines.

By taking a discursive approach to good governance in the ASEAN 4, various issues associated closely with the agenda have been canvassed in each study. This is thrown up an impression of inconsistency, of measuring different issues in various contexts. Clearly it would have been ideal to focus specifically at the same issues in each state, and controlled the analysis by measuring the differences that selected variables have had. However, this simply hasn't been possible because of the significant divergences across the region in terms of historical experience, cultural and ethnic identity, political arrangements and development status in particular. These differences sponsor conflicting interpretations, attitudes and responses to the same sets of variables, rendering a highly controlled analysis unhelpful. What is shared in common though, and therefore forms the basis of the comparison here is that the ASEAN 4 good governance agendas are undoubtedly being guided by the nuances of domestic politics. These agenda specific vagaries have also made it to apply a single theoretical methodology across the studies. Looking at the agenda as governmentality shift has helped bridge these gaps and cultivated fertile ground for drawing comparative conclusions.

A possible criticism of the case studies is the under-utilisation of the literature reviewed in the opening chapters of the thesis. Clearly though, much of the existing literature doesn't pursue the trail of evidence in the ASEAN 4 states, having little to say about the basic thrust of this thesis: that good governance can mean something entirely different to powerful groups within targeted countries than it does to its international advocates. While not diminishing the importance of what has already been written about good governance in a general sense, much of it fails to make a significant contribution to our understanding of the agendas in Southeast Asia.

What should be emphasised though from good governance literature is the widespread appreciation in the ASEAN 4 that good governance implies the existence of bad governance, that there is a clear distinction between the two, and that the former is designed to overcome the latter. A presupposition of good governance programs then is the existence of regimes of bad governance, and this helps to explain the 'popular' understanding of governance as "the means by which societies deliver collective goods and minimise collective bads".¹ Given that the separation of good and bad is a value laden exercise, this dichotomy tells us much about the normative perceptions of the proponents of good governance in the region. It also energises conceptions of a collective project for a 'common good', constructed with the help of notions of 'good sense' that is after all merely 'common sense'.² While this may find appeal in a global, and even in a state-bounded cosmopolitan sense due to its apparent universal attraction, the terminology fails to reflect the unequal power relationships that has been teased out in the case studies. Notions of openness, transparency, accountability, equity and responsiveness to people's needs may sound convincingly like a demonstration of communitarian values, however, a deeper analysis has revealed coalitions of privileged interests.

Alternatively, this thesis has found that a more expansive definition of good governance that prioritises social justice and substantive democratic practice

¹ Devetak & Higgott (1999) 'Justice unbound?...', p.495.

² Larmour (1998) 'Making Sense of Good Governance,' p.4.

provides a gateway to more meaningful research on current issues relating to the normative-technical agenda of good governance. The institutionalism of its proponents has not been discarded, it is simply made more sophisticated to include all the elements that socially construct the policy terrain of the developing world.

It is suggested that a pre-condition of substantive common interest would not be unrelated to Rousseau's ideas about free and open debate focussed on the good of all, and the desire to remake self and society. There is much to draw from in more recent literatures also. For instance, John Kenneth Galbraith's *The Good Society* is a treatise for fair and equitable social foundations. Or for a regional perspective, Amartya Sen's *Democracy as Freedom*, which portrays democracy as an intrinsic and instrumental good representing a major pillar in the development ethos and as an instrument for the delivery of goods such as education and health.³ Yet public discussions about good governance, in contrast to public adulation of its unquestioned virtues, continue to be given little priority. Indeed, programs that such debates may spawn, would be likely to meet widespread resistance. However it is the struggle against such resistance that is arguably the key element in bringing about a transformation in governmentality.

This thesis has raised certain questions about good governance discourse, and through case study analysis, has demonstrated that the new, 'World Bank' discourse competes with traditional and contemporary local interpretations in the ASEAN 4 countries. This suggests that identifying 'bad' outdated policies and replacing them with modern 'good governance' policies is an inherently treacherous exercise that has lent itself to all sorts of agendas. However, this account of the politics of good governance in the ASEAN 4 states would benefit from a more detailed comparative analysis, which is the task we turn to now.

Comparing good governance in the ASEAN 4

³ John Kenneth Galbraith (1996) *The Good Society: The Humane Agenda* (Boston: Houghton Mifflin); Amartya Sen (1999) *Democracy as Freedom* (New York: Knopf).

Comparative politics has a long and distinguished tradition, because amongst other things, it helps to expose diverging and converging ideas, and highlights differences in policies and practices. It is employed here specifically to embellish our understanding of the way good governance has been specifically marketed in the ASEAN 4, which in turn helps us to adequately assess the impact of politics on the agenda, particularly in respect to its claims as a reform engine for social, political and economic justice. It helps to raise questions about some of the baggage that has apparently been smuggled in with the term, which is arguably leading the agenda further way from its governance roots. And importantly the comparative study has found that even if good governance in the ASEAN 4 is supposed to be about better governance, it is skilfully being used to protect the interests of the elites who dominate politics in these states.

