OECD DEVELOPMENT CENTRE

Working Paper No. 185

(Formerly Technical Paper No. 185)

GLOBALISATION, LIBERALISATION, POVERTY AND INCOME INEQUALITY IN SOUTHEAST ASIA

by

K.S. Jomo

Research programme on:
Empowering People to Meet the Challenges of Globalisation

OECD OCDE

December 2001
CD/DOC(2001)17

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

The Development Centre would like to express its gratitude to the Ford Foundation for the financial support given to the project on "Income Distribution and Global Interdependence", in the context of which this study was carried out.

Assistance from Mohd Aslam, Foo Ah Hiang and Lee Hwok Aun is gratefully acknowledged.

PREFACE

Over the 1980s many developing countries recorded disappointing performances in terms of growth, development and, especially, poverty reduction. The 1990s has been the decade of globalisation — defined as both external opening and an increased role of markets domestically. Globalisation in developing countries has occurred largely as a consequence of moves towards external liberalisation, part of broader shift to more market-oriented, export-led development strategies, often in the framework of stabilisation and structural adjustment programmes with the IMF and World Bank. This simultaneous emphasis on globalisation with the unsatisfactory performance of developing countries in lowering inequality and poverty levels, has led to an intense debate over whether globalisation, and the development strategies associated with it, are part of the problem, or part of the solution. The debate has been largely about perceptions, rather than about well-defined propositions, in part because of lack of data, inadequate analysis, and insufficient attention paid to cultural differences.

In the light of this debate, on 30 November and1 December 2000 the Development Centre organised a policy dialogue to assess the impact of globalisation on poverty and income inequality in developing countries. What policies should developing countries pursue to achieve "inclusive globalisation", supported by pro-poor growth? What policies should OECD member countries adopt to help them through, for example, bilateral development assistance and influencing international institutions? In the Development Centre's tradition of frank policy dialogue between experts, policy makers and stakeholders, this particular event gave a voice to those countries and people in the world economy who do not normally participate in the meetings of international institutions.

This series of papers* consists of regional surveys of the impact of globalisation that the Centre commissioned as input and background for the dialogue. For each of three regions — Latin America, Southeast Asia and Sub-Saharan Africa, two contributions were commissioned. The first focused on the economic impact of globalisation, especially the effect on poverty and inequality. The second looked at the political economy of countries in the context of policy formulation in response to globalisation.

The results presented here and in the rest of the series show that globalisation is not the major cause of income inequality and poverty in developing countries, but has none the less contributed to the poor performance of a number of developing countries. What has differentiated winners from losers has been that globalisation has worked by amplifying the effects of pre-existing inequalities in the distribution of assets, especially human capital, and of access to infrastructure and other productive resources. In countries where inequalities were high, globalisation tended to make inequality worse; similarly globalisation has tended to increase inequalities across countries.

This analysis implies two key, development policy lessons. First, for globalisation to be pro-poor, it needs to be combined with policies which create a more equal distribution of, or access to, productive assets and resources, particularly for vulnerable groups facing the increased competition which comes with globalisation. Second, the speed and sequencing of external and domestic liberalisation must be tailored to the particular circumstances of individual countries, based on their institutional capacity to transform the economy.

Jorge Braga de Macedo
President
OECD Development Centre
5 December 2001

* *Globalisation, Poverty and Inequality in Sub-Saharan Africa: A Political Economy Appraisal*, by Yvonne M. Tsikata.

Distribution and Growth in Latin America in an Era of Structural Reform: The Impact of Globalisation, by Samuel A. Morley.

Globalisation, Liberalisation, Poverty and Income Inequality in Southeast Asia, by K.S. Jomo.

Globalisation, Growth and Income Inequality: The African Experience, by Steve Kayizzi-Mugerwa.

The Social Impact of Globalisation in Southeast Asia, by Mari Pangestu.

Where Does Inequality Come From? Ideas and Implications for Latin America, by James A. Robinson.

RÉSUMÉ

La Malaisie, la Thaïlande et l'Indonésie ont été présentées comme des modèles pour les autres pays en développement, illustrant la manière dont la libéralisation s'accompagne d'une accélération de la croissance et d'une plus grande équité. En réalité, leurs résultats ont été mitigés, et dans bien des cas inférieurs à ceux d'autres économies d'Asie, notamment en ce qui concerne le changement structurel, la réforme fiscale, l'industrialisation, l'éducation et la démocratisation. De fait, la libéralisation et la globalisation de la finance, du commerce et de l'investissement ont freiné la croissance et la redistribution, de même que la capacité des pays à rattrapper les plus développés, sauf lorsque les pouvoirs publics sont intervenus de manière efficace. Le Consensus de Washington et sa soi-disant absence d'alternative doivent être rejetés. C'est dans l'amélioration des compétences, de la transparence et de la responsabilité des gouvernements, dans la technologie, et dans un regain de solidarité et de coopération aux niveaux régional et international que se trouve la solution aux problèmes du développement.

SUMMARY

Malaysia, Thailand and Indonesia have been touted as models for other developing countries of how liberalisation can bring faster growth and greater equity. In fact their performance has been mixed and often inferior to other Asian economies, notably in structural change, tax reform, industrialisation, education and democratisation. Liberalisation and globalisation in finance, trade and investment has harmed redistribution and growth, as well as a country’s ability to “catch up,” except where governments have successfully intervened. The Washington Consensus and its argument that there is no alternative must be rejected. A solution must be founded on greater government competence, transparency and accountability, along with technology and a revival of regional and international solidarity and co-operation.

I. INTRODUCTION

The World Bank said in its 1993 report *The East Asian Miracle* that eight high-performing Asian economies (HPAEs) — Japan, South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand and Indonesia — had achieved sustained and equitable export-led high growth and rapid industrialisation. How did liberalisation affect distribution in the Southeast Asian states of Malaysia, Thailand and Indonesia (SEA3) compared with South Korea and Taiwan?

All these economies have seen unprecedented growth[1] and structural transformation in the last few decades (Table 1). Average annual GDP growth rates exceeded 7 and 6 per cent respectively in the periods 1970-80 and 1980-96. Manufacturing became the most important contributor to growth, exports grew annually at double-digit rates between 1980 and 1992 and average per capita incomes increased greatly. Primary exports fell sharply as a proportion of total growth, while machinery and transport equipment production grew most in the manufacturing sector.

Table 1. **Five HPAEs: Economic Indicators, 1970-95**

Economy	Per capita income (US$)	*Average annual* GDP growth (%)		Manufacturing/GDP share (%)			Agriculture/GDP		Services/GDP	
	1995	70-80	85-95	1970	1980	1995	1980	1995	1980	1995
South Korea	9 700	10.1	7.7	21	29	27	15	7	45	50
Taiwan	8 788[a]	10.0[b]	7.5[c]	35[d]	na	42[a]	na	na	na	na
Malaysia	3 890	7.9	5.7	12	21	33	22	13	40	44
Thailand	2 740	7.1	8.4	16	22	29	23	11	48	49
Indonesia	980	7.2	6.0	10	13	24	24	17	34	41

Key: a — for 1991; b — for 1963-80; c — for 1981-93; d — for industry; na — not available.

Sources: World Bank 1997 (Tables 12, 13, 15); Taiwan figures from Yu (1994) and Lee (1994).

The World Bank and others have argued that because of exceptional aspects of the first five HPAEs, the last three of the eight (the SEA3) are the best examples for other developing countries, implying that the SEA3's achievements are comparable to the other HPAEs in terms of growth, structural change, industrialisation and equity. But the SEA3's development records have been significantly inferior to those of the other HPAEs, especially Japan, South Korea and Taiwan, as well as Singapore (Jomo *et al*. 1997; Jomo 2001). Growth and structural change in the SEA3 have been slower than in Taiwan and South Korea, while slower natural population growth in the latter has meant even faster per capita income growth. The more recent experiences of the second-tier Southeast Asian newly-industrialising countries (NICs) may be more relevant to the rest of the South in some respects — resource wealth, for example — but more effective government intervention as well as more egalitarian development and initial conditions in Japan, South Korea and Taiwan should be noted as well.

The East Asian Miracle report summed up the conventional wisdom about globalisation[2] and inequality in Southeast Asia. It says that, like the other HPAEs, Malaysia, Indonesia and Thailand achieved rapid export-led growth with equity and, more importantly for the Bank, did so by liberalising (reducing state intervention), especially in its external relations. So the SEA3 were touted by the Bank as models for other developing countries. The clear message was that external liberalisation would not only mean faster growth, but also greater equity.

But the experiences of the HPAEs have been quite varied and that the SEA3 may be usefully distinguished from Taiwan and South Korea (Perkins 1994). While industrial policy was certainly inferior and even ill conceived, if not abused in the SEA3, some targeted government interventions there did in fact contribute to rapid growth, structural change and development of new internationally-competitive industries (Jomo *et al*. 1997). High growth and structural transformation also created jobs and boosted average incomes, thus reducing poverty. The East Asian Miracle's high tide did manage to lift most boats above the poverty line, though the consequences for inequality have been more complicated.

Separating export promotion from open economic policies, effective protection conditional on export promotion helped create internationally-competitive industries in Japan, South Korea and Taiwan (Wade 1990). The SEA3 were undoubtedly much more open than these three, trade and investment-wise. They were also able to grow rapidly before the recent strengthening of international economic governance through the Bretton Woods institutions and the replacement of the General Agreement on Tariffs and Trade (GATT) by the World Trade Organization (WTO).

While all the HPAEs saw rapid growth before the 1990s, the SEA3 grew about two percentage points slower. When the SEA3's much higher population increase (natural and immigration) is taken into account, the gap widens further (Jomo *et al*.1997). The SEA3 are also behind in industrialisation, education and living standards. So their economic achievements have been smaller and perhaps less sustainable, to judge by the greater disruption and slower recovery in Southeast Asia (compared to, say, South Korea) after the recent East Asian financial crises (Jomo 2001). Since the 1980s, Southeast Asia also seems to have lagged behind in democratisation, key to the likelihood of sustainable progressive social policy.

Income inequality in Malaysia and Thailand (data for Indonesia is for household expenditure, not incomes) has been greater than in the Northeast Asian three. Lower inequality among the latter was probably largely due to redistribution of land and other assets in the late 1940s and early 1950s, at the beginning of the Cold War and the advent of communist regimes in neighbouring China and North Korea. Income inequality seems to have grown throughout the region since the late 1980s, a period often associated with greater economic liberalisation. However, most of the data cannot be rigorously tested to find out why. It is unlikely greater international inequality linked to globalisation would show up in national income distributions.

Primary distributions of income are not the only more regressive elements in the SEA3. The fiscal regimes there have exacerbated rather than reduced income inequalities. Income tax remains progressive, but overall tax regimes have been regressive and recent tax reforms — often associated with liberalisation — have probably increased that trend. Public spending has also probably been regressive, even more so in recent years because of declining rural development efforts after the 1970s. The ethnic focus in Malaysia and, to a lesser extent, Indonesia has probably also limited the impact of their redistribution efforts.

II. RAPID GROWTH IN OPEN ECONOMIES?

Export-led growth was supposedly the backbone of the East Asian miracle. But while exports rise with trade liberalisation in the short term, imports usually increase sharply too, especially if the local currency hardens. So trade liberalisation limits or only weakly boosts effective domestic demand, and while it can help growth, this is usually much less than free-trade advocates assume. It improves efficiency, but increased exports do not ensure stronger domestic (export-led) growth.

What happened in the SEA3, as well as in Hong Kong and Singapore, is more like this export-led growth model than the experience of Japan, South Korea and Taiwan. The latter vigorously pushed exports, while temporarily protecting domestic markets, so as to boost their industrial and technological ability to compete internationally. Such temporary effective protection conditional on export promotion (EPconEP) is hardly trade liberalisation. Recent criticism (Baer, Miles and Moran 2000) of attempts by an earlier generation (Ian Little, Jagdish Bhagwati, Anne Krueger) to misrepresent Northeast Asian EPconEP as consistent with fundamentalist free trade advocacy, has exposed the intellectual sophistry of neo-classical trade economists trying to explain away the Northeast Asian success in export promotion in tandem with national market protection.

The East Asian economies achieved export-oriented industrialisation, but in different circumstances. In contrast to the Southeast Asian norm of FDI or TNC industrial leadership, Japan's MITI and Northeast Asian counterparts hardly pursued open economy policies. Instead, the Japanese, South Korean and Taiwanese governments applied import substitution industrialisation policies from the 1950s, but soon pursued export-orientation as well to ensure their industries quickly became competitive abroad.

New industries usually got protection tied to export promotion. Such temporary protection, depending on the product and requiring firms to start exporting a certain amount of output within a similar period, imposed strict discipline in return. This forced them to quickly cut production costs by achieving greater economies of scale. Having to meet international quality standards also spurred adoption of new technology.

It is sometimes said Southeast Asia began to take off after reversing such trade interventions and that the mid-1980s saw economic liberalisation and deregulation that led to rapid growth and industrialisation. There certainly was deregulation during this time, but also new regulation of the private sector as part of new government industrial policy priorities in Singapore, Malaysia, Thailand and Indonesia.

International trends and pressures have made trade liberalisation increasingly inevitable, but some control can be retained by introducing it step by step. Unfortunately, changes in international trade rules mean many instruments can no longer be used by governments. Local content requirements, for example, were phased out with the Uruguay Round of GATT negotiations. But trade policy can still be used to support industrial policy.

Besides slower growth and industrialisation, Southeast Asian HPAEs (including Singapore) have relied much more on foreign direct investment (FDI) than Japan, South Korea and Taiwan. Their much greater dependence raises questions about their industrial and technological capabilities (especially in the most dynamic and export-oriented sectors) and concern about the sustainability of their growth and industrialisation, especially if other countries are later deemed more attractive sites for FDI.

FDI has been far more important in Southeast than Northeast Asia. In Singapore, it accounts for a quarter of gross domestic capital formation and in Malaysia for 15 per cent. In contrast, it has been less than 2 per cent in Japan and South Korea. Very few states are near the mean for developing countries of around 5 per cent. Those who have built the best industrial capacities and capabilities in East Asia — Japan, South Korea and Taiwan — have hardly depended on FDI.

FDI has played a big role in Singapore and Malaysia partly for political reasons. After seceding from Malaysia in 1965, the Singapore leadership wanted to quickly attract massive foreign investment to the island republic, so the major powers would have a stake in the new state's survival and protect it against any threat from its neighbours. This has since been justified as improving access to technology and markets. In Malaysia, after pro-Malay affirmative action policies began in the early 1970s, foreign investment seems to have been encouraged as a way of balancing perceived ethnic-Chinese dominance of the economy. Singapore and Malaysia are exceptions in the region for political rather than economic reasons.

Dominance by foreign transnationals relegated the region's domestic industrial capital to second place as foreign and domestic finance capital became more influential. Finance capital developed a close and complex relationship with politically-powerful rentiers, known as 'cronies' after the 1997-98 crisis (Jomo 1998). Southeast Asian financiers were threatened by international financial liberalisation, but were quick to cotton on to arbitrage rents and other opportunities from gradual international financial integration (Gomez and Jomo 1999; Khan and Jomo 2000).

This increasingly-powerful alliance was behind financial liberalisation in the region, but because the interests of domestic and international finance capital did not always coincide, financial liberalisation was partial and uneven.

Capital inflows were sought to finance current account deficits, mainly caused by service account deficits (mostly from imported financial services and investment income payments abroad) and growing imports for consumption and output of non-tradables, chiefly in the property sector. They gave only a meagre boost to economic growth, especially in the tradable sectors, and probably had a lot to do with the asset price bubbles, whose inevitable deflation precipitated the advent of the devastating crisis.

The Southeast Asian crisis can also be laid at the door of poorly organised financial liberalisation that brought massive, but easily reversible capital inflows into the region, especially just before the crisis broke. They usually temporarily raised foreign reserves, domestic credit availability and exchange rates. International financial liberalisation from the 1980s added to the problems of national monetary authorities just as governments were coming under more pressure for economic liberalisation. Regulatory reform in Southeast Asia failed to rise to the challenges of the new international and domestic situations.

Increased capital inflows, credit expansion and exchange rate appreciation raised aggregate demand faster than GDP, worsening the current account deficit. The new capital may have stimulated total spending through increased domestic investment, but it also fed consumption booms (with high import contents) as well as speculative asset (stock or property) price bubbles. Such temporary increases in demand could not be sustained because the resulting greater external deficit was not sustainable. Capital fled as the bubble began to deflate with flight speeded up by regional panic over the collapse of the Thai baht, encouraged by weak regulation.

Faster growth of private sector demand due to trade and financial liberalisation in the absence of strong public sector or foreign contributions has often fuelled import-led consumption booms to the detriment of domestic private savings. It was encouraged by cheaper imported goods and firmer real exchange rates in the region before the crisis, as well as by domestic credit expansion caused by increased capital inflows and domestic financial liberalisation.

So the crisis was not due to macroeconomic profligacy or cronyism, though they probably worsened it, especially cronyism. Financial markets and the IMF exacerbated it by amplifying declining investor confidence in the region[3]. The Fund's drastic monetary policies (interest rates as high as 80 per cent in Indonesia) and fiscal austerity deepened the recession and threw millions of people into poverty. The IMF helped cause the crisis in the first place by encouraging financial markets to open up to large inflows of bank borrowings and portfolio investments, which later flowed out even more rapidly, causing the currency collapses and financial panics that brought the region down. Recovery has been mainly attributed to Keynesian counter-cyclical monetary and fiscal measures[4].

III. POVERTY AND INCOME INEQUALITY

The World Bank's East Asian Miracle report encouraged widespread belief in egalitarian export-oriented growth in the region by claiming that "the positive association between growth and low inequality in the HPAEs, and the contrast with other economies, is illustrated…. Forty economies are ranked by the ratio of the income share of the richest fifth of the population to the income share of the poorest fifth and per capita real GDP growth during 1965-89…. There are seven high growth, low inequality economies. All of them are in East Asia; only Malaysia, which has an index of inequality above 15, is excluded" (World Bank 1993: 29-30). But Tables 2, 3, 4 and 5 show the trends to be less clear-cut. As Rao (1998) notes: "All that the data… can convey is that there are 22 (out of 40) economies with low relative inequality and varying economic growth rates. Thus, the evidence is not strong enough to establish a firm relationship between growth and relative inequality, notwithstanding the fact that seven high growth and low relative inequality economies are located in East Asia."

Table 2. **All HPAEs: Gini Coefficients, 1965-90**

Economy	1965-70	1971-80	1981-90
Japan	0.31	0.28	na
Hong Kong	0.49	0.42	0.39
South Korea	0.34	0.38	0.33
Singapore	0.50	0.45	0.41
Taiwan	0.32	0.36	0.30
Indonesia	0.40	0.41	0.30
Malaysia	0.50	0.48	0.42
Thailand	0.44	0.37	0.37

Source: Rao 1998; based on graphs in World Bank (1993: 72-74).

Despite their ambivalent record on income inequality, the success of the five East Asian economies in reducing poverty has been spectacular (Tables 4 and 5). Except for Thailand, which has had no serious commitment to redistribute, income inequality declined or at least did not worsen in South Korea, Taiwan, Malaysia and Indonesia between 1976 and 1985. All five governments have had clear poverty alleviation and redistribution policies, and have been able to direct development fairly independently of special interests and pressures.