The case studies demonstrate that despite the apolitical intentions of the World Bank, the discourses that circulate within the ASEAN 4 states are politically motivated, adding weight to the argument that politics cannot be extricated from social and economic reforms, and has a fundamental role to play in governmentality shifts. Indeed, politics plays an even more crucial policy reform role in societies that lack substantive democratic traditions, or whose democracies are immature. This is why major changes can be effected when politics is prised open in such countries, for instance following the 1992 protests in Bangkok, or during the Habibie period in Indonesia. All too often though this seems to be only a window of opportunity that shuts again with the next stable authoritarian regime. And from the reading of events in the ASEAN 4 here, participation in politics is being squeezed out in Thailand, Malaysia and the Philippines, while politics is showing signs of reopening in Indonesia.

This finding has at least three implications for good governance discourse. Firstly, good governance should be understood as a powerful legitimising tool, being used eloquently to describe major policy orientations in order to cement confidence in existing administrations. While the Thai democratic movement, the Malaysian Opposition, Reformasi activists in Indonesia, and embattled political interests in the Philippines, have used the discourse effectively, the case studies demonstrate somewhat surprisingly that good governance discourse is even more powerful in the mouths of incumbents. This suggests that the discourse may not prove very useful as a regime change mechanism.

Second, good governance discourse does not act as a catalyst to the nourishment of democratic processes. As important as the discourse has been in the ASEAN 4 states, particularly since the economic crisis, democracy movements have slowed, even with modest democratic structural reforms across the region. As Michael Vatikiotis has pointed out, with economic recovery in the region, old political habits appear to have returned.⁴ This finding renders problematic a major tenet of good governance: that it is fundamentally a set of democratic principles, and thus its embrace enhances democracy. Indeed, the evidence presented here negates the linkage between good governance and democracy. Admittedly, a broader study over a much longer period would be necessary before this assertion could be established to a significant level of confidence.

Third, opportunities to effect good governance reforms are strongly correlated to economic, and particularly political crises. It would appear that when regimes are under threat of replacement, concessions to the good governance agenda are made as a steadying strategy. The regional economic crisis focussed attention on bad governance practices, bringing about comprehensive reforms. Once, the political climate settled, some of these reforms have been rolled back. Regime change or the prospects of it, on the other hand, tends to bring about more permanent reforms, although this has arguably not been the case in Thailand.

These implications raise concerns about the actual content of the discourse, particularly the proposition that it could be made more clear. Perhaps a sharper good governance discourse that focuses on particular ethical practices would present a more elusive target for local spin-doctors. Such an emphasis may also highlight the ineffectual accountability structures and processes that allow unethical practices to flourish. However, it is important to remember that beefing up watchdog powers remains a politically charged task. And it is also clear that the will to engage this task is strongly linked to the domestic struggle for rights

⁴ Michael Vatikiotis (2000) 'Did the Asian economic crisis enhance democracy and good government in Asia?', paper delivered at the Asia Pacific Governance 2000: Ethics, Law, Management, Politics Conference, Brisbane, April 27-8.

and representation, and the messages that international interests are sending targeted countries.

As with all countries and regions throughout the populated world exposed to the discourses accompanying globalisation, the ASEAN 4 states have their own good governance story to tell. The Thai case study demonstrated that constitutional responses to calls for good governance must be accompanied by the political will to effectively engage the rural majority and the urban poor. This will broaden the scope of the agenda and disperse power, bringing stakeholders 'back in' to constitutional reform discussions, and thereby making authorities accountable to those directly impacted by the constitution. If Thailand was to seriously embark on a reform program that addresses social justice issues, then the case study further suggests that there are historical lessons to be learnt from the genealogical study of indigenous power relations. Such lessons for instance could help the formulation of culturally contextual governance arrangements. The traditional influence of money and patron-client relationships should also be taken into account, and strategies drawn up in an attempt to minimise these potentially socially debilitating influences.

Money politics is epitomised by the rise of Thaksin's populist regime, and it is the mandate that he claims that allows him to reinvent good governance in his own image. This construction is supported by a sceptical narrative of globalisation, casting strong, capable, and albeit autocratic leadership as a steadying 'Thailand first' influence in a potentially economically hostile world. In this view, good governance is interpreted at face value to mean paternal local protection from the interests of global capital. Paradoxically, this is a complete distortion of World Bank-good governance discourse that gained expression in the new constitution. In short, Thai good governance is increasingly measured by its ability to prevent international good governance. And with the politics of good governance being reduced to a local capital verses global capital contest, case study evidence demonstrates that the interests of the undercapitalised are even further marginalised.

All this positions the Thai good governance agenda as an unlikely vehicle for reform, and if anything, an effective antidote to comprehensive governmentality

shifts. However, if the agenda was to specifically endorse regulation and the building of institutions that foster self-regulation of say transparency around campaign funding, meaningful reforms could realistically be achieved. It would however require a fundamental re-orientation of the agenda, effectively acknowledging that politics not only matters, but good governance in a Western sense is predicated upon it.