Only South Korea and Taiwan have had relatively low Gini coefficients since the 1960s, while there were significant drops (20 per cent or more) in the poverty rates in the other three economies by the 1980s. So the World Bank's generalisation about income inequality reduction is wrong.

Table 3. **Five HPAEs: Household Income Distribution Gini Coefficients, 1970-93**

	1970	1976	1980	1985	1990	1993
South Korea	0.332	0.391	0.389	0.357[d]	0.400[f]	na
Taiwan	0.294	0.280	0.277	0.290	0.312	0.312
Malaysia	0.506	0.529	0.493[e]	0.474[a]	0.445	0.459
Thailand	na	0.451	0.473[c]	0.500[f]	0.504	na
Indonesia	0.350	0.340	0.340[d]	0.330	0.320	0.340

Key: a — 1984; b — 1989; c — 1981; d — 1982; e — 1979; f — 1989; na — not available.

Sources: Krongkaew (1995, 58-73); Malaysia (1995); Habibullah (1988); Taiwan Gini coefficients are from Yu (1994,6); Chowdhury and Islam (1993).

Table 4. **Five HPAEs: Poverty Incidence, 1970-93**

Economy	Poverty Incidence (%)					
	1970	1976	1980	1985	1990	1993
South Korea	23.4	14.8	9.8	na	4.5	na
Taiwan	na	5.0	na	na	na	na
Malaysia	52.4	42.4	29.0	20.7[a]	17.1[b]	13.4
Thailand	39.0	30.0	23.0	29.5	17.9	na
Indonesia	57.1	50.1	39.8	21.6[a]	15.8	na

Key: a — 1984; b — 1989; na — not available.

Note: While inter-country comparison of changes is possible, cross-comparisons of rates in particular years is not, due to classification differences.

Sources: Krongkaew (1995, 58-73); Malaysia (1996); Habibullah (1988); Yu (1994, 6); Chowdhury and Islam (1993).

The rather low Gini coefficients for South Korea (Rao 1998, Table 4; Leipziger *et al*. 1992) — 0.34 in 1965 and 0.33 in 1970 — have been attributed mainly to the 1947 and 1949 land reforms (which reduced income inequality among farm households), asset destruction during the Korean War and confiscation of illegally accumulated wealth (Choo 1975). Rao (1998) also finds no sign of the continuing fall in income inequality suggested by the World Bank (1993).

The Gini coefficient for Taiwan declined from the 1950s until the early 1970s, then stayed between 0.28-0.30 during most of the 1970s and early 1980s, and has risen slightly since the mid-1980s (Kuo 1975; Rasiah, Ishak and Jomo 1996). Land reform, labour-intensive industrialisation, full employment, off-farm work, educational expansion and industrial organisation (with large state enterprises coexisting with small and medium-sized private firms) seem to have contributed to Taiwan's relatively egalitarian income distribution, making it almost unique in East Asia.

Table 5. **Five HPAEs: Rural-Urban Poverty Incidence and Gini Coefficients, 1970-93**

Economy	Poverty Incidence						Gini Coefficients					
	1970	1976	1980	1985	1990	1993	1970	1976	1980	1985	1990	1993
S. Korea												
Rural	27.9	11.7	9.0	4.4[a]	na	Na	0.332	0.91	0.389	0.357[c]	na	na
Urban	16.2	18.1	10.4	4.6[a]	na	Na	0.346	0.412	0.405	0.371[c]	na	na
Taiwan												
Rural	na	na	na	na	na	Na	0.32	0.32[b]	na	na	na	na
Urban	na	na	na	na	na	Na	0.31	0.30[b]	na	na	na	na
Malaysia												
Rural	58.5	50.9	37.4	27.3[a]	22.4	18.6	0.469	0.500	0.482	0.440	0.409	na
Urban	21.3	18.7	12.6	8.5[a]	8.3	5.3	0.503	0.529	0.501	0.466	0.445	na
Thailand												
Rural	43.0	36.2	25.8	35.8	33.9	Na	na	na	na	na	na	na
Urban	16.0	12.5	7.5	5.9	6.7	na	na	na	na	na	na	na
Indonesia												
Rural	58.5	na	44.6	na	18.5	na	0.34	0.31	0.31	0.28	0.26	0.26
Urban	50.7	na	19.7	na	8.3	na	0.33	0.36	0.38	0.32	0.32	0.33

Key: a — 1984; b — 1972; c — 1982; na — not available.

Sources: Ishak and Ragayah (1995); Chowdhury and Islam (1993).

In South Korea too, there was no steady decline of the Gini coefficient after 1965. In Indonesia, it declined for household expenditure, but there is no evidence that income inequality declined. Reduction of inter-ethnic income differences was behind the lower Gini coefficient in Malaysia from about 0.5 to around 0.45 in the 1970s and 1980s, before it rose again in the 1990s. The Gini coefficient for income distribution in Thailand rose from 0.41 in 1962 to a little over 0.5 in 1992.

Income inequality in Southeast Asia (except for Indonesia, where the data is for household expenditure rather than incomes) is much higher than in Taiwan and South Korea, where land reforms produced significant asset redistribution in the late 1940s and early 1950s. Malaysia, Thailand and possibly Indonesia have Gini income coefficients of 0.45 or more. None of them had low coefficients at the start of their rapid growth phases or have had sustained reductions in income inequality since then. With liberalisation (including globalisation) since the 1980s, income inequality has increased, with the Gini coefficient rising to 0.4 in South Korea in 1988 and to 0.312 in 1993, compared to 0.277 in 1980 in Taiwan (Jomo 1999).

The evidence does not support *The East Asian Miracle*'s claim of declining income inequality in these five HPAEs during the rapid growth phase after 1965. Corroborating Rao, You (1999) also found that, among the World Bank's eight HPAEs, only Japan, South Korea and Taiwan had unusually low inequality. He says they were able to combine low inequality with rapid growth because:

– They started rapid growth with an exceptionally egalitarian distribution of real and financial assets as a result of post-war — mainly agrarian reforms.

- Rapid income growth was based on capital accumulation as well as job creation.

- High profit shares were crucial for such accumulation, by generating high savings rates and inducing high investment rates. Though high profits are not enough for rapid growth, the three achieved rapid accumulation because effective institutions and policies transformed large profits into high savings and investment rates.

- Wealth distribution was relatively even due to the highly egalitarian post-war redistribution and the unusual savings behaviour of low-income households, especially in Japan and Taiwan.

- Though wage distribution has not been particularly egalitarian, near full employment has probably meant wider and more even distribution of wage-earning opportunities among households.

You says prospects for income distribution in the relatively egalitarian Northeast Asian three are not good. The initially egalitarian wealth distribution will continue to diminish and little more can be achieved from further job creation. Concentration of wealth is growing in all three relatively egalitarian HPAEs, especially with the recent asset-price bubbles from the late 1980s. Income inequality rose in Japan, Taiwan and South Korea during the 1980s.

IV. PUBLIC POLICY AND REDISTRIBUTION

Income inequality in Thailand, Malaysia and Indonesia has been higher than in South Korea and Taiwan. In all five economies, inequality has risen since the 1980s during liberalisation and globalisation, so the World Bank's (1993) claim of egalitarian growth in Southeast Asia may be exaggerated, even wrong. So-called “initial conditions” — especially the land reforms of the late 1940s and early 1950s — seem to be mainly responsible for the more egalitarian experience in Northeast than in Southeast Asia. Growth has raised real incomes overall and alleviated poverty, but it does not seem to have directly contributed to more equitable income distribution, except when low unemployment and more skilled workers boosted labour's bargaining power and wages.

The first and probably most important steps to reduce poverty and make distribution more equitable were the land reforms in South Korea and Taiwan in the late 1940s (Hamilton 1983; Hsiao 1996). In 1947, the US military rented cheaply to peasants land seized from the Japanese colonial government. Later, after the Korean War, the Seoul government bought land from landlords and resold it at subsidised prices to 90,000 tenants (Amsden 1989). In Taiwan, the Kuomintang government seized land in return for shares in public companies and sold it cheaply to peasants. Reforms in Taiwan led to reduction of land rents to 37.5 per cent of the yield for major crops, sale of public land to peasants and tenants, and limited ownership by landowners (Yu 1994: footnote 1). Only in South Korea and Taiwan did land reforms contribute to low initial income inequality, a level that was maintained.

Meanwhile, competition between food producers and United States food aid under Public Law 480 meant low prices for consumers. Terms of trade favoured manufacturing over agriculture as small farmers had little market power (Hamilton 1983; Yu 1994, fn 2) and the income Gini coefficient for Taiwan fell from 0.358 in 1966 to 0.318 in 1972. But the decline for South Korea was negligible, from 0.334 in 1965 to 0.332 in 1970 (Rao 1993; Krongkaew 1995: Table 1). When food aid ceased after the 1973 oil crisis, the South Korean government's Saemaul Undong program helped increase domestic food supply.

Government price controls provided factory workers with cheap food, lowering the wage bill for employers. They also kept consumer prices low so both savings and investment rose. Taiwan also emphasised rural industrialisation, encouraging manufacturing alongside farming. In the 1970s, both South Korea and Taiwan introduced hybrid grain varieties and modernised farming, boosting food supplies and freeing more farm workers to join industry.

Things have been different in Southeast Asia. Unlike natural resource-poor South Korea and Taiwan, land reform has been less important in the resource-rich Southeast Asian economies. Politics there have discouraged the kind of redistribution seen in Northeast Asia after communist parties came to power in China and North Korea in the late 1940s. Among the SEA3, only Malaya (now Peninsular Malaysia) faced a significant communist-led insurgency, which petered out in the late 1950s when the mainly ethnic-Chinese guerrillas failed to get backing from the chiefly ethnic-Malay peasantry. Historically, agrarian land ownership inequalities were far less acute (Jomo 1986) and the British colonial government implemented agrarian, labour and other social reforms from the early 1950s in response to the communist threat. Greater resource wealth in the SEA3 also weakened the imperative to industrialise, especially to promote export-oriented manufacturing.

Political and ethnic considerations meant some Southeast Asian regimes did not encourage domestic industrialists. So the region, especially Singapore and Malaysia, has relied far more on FDI to industrialise, especially for export-oriented manufacturing. Low labour costs have greatly helped such FDI to relocate to the region, as did currency under-valuation from the mid-1980s until the mid-1990s. Southeast Asia has not done as well as the Northeast in education and training, which has limited the development of industry and technology and thus higher productivity and wages.

No major land reform occurred in Malaysia, but new agricultural land has been distributed to the land-hungry through schemes run by government agencies such as the Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and Rubber Industry Smallholders' Development Authority (RISDA) (Halim 1991; Jomo 1986).

Malaysia stepped up rural development as it launched the New Economic Policy (NEP) in 1971, which aimed at narrowing inter-ethnic disparities and poverty reduction. Apart from extensive infrastructure investment, special ministries and government agencies — such as Bank Bumiputera, Majlis Amanah Rakyat (MARA) and Pernas — were set up to improve conditions for the Bumiputera[5]. Rapid economic growth, led by export-oriented manufacturing in the 1970s and since the late 1980s, along with increased public spending in the 1970s, quickly reduced poverty. The Green Revolution in rice growing — which involved double cropping new green revolution strains, fertilisers, pesticides, ploughing and harvesting machinery — helped raise yields and incomes. Income inequality seems to have grown in the 1960s, declined in the 1970s and 1980s and increased again since then (Jomo and Ishak 1986; Hashim 1997).

Thailand also emphasised agricultural diversification and opening up new land in the 1960s (Onchan 1995, 7-8), but with little emphasis on land or income redistribution to help the poor. Land reform was officially introduced in 1975 with the Agricultural Land Reform Act, but much of the land was transferred to wealthy and powerful businessmen (Onchan 1995).

As in the rest of the region, growth helped reduce poverty overall (except in the mid-1980s) though income inequality worsened. The government has also raised rural incomes by promoting off-farm work, as in Japan, Taiwan and South Korea. The number of rural households with off-farm incomes rose from 46 per cent in 1971/72 to 63 per cent in 1986/87 (Onchan 1995, 32) as off-farm activities helped reduce rural poverty. In the period 1985-90, urban poverty rose despite rapid growth (Rasiah, Ishak and Jomo 1996, Table 4).

Besides poverty reduction and redistribution, the five governments have introduced some social safety nets to soften the effect of rapid structural changes and cyclical influences. In Malaysia, for example, many workers (though not the unemployed) get cost-of-living-allowances (COLAs). Overall, such provisions have been minimised on the assumption full employment would last indefinitely and ensure “work-fare” and thus eliminate the need for “welfare” provisions. It was often also claimed the unemployed could always count on “traditional” social safety nets provided by families, communities and informal sector work. The social impacts of the 1997 East Asia financial crises underscored the inadequacy of such provisions when most needed.

South Korea and Taiwan were far more interventionist in the 1950s and 1960s than Malaysia and Thailand have been in recent decades. Yet, income distribution was better in Northeast Asia during high growth while it has fared less well in Southeast Asia. Contrary to the Kuznets hypothesis, the examples of South Korea and Taiwan suggest lower inequality can go with rapid growth early on, and that intervention to improve asset distribution and human resources can clearly generate growth. But these examples have been dismissed by the World Bank (1993) as exceptions unsuitable for emulation.

Malaysia and Thailand offer different lessons. The Malaysian economy was mostly laissez-faire until around 1970 (World Bank 1995) and income distribution worsened in the 1960s. Redistribution policies improved growth, industrialisation and income distribution over the next two decades before deteriorating again in the 1990s with economic liberalisation. Thailand did not adopt redistribution policies or have a clear industrial policy, but its income Gini coefficient continued to rise. With increasing liberalisation since the 1980s, income inequality in Taiwan and South Korea began to worsen.

These experiences suggest reduction of poverty and income inequality can not only accompany, but may even help rapid growth and industrialisation, while income inequalities tend to worsen with economic liberalisation, especially without effective redistribution efforts. The fact that income inequality in Taiwan and South Korea declined in the initial stages of growth, and worsened as the two economies liberalised, turns the Kuznets hypothesis on its head. But the unique circumstances of post-war asset redistribution (including land reform) suggest that their initial conditions — rather than subsequent growth itself — are the cause of these Northeast Asian exceptions.

V. HUMAN RESOURCES

The East Asian miracle is often said to be anchored in efforts to improve the region's human resources. But in Southeast Asia, investment in education has been grossly inferior to that in the other HPAEs (Booth 1999). Human resource development does not seem to have been crucial to the region's rapid growth and industrialisation (Tables 6 to 9).

Table 6. **Educational Enrolment in Selected Economies, 1970-93**

Economy	% of age group enrolled in educational institutions					
	Primary		Secondary		Tertiary	
	1970	1995	1970	1995	1970	1993
South Korea	103	99	42	96	16	48
Malaysia	87	91	34	58[a]	4	7
Thailand	83	98[a]	17	38[a]	13	19
Indonesia	80	97	16	42	4	10
United Kingdom	104	100	73	92	20	37
France	117	99	74	88	26	50
Japan	99	100	86	96	31	30

Key: a. 1993

Source: World Bank (1995, 217; 1997, 226-7; 1998, 200-1).

Table 7. **Selected Asian Countries:**
Workforce Share with Primary Education or Less, 1980s

Country (year)	Percentage
Thailand (1990)	83.0
South Korea (1980)	49.0
Taiwan (1980)	44.0
Singapore (1980)	71.3
China(1982)	62.7
Malaysia (1980)	58.4
Philippines (1980)	56.5

Sources: Pasuk and Isra, 2000: Table 10; Myers and Chalongphob 1991, 14.

Ironically, the country with the highest share of tertiary educated people in the region, the Philippines, has not had an especially impressive economic growth record for various reasons. These findings prompt a review of the standard recommendation that governments should boost human resources but only subsidise primary schooling. Rapid structural change, industrialisation and productivity gains may not be sustainable in the future because of the region’s poor educational efforts.

Table 8. **Selected Asian Countries: Gross Education Enrolment Ratios, 1980s**

	Primary	Secondary	Tertiary
Thailand (1990)	95	29	10
South Korea	104	87	37
Singapore	111	69	12
Hong Kong	106	74	13
Indonesia	119	48	7
Malaysia	102	57	7
Philippines	110	71	28

Sources: Pasuk and Isra, 2000: Table 11; Myers and Chalongphob, 1991:14.

Table 9. **Five HPAEs: Wage Employment, Growth and Unemployment Rate, 1970-92**

Economy	Average annual growth rate of wage employment (1970-90) (%)	Unemployment rate (%) 1970	1983	1992
South Korea	6.6	na	4.1	2.4
Taiwan	na	1.7	2.7	1.5
Malaysia	8.2	8.0	6.0	4.1
Thailand	6.6	na	2.9	2.2[a]
Indonesia	na	na	2.0	1.4[b]

Key: a — 1990; b — 1991; na — not available.

Sources: World Bank (1995); Taiwan figures from Yu (1994, 6).

Human resources investment has probably helped reduce poverty and inequality. With government encouragement, South Korea and Taiwan now have highly-educated labour forces. Primary education has been universal in these economies since the 1960s, but there has also been a substantial transition to secondary and tertiary schooling and strong emphasis on technical and engineering subjects. Rapid structural change, industrialisation and productivity gains may not last if more educational efforts are not made. The investment of these countries in human capital went far beyond the primary education limit recommended by the World Bank, with labour market interventions based on long-term considerations beyond current prices (Rodrik 1994). The expansion of education not only helped generate technical and professional human resources for industry, but also increased chances for upward socio-economic mobility, including more skills and pay (Deyo 1989).

Achievements in secondary and especially tertiary education in Malaysia, Thailand and Indonesia have been far smaller than in South Korea and Taiwan. The Philippines, however has performed better on many educational achievement indicators than Malaysia, Thailand and Indonesia, raising serious doubts as to whether human resource development always ensures faster economic growth, productivity gains or equitable distribution.

Basic education has given access to low-skilled jobs, but not much upward social mobility. While Taiwan and South Korea have generated plenty of technical labour, Malaysia, Thailand and Indonesia still have serious shortages. In 1990, Malaysia, Thailand and Indonesia had around 400 technologists and scientists per million people, compared to 2,200 for South Korea, 2,100 for Taiwan and 6,700 for Japan (UNDP 1994, 17). Malaysia and Indonesia managed, unlike Thailand, to reduce inequality in the 1970s and 1980s, but these limited successes were not just due to growth and market forces, as both governments spent a lot on redistribution and did much to create jobs. However, rapid economic growth in all three Southeast Asian HPAEs economies did reduce poverty and improve human resources (Tables 10 and 11).

Rapid growth, more education and falling unemployment have pushed up real wages in these economies (Table 9), despite the weakness of trade unions. Real wages grew at average annual rates of 10.0 per cent and 8.2 per cent respectively over the periods 1970-80 and 1980-92 in South Korea (World Bank 1995, 175). In Taiwan, they grew by 6.0 per cent (computed from Deyo 1989, 93) and 7.5 per cent (Lee 1994, 16) over the periods 1970-80 and 1976-86. So, although labour was tightly controlled in South Korea and Taiwan until democratisation in the late 1980s, efforts to boost productivity, product quality and competitiveness helped raise wages and reduce occupational hierarchies and income differentials within firms. By the time unions were stronger, real wages had already risen substantially.