For historical, cultural, religious and ethnic reasons, Malaysia has allowed its political space to be dominated by personalities. This has contributed to a muted debate over competing interpretations of good governance. Mahathir was undoubtedly the quintessential 'good governor' for some Malaysians, while his successor is capitalising on the thawing of politics in Mahathir's wake that has provided him with a record mandate to embrace reforms shrouded in the discourse of good governance. By delivering corporate and banking reforms in particular and cutting off the more odious elements of UMNO's 'connections' more generally, Abdullah has demonstrated his understanding of the power of good governance, and is using it in his favour.

His good governance experiments though have only been partial, and his initiatives have been a while taking shape. More and more, Malaysia appears content to follow the Singaporean model of good governance, which represents a governmentality that is distinctively different to the West's. Moreover, Abdullah's religious credentials strikes a chord with the emerging discourse of Islamic good governance in the region.

The case study affirms that Umno's leaders have fully grasped the resonance of good governance discourse, and have been whole-heartedly pursuing it within an East Asian paradigm. However, while Umno controls the politics of good governance in Malaysia, the ruling party cannot control discussions in cyberspace. Over time, this may well help to open up politics Malaysia. However, the strategy of standing firmly of the moral high ground of good governance should help to repel any future attacks.

Meanwhile, Megawati's Administration in Indonesia has headed back to the security of order rather than proceed to new governance structures.

Decentralisation concessions have been made, which has had some benefits in terms of governance and development, but this is characterised by unevenness and a shift from central to local corruption. Despite the decentralisation movement, national sentiment remains strong in much of the Indonesian archipelago. This ironically contributes to the crisis in governance, simply because of the difficulty of administering cohesively this vast, diverse, and highly populated country.

This physical enormity complicates the task of breaching the public-private divide particularly at its ruling elite-village peasant extremities, which arguably lies at the root of Indonesia's governance problems. What this means is that while NGOs are a growth industry, they can exert very little leverage against well-entrenched military, bureaucratic, juridical and government structures. This suggests that opportunities for institutional reform and good governance projects are currently limited. However, the nature of coalition building and Indonesians readiness to accept new political movements appears to be opening up new possibilities driven by the PKS.

The major lesson for good governance proponents to be drawn from Indonesia is that the World Bank's agenda hinges on the leadership being made accountable to civil society, and that exhortations and even regulation designed to foster accountability are inadequate in themselves. Strengthening civil society and enhancing meaningful participation requires more than just institution building. It is premised on the construction of horizontal decision-making and power-disseminating linkages. The demokrasi movement set out to achieve good governance amongst other more structural democratic reforms, but the New Order has proved remarkably resilient. Relegating the New Order to the pages of history will require more than a grassroots social movement, it will need broad-based access to truly representative politics.

And the Philippines, despite all the talk of good governance, is making little progress in reforming one of the world's most fundamentally unequal societies. Like Indonesia, the Philippines is characterised by a disconnection between the people and their government. The social contract, which is underpinned by fiscal arrangements, is diluted by insufficient tax collections and a subsequent

unwillingness to supply basic services and welfare nets. The humanitarian component of good governance is being sadly neglected in the Philippines while there is much attention being paid to the neoliberal trajectory that the country is pursuing. An improved tax collection will help to redress this shortfall provided of course extra revenue is actually raised and appropriately redistributed. In the absence of substantive change though, if extra revenue is raised, the poor are likely to miss out in favour of reducing the annual budget deficit. This is responsible economics, but irresponsible humane governance, indicative of a tension between the 2 rationalities.

The case of the Philippines highlights what arguably is central to good governance debate: the friction between a technical-normative and a structural approach to the agenda. In this dichotomy, institutions belong largely to the former, while structural change implies a fundamental redistribution of power whereby the structure of society is consistently challenged and reformed. Arroyo is committed to the World Bank's technical-normative, essentially neoliberal strategy, albeit in a narrow, traditionally rent-seeking sense. A structural approach requires a much greater commitment to change, and is feasible only through coalition building and more open political processes.

As idealistic as it sounds, there is perhaps no better way of pursuing the structural approach than through the notion of good governance itself, emphasising its democratic and humanitarian components. Such an approach for example could put an end to the exclusiveness of politics in the Philippines, whereby wealthy family dynasties struggle for ascendancy by relying on expensive 'show business' electoral campaigns.⁵ In many ways it's the difference between a state-building project constructed on discourse and technical skills, and one that is grounded in a self-respecting citizenry. In terms of political rationality, it is a passive versus active approach to understanding governance.

⁵ Michael Backman (1999) *Asian Eclipse: Exposing the Dark Side of Business in Asia* (Singapore: John Wiley & Sons), p.320. See also Jane Hutchison (1997) 'Pressure on Policy in the Philippines', chapt. 3 in *The Political Economy of South-East Asia: An Introduction*, G. Rodan et.al. (eds) (Melbourne: Oxford Uni Press), p.79-80.