Table 10. **Four HPAEs: Health Indicators, 1980-96**

Economy	Access to Health Care (%)		Access to Safe Water (%)		Access to Sanitation (%)		Infant Mortality Rate (per 1000 live births)		Maternal Mortality Rate (per 100 000 live births)	Malnutrition (% under 5)
	1980	1993	1980	1995	1980	1994/5	1980	1996	1990-6	1994/5
South Korea	–	100	–	89	–	100	26	9	30	–
Malaysia	–	88	–	88	75	91	30	11	43	26
Thailand	30	59	–	81	–	70	49	34	200	13
Indonesia	–	–	–	62	–	51	90	49	390	40

Key: – indicates data not available.

Source: World Bank (1997, Table 6, pp. 224-5; 1998).

Wage labour in Malaysia, Thailand and Indonesia grew even more with the rapid export-oriented manufacturing expansion from the 1970s and 1980s that also reduced hidden unemployment and raised household incomes. It grew by annual average rates of 8.2 and 6.6 per cent in Malaysia and Indonesia respectively in the 1970-90 period, with female participation increasing especially (Kamal and Young 1985; McGee 1986; Onchan 1995; World Bank 1993). The out-migration of rural labour to urban industrial areas was large enough to push up wages.

Table 11. **Five East Asian Economies: Human Development Indicators, 1970-95**

Economy	Life Expectancy at Birth (years)		Adult (15+) Literacy Rate (%)		Poorest 20% Average Income (1985 PPP)	
	1970	1995	1970	1995	1970[a]	1990[b]
South Korea	60	72	88	98	303	2071
Malaysia	62	72	60	85	431	1070
Thailand	58	69	79	94	361	726
Indonesia	48	64	54	84	392	908
Philippines	57	66	83	95	218	435

Notes: a. 1976 for Indonesia, 1965 for South Korea and the Philippines, 1969 for Thailand.
b. 1988 for South Korea and the Philippines, 1989 for Malaysia, 1992 for Thailand

Source: World Bank (1997); Deininger and Squire (1996).

In Malaysia, the growing presence of foreign labour from the early 1980s (Jomo 1990), along with trade union weakness, undermined real wage increases in Malaysian plantations (Jomo and Todd 1994). However, inter-ethnic and other redistribution efforts as well as more better-paying jobs — especially the absorption of Bumiputeras into the public sector, manufacturing and modern service wage jobs — pushed the Gini income inequality coefficient down to 0.474 in 1984 and 0.445 in 1990 before it rose again in the 1990s as redistribution efforts flagged. But overall growth in wage employment and the consequent increase in household income have reduced poverty and inequality.

There has also been less company-level corporatism in Malaysia, Thailand and Indonesia than in South Korea and Taiwan. In export-oriented high-technology firms (semi-conductors, in particular), it has involved mutually beneficial labour-management co-operation, but such firms are quite rare in Southeast Asia. Meanwhile, rising demand in Malaysia and Thailand pushed up wages of skilled workers substantially (World Bank 1995; Rasiah and Osman Rani 1995), increasing the wage gap with unskilled labour, whose position was also undermined by imported labour.

Unions and labour militancy have been treated unsympathetically in all five economies. The second-tier NICs of Malaysia, Thailand and Indonesia have had much poorer wage and working conditions than South Korea and Taiwan, routinely suppressing worker protests. In Thailand and Indonesia, militant leaders have been “eliminated”, while effective unions have been weakened and sometimes crippled. Collective bargaining rights are minimal in practice, especially in Thailand and Indonesia. Wages have risen, but mainly due to exhaustion of labour reserves and to technological advances in a few export-oriented industries, rather than due to union strength.

Unlike in South Korea and Taiwan, policy in Malaysia, Thailand and Indonesia has sought to attract industrial investment by emphasising cheap labour, thus militating against rapid wage growth. Real wages in Malaysia and Indonesia grew by 2.0 and 5.2 per cent respectively over the 1970-80 period, and by 2.3 and 4.3 per cent respectively over the 1980-92 period (World Bank 1995, 1974-75). Real wages in

Thailand grew by 2.0 and 2.8 per cent respectively over the 1973-81 and 1981-89 periods (Rasiah 1994, 210).

VI. IMPACT OF ECONOMIC LIBERALISATION ON INEQUALITY

After the fiscal and foreign debt crises of the early and mid-1980s, most governments emerged leaner by the end of the decade, partly due to economic liberalisation. Government spending as a percentage of total economic activity was reduced, public sector expansion reversed, state-owned enterprises curbed and privatisation pursued. Government regulations were cut back, mainly to encourage greater private (especially foreign) investment. Economic welfare was often damaged in the process, but some waste and undesirable regulation were eliminated.

The effects of globalisation and liberalisation on growth, poverty and income inequality in East Asia are complicated and haphazard. South Korea and Taiwan lack natural resources, but have transformed their economies through interventionist industrial policies. Malaysia, Thailand and Indonesia have relied more on resource rents to alleviate poverty, though growth has also been important. Export-oriented industrialisation, driven primarily by foreign capital in Southeast Asia, has helped reduce unemployment and thus raise household incomes.

East Asian economies seem to have managed to grow rapidly without seriously worsening income distribution, and poverty, both urban and rural, has continued to decline. All had policies to combat poverty and, to a lesser extent, improve income distribution.

Income distribution in South Korea, Taiwan, Malaysia and Indonesia has occasionally improved. Only in Thailand, the least committed to redistribution and historically the most liberal of the five economies, has income inequality worsened in the long term. It was the only one where poverty increased in the mid-1980s and urban poverty increased in 1990.

Before the currency and financial crises of 1997 induced a regional recession in 1998, liberalisation had not significantly increased poverty in the region (except perhaps in Thailand), but seems to have been accompanied by worsening inequality in Malaysia, South Korea and Taiwan.

Rising income inequality under past laissez-faire conditions has re-emerged with the new liberalisation in the region since the 1980s. Deregulation, less government intervention, less commitment to earlier redistributive mechanisms and greater government efforts to help investors have probably all contributed, and the situation is likely to worsen (Ishak 1996; Onchan 1995). Redistributive policies have been discouraged by liberalisation and by renewed commitments to protect property rights, thus aggravating social inequality.

So despite the claims of the World Bank, the East Asian economies do not show any clear link between export-oriented industrialisation and better income distribution (see also Alarcon 1996). While export-orientation may have been necessary for long-term growth, equity may not improve without effective mechanisms for redistribution, usually provided by the government. The World Bank recommends that other developing countries try to emulate the second-tier Southeast Asian NICs, especially since the mid-1980s, when they liberalised. But South Korea and Taiwan have had much more egalitarian growth than Malaysia, Indonesia and Thailand, and inequality has increased overall since liberalisation from the mid-1980s, especially in Southeast Asia. So the simplistic picture of East Asian “growth with redistribution” or “egalitarian growth” does not stand up very well to scrutiny.

How can a decline in poverty and inequality be sustained in the face of pressures for trade, financial and investment liberalisation, especially with the unprecedented regional recession after the 1997 crises? Efforts to help the poor with land reform, subsidised housing, and access to education have worked.

Liberalisation of agricultural trade, especially food, should be gradual, because when combined with the real wage increases in South Korea and Taiwan since the late 1980s, it will probably lead to cheap food imports. This will destroy the livelihoods of many South Korean farmers, though the effect will be less in Taiwan due to the importance of off-farm work. Malaysia, Indonesia and, to a lesser extent, Thailand will face similar challenges with cheap rice from Vietnam and China. Alternative employment sources should be developed by governments, for example by promoting industrial dispersal to boost off-farm incomes, as in Japan and Taiwan. The regional recession in 1998 revived interest in food security, largely forgotten in the enthusiasm for liberalisation and globalisation of the preceding decade.

New kinds of indirect subsidies may compensate for direct ones that may be hard to maintain in the new trade environment. More government education and training could be an even bigger key to increasing industrial and technological capacity, as shown by Taiwan and South Korea. Demand for skilled labour has spiralled in Malaysia and Thailand, but government education efforts have not been enough. Improving the labour force will make firms and economies more competitive and should narrow income inequality.

Labour market liberalisation in East Asia has undoubtedly undermined segmentation, but such rigidities remain. Some are increasing with more educational and skill specialisation as well as greater use of foreign labour (with reduced citizenship rights) at both ends of the labour force. In most East Asian economies, except for the “new democracies” of South Korea and Taiwan, labour laws have not improved much in the last decade, so more casual labour has increased labour flexibility without improving worker security. The role of corporate savings in the region's high savings rate suggests this may have undermined labour incomes.

Some of this greater flexibility has been due to changing international production relations, but much of it has been pushed by governments wanting to lure investment and boost growth. There has been little resistance to such casualisation, as its harmful effects were partly offset by the post-1985 boom. Rapid growth and industrialisation after the appreciation of the yen and the currencies of the first-tier East Asian NIEs created jobs and improved wages, so workers stayed put. But casualisation reduces loyalties and the commitment of workers as “stakeholders” seen in Japan and Singapore. Weak trade unions and labour laws have exacerbated the situation of the region's workers and may have worsened income distribution.

Unions should be encouraged to work with management and government to increase social corporatism since enhanced trust, commitment and efficiency boosts competitiveness and wages. This would involve more multi-skilling, cross-skilling and institutionalisation of the work process, including union participation in worker training. Such flexibility can also break down occupational hierarchies, status differences and income inequality. Growth should become a shared responsibility, benefiting all parties.

Technological development will be increasingly essential to industrialisation, growth and better living standards. But firms should not be the only focus. A national system of innovation, including upgrading labour skills, will be critical for such efforts.