All up, the ASEAN 4 grouping of emerging industrial economies demonstrate four similar, yet distinct approaches to the good governance agenda. They are similar in the respect that each country, and particularly each of the respective political elites, is using good governance discourse in state-making ventures that are entirely unrelated to the agenda's core purposes. They differ in that each state has carved out unique roles for itself according to their countries own historical, social, political and developmental paths, and the agenda has proven an ideal reinforcement in the legitimacy of those trajectories. In Thailand, good governance is a source of resistance. In Malaysia it is a political football currently at the feet of the Prime Minister. Good governance helped to bring down Suharto's regime the major parties are learning how to control it. And the Philippines is using it to bolster its international image. It's a mixed response to what is undoubtedly one of the most incisive discursive challenges in this era of globalisation. And it is this variation together with the dearth of positive outcomes in the way the World Bank envisaged the agenda, which tells us that something has gone wrong somewhere along the line. But can we be sure, as this thesis asserts, that this something is politics, or more specifically, the quality of politics in terms of expansive democratic ideals such as openness, responsiveness, representation and regulative reform?

We have certainly found that ethics and accountability have become disconnected from good governance in post-crisis Southeast Asia. This it is suggested is largely because domestic democratic movements have floundered in the re-emergence of state-building projects promising economic recovery. Various plans and programs have been launched throughout the region, but because these are often centrally managed, they tend to lack accountability mechanisms. The initiatives sound good and are easy to sell to the public and international investors, but there is plenty of evidence to show that unethical practices abound, and changes are largely cosmetic.

We have also found that while the rapidly industrialising states of Southeast Asia are undertaking measures to protect themselves against the kind of excesses that resulted in the regional economic crisis, it is apparent that they are yet to safeguard their polities against possible future social and political crises. And it is the social-political climate that determines the structural basis of

the economy. If that basis remains flawed, there is a real potential for devastating economic crises to strike again. Indeed, without attention to the economic foundations, it may well be that the stronger Southeast Asia performs economically, the more likely it will be that such crises will actually take place.

The question remains though whether these findings emphatically support the notion that good governance, without 'good politics' is untenable. Ultimately this is difficult to prove, not only by reason of the inherent difficulty of measuring what is essentially a qualitative assertion about what is good and what isn't in politics, but because of the variance in interpreting what is essentially good governance. However, if we were to limit the notion to the World Bank's definition, and qualify 'good politics' as substantive democratic principles and practices, the case study evidence presented in this thesis points to a very strong relationship between what we can call practice and rationality. Likewise, proceeding with the World Bank's good governance agenda under domestic political conditions that are less than democratic is proven here to be self-defeating. In sum, the evidence of the ASEAN 4 experience with good governance is conclusive: without attention to opening up political bargaining by bringing governance to the people, powerful interests in their enclaves will continue to use the agenda for their own political purposes.

It is important to qualify at this point the genetic strain of good governance we have examined here. The thesis has traced the development of good governance ideas through predominately Western scholarship. Such an approach unavoidably implies that local expressions of these ideas are understood largely as responses to external pressure for implementation. Nevertheless, it is acknowledged that in-depth research into the evolution of local forms of good governance is contiguous to this study, as has been explained in the selected case studies. The main focus of the studies here though has been to demonstrate how local interests for various reasons transform imported or imposed development discourses and strategies.

Also, in attempting to employ collective Southeast Asian, or indeed ASEAN 4 ideas of good governance, it must be made clear that there are strict limitations in terms of what is included and excluded in the collective character. For

instance, it is quite clear that Confucianism has significantly influenced Chinese political thought, not only within the changing bounds of China, but throughout the Chinese Diaspora.⁶ Thus, Confucianism has come to be associated with the economic dynamism of the East Asian newly industrialised countries, as distinct from the more fundamentally religious bases of Islam, Buddhism and Catholicism found in much of Southeast Asia. This suggests that Singaporean norms and values, as highly acclaimed as they are by supporters, may not be easily replicated in other parts of Southeast Asia. Nevertheless, Malaysia, and increasingly Thailand does not appear perturbed. Vietnam is also strongly founded on Confucianism, but its influence on the 'Southeast Asian' idea is diminished along with Lao PDR, Cambodia and Myanmar largely for economic reasons. The economies of these ASEAN states are undergoing transition under the presiding influences of socialist and military hardline regimes, which has resulted in state planning, seclusion and internal security factors not found to the same extent in the ASEAN 4.

Finally, the Philippines is perceived to be something of an outlier in terms of an ASEAN 4 conception of good governance. Most importantly this is due to the relative 'weakness' of the state, which does not imply a weak government unable or unwilling to use coercive methods of rule. The strength of the state is usually measured by autonomy and capacity, and on both these counts, the Philippines, far more than Indonesia and the other ASEAN 4 countries, is found to be weak. In terms of autonomy for instance, whereas the Indonesian state finds itself penetrated in numerous ways from 'within' to the point where 'outside' actors find it very difficult to exert pressure and pursue their interests with and through the state, the Philippines state is highly vulnerable to external social forces such as powerful oligarchies.⁷ 'Weak' capacity on the other hand is characterised by conflicts of interest within the executive, legislature and bureaucracy, which frequently arise and are rarely acknowledged in the Philippines.⁸ Another variant is that civil society has enjoyed a level of

⁶ See for example J. Cotton (1991) 'On the identity of Confucianism: Theory and Practice', *Political Theory Newsletter* 3, pp.13-26.

⁷ This is in contrast to the Indonesian state, a point made by Indonesian specialist Harold Crouch contesting Joel Migdal's thesis in a seminar hosted by Griffith Asia Pacific Council entitled 'Prospects of Political Reform in Indonesia', Aug.29 2002, Griffith University, Brisbane.

⁸ See Jane Hutchison (1997) 'Pressure on Policy in the Philippines', chapt. 3 in *The Political Economy of South-East Asia: An Introduction*, G. Rodan et.al. (eds) (Melbourne: Oxford Uni Press), p.79.

international support in the Philippines that is unmatched in the region, even in Indonesia. And finally, for various reasons well canvassed elsewhere that further point to its regional exceptionality, the Philippines economy managed to weather the Asian financial shocks reasonably well.⁹ It has thereby remained a small and less resistant target for the major international organisations that undoubtedly used the crisis to step up their good governance agendas throughout the region.

While a homogenous Southeast Asian image is wide of the mark, notions such as the 'ASEAN way', which specifically describes the consensual approach to regionally diplomacy, have some meaning. Such a term hints at the emergence of a progressively constructed regional identity, and is therefore useful for thinking about Southeast Asia in some sort of progressive, collective sense. Such a conception draws on shared core values, patterns of behaviour in common, and constructs a regional personality that is weak in empirical supporting evidence, but is nevertheless provocative. So while the diversity of ASEAN 4 responses to good governance is well documented in this thesis, a 'certain' cohesiveness in the way the ASEAN states cooperate with each other provides the conceptual basis for detailing the construction of a regional good governance response. Moreover, local resistance rising from a 'clash' of values, significant intra-regional disparities, and arguments over appropriate development models, have also arguably forged a regionally unique interpretation of good governance. Perhaps above all though, the Southeast Asian response to good governance is characterised by its widespread resistance to neoliberalism, gaining expression through the so-called 'Asian values' debate. This debate laid out much of the framework for constructing the Southeast Asian 'mind', resulting in historically and culturally endorsed points of distinction becoming sites of resistance to neoliberal prescriptions.¹⁰

It's not that the Southeast Asian good governance narrative can be viewed in complete isolation, it's just that the genealogy of good governance in Southeast Asia is a story of contestations between local and Western interests in a way

⁹ See Andrew MacIntyre (2001) 'Institutions and Investors: The Politics of the Economic Crisis in Southeast Asia', *International Organization* 55:1, pp.101-6.

¹⁰ Mark Beeson (2001) 'Globalisation, Governance, and the Political-Economy of Public Policy Reform in East Asia', *Governance* 14:4, pp.491-2.

that is significantly different from its more documented African history. Admittedly, the pioneering World Bank agenda in Sub-Saharan Africa clearly shaped early thinking on governance issues, with implications for wider policy concerns and frameworks adopted by major international interests. But it was clearly out of this experience that Southeast Asian good governance projects partly benefited from international institutional learning about conditionality lending, and also from the clarification of the agenda itself during the 1990s. Nevertheless, it was the regional-wide economic crisis, which above all set good governance in Southeast Asia on a path of its own.

The political economy of good governance in the ASEAN 4

This section is included because the individual case studies fail to tell the full story about the construction of good governance politics over various levels, from local to national, and intra-regional to international. By doing so here, we actually find more similarities across the region than from an exclusively cross-country comparison. This finding helps to confirm ideas about 'Southeast Asian ness', and the importance for international interests to take a regional as well as contextual-local approach to relations. For instance, one way the distinct levels of human organisation in the region are acting with a high degree of uniformity is seen in the response to the economic crisis. The ASEAN 4 have surprised many observers by the way they are recovering from the crisis, and while reforms have generally been limited, there is no doubt that there has been a measure of local 'crisis-proofing' undertaken in the ASEAN 4. Many of these local solutions are related to domestic good governance discourses, they are often shared throughout the region, and they tend to be protective rather than pro-active.

By protective it is meant that economic policy prior to the crisis, and strengthened since 1997, have sought to protect the interests of domestic business. An exception to this defensive policy orientation would on the surface appear to be Thaksin's pump priming in rural Thailand, which is a strategy that Arroyo hopes to emulate in provincial towns in the Philippines. And local economic prosperity is occurring in some areas of Indonesia as a result of decentralisation initiatives, while the rural economy of Malaysia has been

stronger than its ASEAN 4 neighbours for some time. These are positive signs for correcting the urban imbalance of the export and foreign direct investment driven Southeast Asian development model, which should help to alleviate much of the rural squeeze during economic downturns.¹¹ However, Higgott and Nesadurai argue that Thaksin's rural policies are likely to have "little real impact because they have not addressed a primary cause of these problems – unequal access to the country's resources, including land, forest resources, and especially education and training."¹² It is precisely these sorts of equity issues that the discourse of good governance will need to embrace if it is to actively seek the protection of all citizens and not just a privileged few.