Human resource development (HRD) is not completely restricted by the new international economic governance and so may become the main development tool still available to governments, which have in recent years paid more attention to it. This is better than the old focus on various forms of human capital accumulation, but still a far cry from human development as defined by the United Nations Development Program (UNDP). However, as traditional industrial policies are increasingly sidelined, there is likely to be a rare opportunity for human development, social policy and redistribution proponents to advance their agenda. But the danger is that only human development measures seen to support economic growth and industrialisation, especially in the short and medium term, will be adopted, and that others will be neglected and eventually forgotten.

Progress in health, education and labour productivity will be needed in the long term to sustain economic growth and improve living standards. Economic growth and human development look as if they should increase in tandem. This theory has been tested empirically, using a sample of developing countries, in Ramirez, Ranis and Stewart (1997). They assume a cumulative cycle of economic growth and human development, based on two chains — one linking economic growth to human development, the other linking human development to economic growth — and find that higher social spending improves human development, and that high investment rates and more equitable income distribution bolster economic growth.

So most developing countries probably have either a progressive “virtuous cycle” of high economic growth with human development or a regressive “vicious cycle” to the contrary. East Asia's HPAEs seem to fit into the “virtuous cycle” category, with relatively high literacy and life expectancy and other positive social indicators, and seem set for further human development and economic growth (Tables 35 and 36). But this may depend on government commitment to egalitarian human development, including economic asset redistribution, progressive taxation and social spending.

VII. EXPLAINING PUBLIC POLICY AND INCOME DISTRIBUTION

Did the SEA3's policies cause globalisation to have a better effect on income inequality and poverty? This is not clear. Globalisation does not necessarily damage national income equality, though there is some evidence that worldwide income inequality worsened between 1988 and 1993 (Milanovic 1999)[6]. Also income distribution has worsened since the late 1980s in the five economies considered. Rapid export-led growth in the region reduced unemployment and raised incomes, so poverty was significantly reduced, but the effect on income inequality is quite ambiguous.

Did some East Asian countries pursue liberalisation in a way more beneficial to the poor, and if so, why? All the governments involved were authoritarian until the 1990s, but they did not rule by repression alone. Securing legitimacy and popular backing was always important, except perhaps for some of the briefer Thai military regimes. The constant existence of powerful enemies nearby (for South Korea and Taiwan) and the need to win electoral support served as major checks on more flagrant abuses.

In Malaysia, the authorities began rural reforms in the 1950s, first to counter communist influence and then to secure the key ethnic-Malay rural vote. Ethnic differences accounted for no more than 10 per cent of total income inequality in 1970 and probably less since then as ethnic affirmative action programmes have grown and inter-ethnic disparities have declined. This official commitment to redistribution has helped, and probably influenced the switch to labour-intensive export-oriented industrialisation from the late 1960s and the massive public sector job expansion in the 1970s. When such industrialisation is associated with globalisation, it is seen as pro-poor. Full employment from the late 1970s and then again from the early 1990s also helped raise wages despite the damper of massive labour immigration from the 1980s.

In Indonesia, generous aid from foreign donors appreciative of Gen. Soeharto's overthrow of the radical nationalist Sukarno regime, windfall oil rents from the mid-1970s and perhaps the social-democratic pretensions of the “Berkeley mafia” in charge of economic policy, provided money for government programmes to help the rural poor, such as rice self-sufficiency and trans-migration land development. Some think reduced support for these measures with the advent of liberalisation in the mid-1980s may have helped the regime's collapse after the 1997-98 monetary crisis.

In Thailand, rapid growth without significant official redistribution efforts also dramatically reduced poverty while income inequalities continued to grow. Inequality in Southeast Asia has probably risen when agriculture did poorly, and fallen when it did well, for example when commodity prices rose in the 1970s and the early 1990s. The former would tend to exacerbate urban-rural differentials, while the latter would have the opposite effect. Rural development and farm subsidies have often aimed to reward performance, thus encouraging increased output, productivity and efficiency. So such rent-seeking (positive responses to incentives) has been productive rather than wasteful (Khan and Jomo 2000)

The changing position of these countries in the world economy has also had a bad effect on the SEA3. The high growth and rapid industrialisation in the late 1980s and 1990s were threatened by full employment in Malaysia and Thailand, and then by the appreciation of their currencies with the dollar in relation to and the yen from mid-1995. The high growth in the region from the late 1980s until the outbreak of the East Asian financial crisis was mainly due to exchange rate policies that made the region attractive for industrial capital relocating from Japan and the first generation NIEs or HPAEs, including Taiwan and South Korea. This advantage declined from the mid-1990s, especially with the currency appreciations.

The SEA3 had become far less attractive for low-cost production sites, but had not developed enough to make further technological progress under their own steam — unlike South Korea and Taiwan. Exports from the region had become less competitive so export-led growth came under pressure, especially in Thailand (Jomo 1998). But rapid growth was temporarily sustained by the massive capital flows into the region to feed the stock and property market bubbles, frenzied construction activity and worsening current account deficits due to increased output of “non-tradables”. Such inflows of foreign bank borrowings and portfolio investments were always volatile and unsustainable, and were reversed with the massive capital flight from mid-1997 due to herd behaviour and contagion, helped by external liberalisation.

Some countries seem to have been better able to respond on the supply side to outside developments, but there is little evidence of significant policies in the East Asian region to compensate for the effects of liberalisation. The major policies involved new infrastructure, investment incentives and human resource development.

East Asian governments sought to cope with the new situation, mostly by changing their overall investment regimes (Felker and Jomo 1999), so the region is known for its export-processing zones, technology parks, scientific research centres, technological development initiatives and special educational and training programmes. Again, there were fewer such efforts in Southeast Asia, except in Singapore and Malaysia. But the much lower educational levels in Southeast Asia (Booth 1999) have not entirely been the fault of governments. Malaysia spent far more on education than security before 1990.

All the region's economies began their industrialisation programs with import substitution and then moved to export-orientation. In Northeast Asia, export promotion was a way to raise the international competitiveness of local industries. In the SEA3, most export-oriented industries were set up by transnational corporations (TNCs) and had few linkages to local firms, mainly import-substituting industries, which were often foreign-owned in Malaysia, but mostly joint ventures or domestically-owned in Thailand and Indonesia.

Because relocation of industries to Southeast Asia by FDI was mainly due to cheaper production costs, the switch to export-oriented industrialisation actually pushed down average manufacturing wage rates in Malaysia in the early 1970s before they rose again as unemployment fell (Jomo and Osman-Rani 1985). In South Korea, where large industrial conglomerates are the norm, workers in foreign firms are not better paid. Higher wages for foreign firm workers elsewhere in East Asia may not sufficiently account for other differences such as size and capital invested.

Workers in the usually protected import-substituting industries enjoyed part of the rent from protective tariffs and other investment incentives. This would have been even truer of heavy industries promoted by the Malaysian government in the early and mid-1980s, but flexible labour markets probably limited such rents. Wage growth in Southeast Asia has been much lower than in the Northeast, probably because of greater output and productivity growth, tighter labour market conditions and stronger trade unions in the latter. Greater reliance on FDI in Southeast Asia also resulted in promises of higher profits to foreign investors in the form of investment incentives.

Except for the important asset redistribution reforms in Northeast Asia half a century ago, there have been few redistributive policies and institutions in East Asia comparable to the post-war welfare states that developed in Western Europe (Esping-Anderson 1990; Goodman, White and Kwon 1998). Fiscal systems do not seem to have had a progressive impact.

The progressive nature of all income tax scales has declined markedly in the last two decades with the growing influence of supply side economics pushed by Thatcher and Reagan. The tax burden has also regressed from direct to indirect taxes. The Malaysian tax system was regressive in impact from the late 1960s and more so in the 1970s (Jomo and Ishak 1986). Overall regressivity has probably increased since then with regressive tax reforms (Asher and Jomo 1987), with similar trends in Thailand and Indonesia. Limited direct taxation of farmers or their produce in Southeast Asia has probably ensured higher retained incomes than in other societies where they are taxed more.

Overall public spending does not seem to have had a progressive impact in the region. Economic, security and administrative expenditure are regressive despite the usually good effect on employment. Social spending is often assumed to be progressive, although it is rarely big enough to offset the regressivity of other public expenditure. But education spending in the region has hardly been progressive, mainly because of the much greater public subsidy of tertiary education, inadvertently favouring students from higher-income households (Mehmet 1986 for Malaysia). Similar biases are found in public health and housing expenditure in the region (Meerman 1983 for Malaysia).

Indonesia and Thailand are no more progressive than Malaysia in social spending. The massive Malaysian affirmative action program since the 1970s is often presumed to have been progressive. But although it aimed to promote “national unity” by “poverty eradication” and reducing inter-ethnic economic differences (“restructuring society”), the NEP — implemented from 1971 — is seen as primarily an ethnic affirmative action programme. Up to 1988, the Malaysian government had spent more on “poverty eradication” than on “restructuring society.” But of the RM30 billion spent during 1971-88 on poverty reduction, 60 per cent went on staff salaries and infrastructure, leaving only about RM12 billion for poverty program beneficiaries. But such spending did not effectively target the poor and was instead regressively distributed on the basis of land area owned, grain sold and capital invested (Jomo and Ishak 1986; Jomo 1989).

In Latin America, capital market and capital account liberalisation increased inequality by raising returns to asset holders. With industry in Southeast Asia dominated by FDI, domestic financial interests gained considerable influence over financial liberalisation, ensuring it was in their own interests. This resulted in considerable abuse, asset price bubbles (augmented by capital inflows) and made national financial systems vulnerable, as became evident in late 1997 in Thailand and Indonesia. After the severe Malaysian banking crisis of the late 1980s, the government imposed much stricter regulations which, although partially compromised by 1997, enabled the country to weather the crisis better (Jomo 2001).

The conditions attached to the emergency credit facilities the IMF gave Thailand, Indonesia and South Korea not only exacerbated their crises, but also sought to further liberalise their economies (Jomo 1998). As former IMF official Morris Goldstein (quoted in the New York Times, 21 October 2000) notes, "I think it's clear that both the scope and the depth of the fund's conditions were excessive[7]." The article said that "under heavy pressure from wealthy nations that control its policies, the Fund demanded a king's ransom from Indonesia as the price for its US$40 billion assistance package. The Fund has used financial emergencies when borrowers needed help urgently to extract the sort of concessions that nations are often not willing to make in healthy times." Citing Goldstein's study, the newspaper noted that "the pressure to use the Fund as a lever to bring about changes in developing nations came primarily from the Group of Seven wealthy nations, the United States foremost among them."

The Bretton Woods institutions have discouraged East Asian governments from developing Western-style welfare institutions, instead favouring social safety nets, especially in crises. This is ironic. While developing countries have been discouraged from making selective state interventions such as industrial policy because their governments are deemed to lack the capacity for effective targeting, such targeting is favoured for the far more difficult job of identifying the poor in crisis situations. Regulatory approaches are tolerated when they involve only a small number of economic agents (such as factories to be kept under surveillance for pollution infringements), but market-based approaches are preferred by economic theory for dealing with large numbers of agents (such as users of leaded petroleum). Because of the failure or inadequacy of existing social policy in East Asia, broader and more progressive social initiatives are supported by many over the current exceptional and targeted social safety net approach.

VIII. POLICY CONCLUSIONS

Growth and distribution have often been seen as trade-offs, as in the work of Mancur Olson, who set growth coalitions against distribution coalitions. In recent years, there has also been a growing literature on rents and rent seeking, which have often been identified with corruption, leading to their widespread rejection on ostensibly moral as well as efficiency grounds[8]. These concepts should instead be reconsidered in developing an alternative approach to growth and distribution in the face of liberalisation (including globalisation) if one accepts that redistributive rents may be essential for maintaining the social order providing incentives, developing capabilities or allocating resources necessary for growth.

After two decades, critical reconsideration of the Washington Consensus, which sees no alternative to liberalisation and globalisation, is long overdue. International financial liberalisation has not only been bad for redistribution, but also for growth. It has not only failed to ensure that funds keep moving from the capital rich to the capital poor, but has increased the real costs of finance, while increasing systemic volatility and vulnerability, exerting contractionary or deflationary macroeconomic pressure and curbing selective government intervention to enhance development (Jomo 1998). Trade liberalisation may theoretically enhance overall consumer welfare, but in the short and medium term, it has caused massive job and income losses, with regressive consequences. Investment liberalisation too has systematically reduced possible gains from foreign direct investment to the host economy. The new international economic regime also limits development initiatives. So there are strong reasons to doubt liberalisation's and globalisation's allegedly benign consequences for growth as well as distribution.

High growth in East Asia has been due to successful public policy interventions, especially selective industrial policy, rather than economic liberalisation. South Korea and Taiwan have not only achieved far more growth, industrialisation and structural change than Thailand, Indonesia and Malaysia, but inequality has been much lower too, partly because of significant asset (especially land) redistribution before the high-growth period.

Liberalisation has, in fact, undermined their capacities to “catch-up”. So the most urgent medium-term task is creating such new capacities in the current conditions of accelerated liberalisation and globalisation and the IMF imposed reforms. Economic liberalisation in recent years has also coincided with and perhaps exacerbated inequalities in all countries since the 1980s[9].

The changed international investment climate (especially in East Asia), with accelerated globalisation and economic integration over the last decade, poses new challenges for investment regimes (Felker and Jomo 1999). Investment policy reform was already under way in the region before the 1997-98 crises, taking into consideration the fresh constraints imposed by the new international regulations and commitments, as well as the more sophisticated industries desired by some of these economies. But the crisis and its aftermath, including the conditions imposed by the IMF on Thailand and Indonesia for emergency credit facilities, have also introduced new constraints. Attracting new “green field” investments to restore and sustain growth as well as structural change is all the more urgent as a lot more of the recent FDI in the region has involved mergers, and especially acquisitions.

Domestic political priorities in the region have often neglected or limited technology policies, which have not been sensitive enough to sector or industry conditions. Scope for discretionary policies has become less and less as global regulations are defined by international organisations that can enforce them. Changing international economic governance has strengthened transnational corporate claims to intellectual property rights, raising the costs and reducing the likelihood of the international technology transfer so crucial to earlier experiences of late industrialisation. But there is still scope for sound technology policies in the region.

How can better conditions be created for making and implementing good policy? Much needs to be done to ensure greater competence, transparency and accountability. If a government lacks human resources, consultancy services can be bought on the market. But such services rarely involve accountability, and new mechanisms must ensure that there is more of it among both policy-makers and those providing technical and other inputs. This requires greater transparency in decision-making and implementation.

But most of all there has to be a clear rejection of the Washington Consensus and its false premise that there is no alternative. In September 2000, just before the Prague annual meetings of the IMF and World Bank, the Fund's new managing director, Horst Koehler, announced that the IMF would present governments with a set of policies — and likely consequences — they could choose from. This would be a major change because developing countries have been increasingly confronted with imposed policy conditionalities determined by organisations reflecting vested interests.

Some international economic liberalisation is inevitable, so sequencing issues need to be considered, along with pro-active initiatives or supply responses. Developing countries are barely equipped to deal with the many complications and details of globalisation. Solidarity and co-operation among such governments has declined significantly since the 1970s, especially on economic issues, just when it has been most needed. The sympathy of some European governments for their development aspirations has also declined. Both kinds of co-operation and mutual support must be restored if a viable alternative to the emerging status quo is to have any chance. Recent initiatives such as the Asia-Europe Forum offer such a prospect, but much more work is needed on them. However, the existence of international forums, including ostensibly democratic ones, does not in themselves ensure developing country interests will be best served, as seen recently with the World Trade Organisation (WTO).

Caution is needed about lessons to be drawn from particular experiences. This does not mean no lessons at all can be drawn, but there is a tendency to abstract models for emulation which often ignore crucial variables, thus making such models fairly useless for policy-making. Creatively combining and tailoring lessons from other experiences is often better. This requires great knowledge and considerable modesty about prospects for their successful application.

NOTES

1. Globalisation is generally thought to have boosted economic growth in most of the world. For most people in poorer countries, such growth offers the only hope of escaping poverty. But Weisbrot, Naiman, and Kim (2000) say official data for the last two decades (1980-2000) suggests a different record. Economic growth has slowed dramatically, especially in the less developed countries, compared with the previous two decades (1960-1980). For example:

   – From 1960-80, output per person grew by an average, among countries, of 83 per cent, while during 1980-2000, it grew 33 per cent.

   – Eighty-nine countries — 77 per cent — saw their per capita growth rate fall by at least five percentage points from the 1960-80 period to the 1980-2000 period. Only 14 countries — 13 per cent — saw their per capita growth rate rise by as much between the two periods.

   – In Latin America, GDP per capita grew by 75 per cent during 1960-80, but only by 6 per cent during 1980-1998. GDP per capita for sub-Saharan Africa grew by 36 per cent in the first period, and has fallen by 15 per cent since.

   – Even in Southeast Asia, where growth rates were high, they were better in the earlier period.

   – The only regional exception was East Asia, which grew faster from 1980 to 1998 than in the previous period. But this was due to the quadrupling, over the last two decades, of GDP in China, which has 83 per cent of the population of East Asia.

   So the World Bank and IMF cannot point to any region in the world that has succeeded by adopting the policies they promote — or, in many cases, impose — in borrowing countries. They are understandably reluctant to claim credit for China, which maintains a non-convertible currency, state control over its banking system, and other major violations of IMF/Bank prescriptions.

   According to Drajem (2000), William Easterly, a senior World Bank researcher, argued in a recent paper at an IMF conference that "the poor in developing countries are often better off when their governments ignore the policy advice of the International Monetary Fund and World Bank". IMF and World Bank policymakers claim their reforms often require necessary short-term pain for the sake of long-term gain.

   According to the study, during times of economic growth, the poor did not gain as much in countries to which the IMF lent money as they did in those with no programmes, although they were not hurt as badly in recessions. The study also found that China, India and other countries that did not follow IMF and World Bank economic programmes have seen more of their people lifted out of poverty in times of economic growth than have nations taking the advice of the Washington-based lenders.

2. Weisbrot, Naiman, and Kim (2000) argue that if globalisation and other policies promoted by the IMF and the World Bank have not led to increased growth, it becomes extremely difficult to defend these policies. The costs of these changes — the destruction of industries and the dislocation of people, the harsh "austerity" medicine often demanded by these institutions and by international financial markets — become a burden to society without any clear countervailing benefit.

3. Weisbrot, Naiman, and Kim (2000) note that in the last three years, the IMF has made serious policy errors that have undoubtedly reduced cumulative economic growth for hundreds of millions of people. In Russia and Brazil in 1998, the Fund's support for overvalued exchange rates that ultimately collapsed also caused economic damage. And the IMF's policies in the economies of the former Soviet Union have, over the last decade, contributed to one of the worst economic disasters in the history of the world, with Russia losing more than half its national income.

4. Corporate governance reforms pushed by the IMF and others have probably been quite unnecessary for recovery.

5. Bumiputera (“sons of the soil”) is the common word for Malays and other indigenous people of Malaysia.

6. Recent compilation of national and international income distribution databases is very worrying. Inequality seems to have risen significantly as globalisation gathers speed. In the first-ever calculation of world income distribution from household income surveys, Milanovic (1999) found distribution of individual incomes or expenditures to be more unequal in 1993 than 1988. He found world income inequality to be very high. The Gini coefficient for incomes in 1993 was 66 (up from 62.5 in 1988) if adjusted for purchasing power parity (PPP) and almost 80 using current US$ incomes. Depending on the measure used (Gini or Theil), inter-country inequality accounted for 75 to 88 per cent of total inequality. Inter- as well as intra-country inequality rose between 1988 and 1993, with the former rising much more during a period when economic globalisation was accelerating.