By viewing good governance on distinct levels, we can hope to gauge which arena is succeeding and which is failing and why, in terms of the agenda's objectives. The ASEAN 4 case studies indicate that good governance tends to be articulated metaphorically at the international level, ignored at the intra-regional level, highly politicised at the national level, and has a mixed reception at the local level ranging from resistance to mobilising. But instead of enhancing the scope of the agenda, these differences are exploited politically at the national level for state making, and regime reinforcement and reputation building purposes. It is this level then that reforms to the good governance agenda should be largely focussed on.

Good governance is used metaphorically by international interests in a bid for sensitivity and as a subtle incentive – reprimand (carrot – stick) approach to development assistance. As is shown in Thailand's case, the international agenda also has constitutional implications that potentially can lock-in benefits for foreign investors. International space provides a forum for leaders to win support for their governing styles. And it is strikingly bereft of politics in any bargaining or democratic sense, concentrating mainly on process and procedure. The international good governance agenda, understood as a discourse emanating from the World Bank, donor countries and others, focuses on the noble task of the improved provision of public goods, while seemingly

¹¹ See Richard Higgott and Helen Nesadurai (2002) 'Rethinking the Southeast Asian Development Model: Bringing Ethical and Governance Questions in', *ASEAN Economic Bulletin* 19:1, pp.27-39.

¹² *Ibid*, p.35.

oblivious that politics at the national level transforms and often derails these initiatives.

It may appear surprising that intra-regional ASEAN dialogues have largely avoided the discourse of good governance, given the currency it enjoys domestically. On closer scrutiny though, resisting paternal or prescriptive stances has been characteristic of the ASEAN way. Enduring ASEAN dialogue processes have worked towards trust and confidence building, and the inculcation of habits of consultation and cooperation.¹³ The ASEAN way is not to engage in dispute resolution or raise conflicting perceptions.¹⁴ This explains why the potentially contentious good governance agenda is avoided at this level, leaving individual states a free hand to respond to the discourse as they wish.

At the grassroots, good governance is showing some encouraging signs, but is also met with significant resistance when the discourse is perceived to clash with local interests. As we see from the Indonesian case study, the idea that local stakeholders make the best managers, and that for corruption to be minimised, then project workers must practice good governance themselves, are valuable lessons being learnt. But we also discovered that some Thai NGOs see the good governance agenda as being the instrument for globalisation and will inevitably lead to further exploitation and marginalisation. It is a level that holds much promise for international interests promoting the agenda, but short-circuiting the state in an attempt to avoid politics not only limits the target area, but also is potentially destabilising, and encourages the state to withdraw from service provision, as has been the case in the Philippines. This has serious implications for the government's social contract.

The level that is clearly central to the agenda is that of the state. The state is the domain of the most powerful politics, and could feasibly provide a foothold for the up scaling of the politics of good governance to intra-regional and international levels, raising the bar so to speak for international organisations

¹³ Kusumu Snitwongse (1995) 'ASEAN's Security Cooperation: Searching for a Regional Order', *Pacific Review* 8, p.528.

¹⁴ Shaun Narine (1997) 'ASEAN and the ARF: The Limits of the "ASEAN Way"', *Asian Survey* 37:10, p.962.

themselves. Likewise it could represent the source for the gravitation of good governance politics to the community, providing the regulatory and institutional framework that alone could guarantee cohesion. Yet the international discourse is fairing badly at the national level, leading to the dilution and stalling of the agenda, and some unexpected, undesirable consequences. There is simply nothing to prevent political elites using the discourse as they please, with few repercussions. Indeed, powerful interests in Washington continue to congratulate Southeast Asian leaders for their heavy-handedness towards insurgents and suspected terrorists, and this approval has assisted these policies in creeping into the discourse of good governance.

This suggests that we should take a closer look at the way the state is constructed in respect to good governance discourses. Arguably, state conceptions are grounded in notions of the 'development state' and the Southeast Asian development model. The term 'development state' implies that the state is the main engine of development, although it has also been more specifically used to describe rapidly industrialising countries with key common or generalised features at their organisational core. Such features may include consistent economic growth, quasi-dictatorial authoritarian governments, Japanese-style 'comprehensive state planning', a malnourished civil society, and Chinese-flavoured capitalism.¹⁵ Seminal work by Chalmers Johnson placed the development state somewhere between a communist command economy orientation and a liberal democracy, making two crucial points as far as this thesis is concerned. Firstly, liberal democracies are more commonly associated with the notion of the 'regulatory state', whose task primarily is to put in place legal and institutional frameworks. Citizens are expected to abide by this regulation, or essentially self-regulate under threat of discipline, and this is a salient feature of good governance. And viewed from the perspective of the governmentality literature, questions about government begin to shift from how we are governed to how we govern ourselves.¹⁶ And with good governance being more about norm building than state building, as has been demonstrated here, a comprehensive shift in the current approach to development in

¹⁵ Adrian Leftwich (1994) 'Governance, the State and the Politics of Development', *Development and Change* 25, pp.373-81 in particular.

¹⁶ Hal K. Colebatch (2002) 'Government and Governmentality: Using Multiple Approaches to the Analysis of Government', *Australian Journal of Political Science*, 37:3, p.425.

Southeast Asia will be necessary to displace the existing 'strong government' is 'good government' ethos. Secondly, development states are perhaps best understood politically given that government sponsored bureaucratic strategies overwhelmingly prioritise national objectives.¹⁷ Thus, overcoming what is a political construction with a good governance regulatory strategy is a somewhat dubious proposition.

The logic behind this assumption is straightforward. What is politically constructed must be politically deconstructed. Even if deconstruction includes a regulation component, introducing the regulation is inevitably a political process that attends to diffusing the efforts that built the old ideas in the first place. The development state is predisposed to providing governance, which in its eyes is seen as 'good'. Progressing from this stance to the neoliberal one predicated on the provision of regulation for governance to occur on its own requires a comprehensive reinvention of the state. And this is something that government oppositions in democracies do far better than international leverage or agitation from marginalised community groups. Moreover, institutionalised oppositional activity promises much greater stability outcomes in the long term. Even popularly supported movements such as Indonesia's reformasi are extremely limited in terms of what they can achieve without an active and co-ordinated opposition.

In sum, the political economy of good governance in the ASEAN 4 is dominated by the state, explaining why the agenda is being shaped in its own 'developmental' image. There is nothing about state formations, or development for that matter, which suggests that administrative concerns are better handled by a central government operating at a national level. The fact that this is the way administrative rule is largely disbursed suggests that at present this is where the most powerful politics takes place. And in turn, it is politics that largely constructs the types of institutions we take for granted, and the frameworks in which these institutions are set. To ignore the importance of the politics of the state and attempt to pursue the good governance agenda on other levels of organisation is likely to prove untenable in the long term.

¹⁷ Chalmers Johnson (1982) *MITI and the Japanese Miracle: The Growth of Industry Policy 1925-1975* (Stanford, CA: Stanford University Press).

We now arrive our final, overall evaluation of the hypothesis in the light of the collective case study evidence and the preceding discussions in this chapter. The central question specifically asked in the thesis abstract is: what are the defining features of good governance discourse that have been instrumental in the emergence of its own highly orchestrated politics, and how does it use this politics and is used by it, in what appears to be processes that effectively constrain the broadening and 'up-scaling' of a more open politics of governance? Let us first be absolutely sure we know what is meant by this question. We have found that good governance is multi-faceted, that it has become a political football, and that some of its features in particular have been central to its politicisation. We have also found that the state-controlled nature of good governance politics has largely restricted its political currency on other levels. Linking these findings, we can therefore assume that it is those components of good governance that appeal to the state that are most vulnerable to political manipulation. If we refer back to our conceptual model of good governance depicted in figure 1 on page 9, we see that the notion has both structural and ideological components. While limited attention is paid to structural reforms by the state, the overwhelming evidence from the case studies points to the ideological use of the notion by the political elites at the national level.

This ideological component can be roughly divided into discourse and the idea of capacity building, which in itself is constructed discursively. The discourse element is used by the ASEAN 4 states to position themselves not only as proponents but also as exponents of public administration that should perhaps be more accurately described as 'good leadership'. At the same time, this language confirms the state as an opponent to other forms of administration, which is naturally something other than 'good'. Arguments about what is invariably unquantified, and largely unspecified capacity building, benefit enormously from this discourse. Even if resources are beefed up or reorganised, the idea that this so-called capacity building actually results in better governance is of little relevance to the power and utility of the notion for the state in local and international relations. Thus, by controlling the ideological

terrain of good governance, the state has become the driver of the agenda, effectively crowding out influences from other levels of organisation.¹⁸

The assertion that good governance is an agenda directed at targeted countries that reflects a specific set of 'neoliberal' ideas, predicated upon generally unarticulated assumptions about the universality of modern administrative practices supported by normative behavioural change is well worth pursuing as a hypothesis in its own right. However, the evidence from the ASEAN 4 simply does not credit good governance with these intentions. A more appropriate hypothesis then is that the construction of the good governance agenda in the ASEAN 4 states privileges specific interests with potentially unjust implications for wider social formations.

The hypothesis that we have tested here though, that the good governance agendas in the ASEAN 4 states primarily focus on improving representative rule rather than encouraging self-regulation, is upheld based on a range of findings from the case studies. There are two points relating to the focus on improving representative rule worth emphasising in particular. One, when we look at who is using the discourse of good governance most vocally, we find it is the national leaders and their support ministries who have taken up the debate, often at the behest of oppositional or competing voices. This explains why it is so easy for governance talk to be personified into better – understood as cleaner and stronger – government by the existing few. Two, this interpretation privileges the national leaders various state making and office consolidating projects, which legitimises 'distant' forms of dominance.

The ASEAN 4 have come through an economically destabilising region-wide crisis, with each state experiencing political crises and regime changes, although UMNO has remained in power in Malaysia. And while the politics of good governance has played an important roll in these events, it has not been directly responsible for bringing down governments in the same way that it has shaped new resistant policy platforms, and determined the language of the new governments.

¹⁸ See figure 2 on page 10.

And the politics of good governance has important implications for a bulk of the citizens in the ASEAN 4 states. Constituencies are increasingly characterised by competing interests and concerns, whether viewed along class, race, gender, religion and other lines, or ordered in terms of district, province and island, or conceptualised by sector as public, private or community. These interests not only compete with each other, but also are mediated by the state, and often have complex relationships with international actors and institutions. The evidence from the ASEAN 4 shows us that good governance is operating largely as a top-down agenda, meaning that even if groups have a dissenting view, there is little institutional support from the state to pursue it, and even less opportunity to meaningfully debate perspectives at the national level. This is increasing the gap between the state and the citizenry, and further discouraging the democratic advancement of politics beyond basic, yet tenaciously fought for, processes. In this way, good governance is an effective stabilising measure against social struggle.

Hence, good governance as it is currently demonstrated and largely understood in the ASEAN 4 is far from a social justice tool as it was at least in part originally conceived. Indeed, there is a massive difference between truly redistributive elements associated with some of the ideas about good governance and the current ideological use of the agenda to legitimise privileged interests. Its great appeal lies in its commonsense qualities, making it particularly attractive to established, politically powerful elites. Good governance in the ASEAN 4 then is not focussed on providing better governance, although it welcomes more efficient, centralised governance, despite talk of decentralisation. The agenda is not being used to further equity or establish the preconditions for a paradigmatic shift in the way constituencies think about their governments. Very powerful people are simply using some popular ideas that have found their way into the public domain to further their political interests. Good governance by design should undermine the Southeast Asian public administration model that has progressively emerged over recent decades. Instead the evidence demonstrates that the nature of the politics that the notion has generated is clearly reinforcing it.

Implications and suggestions

The entrenchment of good governance ideas in the public mind is finding expression in public administration and policy processes in the ASEAN 4, with many implications for the way leadership, management and development is thought about in the region. Moreover, the arguments in this thesis suggest that given the propensity of the state to dominate the agenda for its own interests, international and community organisations should rethink good governance strategies. This alone demonstrates that states, acting in their own interests or in the interests of privileged elites who have penetrated the state in numerous ways, remain the most powerful actors in Southeast Asia. It also underscores the point that the construction of good governance frameworks in Southeast Asia, and perhaps throughout the developing world, will need to actively engage the state, coming to grips with the political way that states operate. Understanding governmentality concepts and processes will arguably assist this engagement.

Quite apart from these more practical considerations, this thesis has academic repercussions for the political sciences generally and public policy, International Relations and development studies more particularly. This is because these separate areas of study tend to be approached in isolation from politics, which has been demonstrated here to be potentially a very precarious thing to do. And by taking the role of ideas seriously, the thesis has attempted to show that international and local policy agendas are interpreted, re-shaped and implemented in ways that deserve further exploration and clarification. In a nutshell, the thesis is suggesting that powerful ideas generate a great deal of politics, with the most powerful politics extracting the greatest benefit from ideas. Specifically, the World Bank's ideas about better public management have been the catalyst for a whole new politics about the nature and techniques of government that have tended to strengthen rather than critique regimes who dominate this new politics. However, much more needs to be done to flesh out the relationship between ideas and politics, and the implications of this relationship for the political sciences.

Studies such as this one play an important role in understanding the way states respond to the powerful messages being broadcast globally. These messages are continually being contested by states that feel they have much to lose from globalisation processes. In this context it makes sense that efforts to understand this contest be enhanced by finding new ways to disseminate messages or consider altering the messages to make them more state-focussed, reformist, and less easily manipulated. Above all, disseminators of discourses must realise their messages, while they may not be political in themselves, evoke a political response. And such a politics potentially has the power to change messages, resulting in outcomes that are far from those intended. Powerful messages representing for example sustainable development, human rights, free trade and numerous other Western agendas, would also be worth tracing through the matrix of domestic politics to determine how effective they are proving to be in terms of norm changes and policy setting. Like this one, such studies would help to reconcile theory with practice in the pursuit of developing better theory and better policy outcomes.

And finally there are 2 ways that this thesis emphasises that the good governance agenda can be reformed for improved outcomes. Firstly, an explicit justice component in a broad pluralist sense could be built into fundamental ideas of good governance. This would entail adherence to redistributive principles in advance of market and growth priorities. Second, the discourse of good governance adopted by states needs to be challenged. This may be perceived as encroaching on state sovereignty, but in the interests of protecting what is always likely to remain a powerful motivating message, the case for equitable and politics-opening 'closer' good governance needs to be made.

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