   Milanovic's findings suggest other dramatic measures of global inequality such as:

   - The bottom 5 per cent grew poorer while the richest quintile gained 12 per cent in real terms — more than twice as much as mean world income (5.7 per cent)
   - The richest 1 per cent of the world's people receive as much as the bottom 57 per cent, which means less than 50 million receive as much as 2.7 billion, or more than 54 times as many people.
   - An American with the average income of the poorest US decile is better off than two-thirds of the world's population.
   - The top decile of the US population had the aggregate income of the poorest 43 per cent of the world's people, meaning the total income of 25 million Americans was equal to that of almost two billion people, or almost 40 times as many people.
   - The ratio of the average income of the world's top 5 per cent to the bottom 5 per cent rose from 78 in 1988 to 114 in 1993.
   - 75 per cent of the world's population received 25 per cent of the world's PPP-adjusted income, and vice versa.
   - 84 per cent of the world's people received 16 per cent of its unadjusted US$ income, and vice versa.

7. According to Goldstein, whose recent study using unpublished IMF data has been brought out by the Institute of International Economics, the recent push for radical overhauls of countries that borrow money has undermined the Fund's reputation and strained its competence. "They clearly strayed outside their area of expertise," he says. "If a nation is so plagued with problems that it needs to make 140 changes before it can borrow (referring to Indonesia), then maybe the Fund should not lend." Lending programmes often intrude on areas well outside the IMF's traditional mandate. Thailand was told to remove a tax on foreigners who buy condominiums. South Korea was given a blueprint for tax reform.

8. Rent-seeking is endemic in both developing and developed countries. In developing countries, it is more often illegal and damaging to growth. A wide range of rents exists in most economies, and many are essential for efficiency and growth. The common assumption that all rents are always bad is wrong. Learning and innovation have to be rewarded, incentives created to deal with asymmetric information and scarce natural resources preserved, so many kinds of rents are socially desirable. But some rents can be devastating in developing countries. The institutional and political conditions likely to produce socially-useful rents must be defined and rules set to limit wasteful expenditure on rent-seeking (Khan and Jomo 2000).

9. Evidence from other developing countries (Ganuza, Taylor and Vos 2000) suggests equitable growth is possible with a combination of three things: avoiding a macroeconomic mix of real exchange rate appreciation and high domestic interest rates, developing and maintaining flexible systems of well-targeted export incentives and having appropriate prudential financial regulation as well as capital controls to limit the bad effects of capital flow surges.

BIBLIOGRAPHY

AGHION, Philippe, Eve CAROLI and Cecilia GARCIA-PENALOSA (1999), "Inequality and Economic Growth: The Perspective of the New Growth Theories", *Journal of Economic Literature*, 37, December, pp. 1615-1660.

AKITA, Takahiro, Rizal A. LUKMAN and Yukino YAMADA (1999), "Inequality in the Distribution of Household Expenditures in Indonesia: A Theil Decomposition Analysis", *The Developing Economies*, 37(2), pp. 197-221.

ALARCON-GONZALEZ, Diana (1996), "Trade Liberalization and Income Distribution: Lessons for Mexico from East ASIA", in J. BORREGO, A.B. ALVAREZ and K.S. JOMO (eds.), *Capital, the State and Late Industrialization: Comparative Perspectives in the Pacific Rim*, Westview, Boulder, Colorado.

AMSDEN, Alice (1989), *Asia's Next Giant*, Oxford University Press, New York.

ANAND, Sudhir (1983), *Inequality and Poverty in Malaysia: Measurement and Decomposition*, Oxford University Press, New York.

ASHER, M.G. (1999), "Fiscal reform in Southeast Asia: Rationale, Issues and Prospects", paper presented at the ASEM Regional Economics Workshop "Forming Shared Views of EA Prospects", Denpasar, Bali, September 15-17.

ASHER, Mukul and K.S. JOMO (1987), "Recent Malaysian Tax Policy Initiatives" in K.S. JOMO *et al*. (eds.), *Crisis and Response in the Malaysian Economy*, Malaysian Economic Association, Kuala Lumpur, pp. 116-135.

AZRA, Abuzar (1989), "Inequality Trend in Indonesia: A Reexamination", *Bulletin of Indonesian Economic Studies*, 25(2), pp. 100-10.

BAER, Werner, William R. MILES and Allen B. MORAN (1999), "The End of the Asian Myth: Why Were the Experts Fooled?", *World Development*, 27(10), pp. 1735-1747.

BEN-DAVID, Dan (2000), "Trade, Growth and Disparity Among Nations", Processed, World Trade Organization, Geneva, pp. 11-42.

BOOTH, Anne (1999), "Education and Development in Southeast Asia", Processed, Economics Department, School of Oriental and African Studies, University of London.

BOOTH, Anne (2000), "Poverty and Inequality in the Soeharto Era: An Assessment", *Bulletin of Indonesian Economic Studies*, 36(1), pp. 73-104.

BRUNO, Michael, Martin RAVALLION and Lyn SQUIRE (1998), "Equity and Growth in Developing Countries: Old and New Perspectives on the Policy Issues", in Vito TANZI and Ke-Young CHU (eds.), *Income Distribution and High-Quality Growth*, MIT Press, Cambridge, Ma.

CHALONGPHOB, Sussangkarn *et al*. (1999), *The Tax Incidence and Direct Benefits from Government Expenditure on Households*. Bangkok, Thailand Development Research Institute Foundation.

CHOO, Hakchung (1975), "Some Sources of Relative Equity in Korean Income Distribution: A Historical Perspective", in H. OSHIMA and T. MIZOGUCHI (eds.), *Income Distribution, Employment and Economic Development in Southeast Asia*, Japan Economic Research Center, Council for Asian Manpower Studies, Tokyo and Manila, pp. 48-72.

CHOO, Hakchung (1991), "A Comparison of Income Distribution in Japan, Korea and Taiwan", in T. MIZOGUCHI *et al*. (eds.), *Making Economies More Efficient and More Equitable: Factors Determining Income Distribution*, Kinokuniya, Tokyo, pp. 3-24.

CHOWDHURY, A. and I. ISLAM (1993), *The Newly Industrializing Economies of East Asia*, Routledge, London.

DEININGER, Klaus and Lyn SQUIRE (1996), "A New Data Set Measuring Income Inequality", *The World Bank Economic Review*, 10(3), pp. 565-591.

DEYO, Fred (1989), *Beneath the Miracle: Labor Subordination in East Asia*, Ithaca, Cornell University Press, New York.

DRAJEM, Mark (2000), "World Bank Economist: IMF, World Bank Policies can Hurt Poor", *The Washington Post*, 8 November.

EASTERLY, William (2000*a*), "The Middle Class Consensus and Economic Development", Processed, Macroeconomics, Growth and Development Research Group, World Bank, May.

EASTERLY, William (2000*b*), "Can Institutions Resolve Ethnic Conflict?", Processed, Macroeconomics, Growth and Development Research Group, World Bank, November.

ESPING-ANDERSEN, Gosta (1990), *The Three Worlds of Welfare Capitalism*, Princeton University Press, Princeton, NJ.

ESPING-ANDERSEN, Gosta (1996), "After the Golden Age? Welfare State Dilemmas in a Global Economy", in G. ESPING ANDERSEN (ed.), *Welfare States in Transition: National Adaptations in Global Economies*, Sage, London, pp. 1-31.

FERIDHANUSETYAWAN, Tubagus (2000*a*), "The Social Impact of the Economic Crisis", Report commissioned by the Thailand Development Research Institute and the Ford Foundation on the "Social Impact of the Asian Economic Crisis", June.

FERIDHANUSETYAWAN, Tubagus (2000*b*), "Globalization, Poverty and Equity in Indonesia", Processed, Center for Strategic and International Studies, Jakarta.

FISHLOW, Albert (1996), "Inequality, Poverty, and Growth: Where Do We Stand?" *Annual World Bank Conference on Development Economics 1995*, World Bank, Washington DC, pp. 25-57.

GANUZA, Enrique, Lance TAYLOR and Rob VOS (eds.) (2000), *External Liberalization and Economic Performance in Latin America and the Caribbean*, United Nations Development Programme, New York.

GOELTOM, Miranda S. (1995), *Indonesia's Financial Liberalization: An Empirical Analysis of 1981-88 Panel Data*, ISEAS, Singapore.

GOMEZ, E.T. and JOMO K.S. (1999), *Malaysia's Political Economy*, Revised Edition, Cambridge University Press, Cambridge.

GOODMAN, R., G. WHITE and H. KWON (eds.) (1998), *The East Asian Welfare Model: Welfare Orientalism and the State*, Routledge, London.

HABIBULLAH, K. (1988), "Development Planning in ASEAN: Lessons of Experience", *Economic Bulletin for Asia and the Pacific*, 39(2), pp. 1-20.

HALIM Salleh (1991), “State Capitalism in Malaysian Agriculture”, *Journal of Contemporary Asia*, 21(3), pp. 327-343.

HAMILTON, Clive (1983), “Capitalist Industrialization in East Asia’s Four Little Tigers”, *Journal of Contemporary Asia*, 13(1), pp. 35-73.

HASHIM, Shireen M. (1997), *Income Inequality and Poverty in Malaysia*, Rowman, Boulder, Colorado.

HILL, Hal (1996), *The Indonesian Economy Since 1966: Southeast Asia's Emerging Giant*, Cambridge University Press, Cambridge.

HILL, Hal (1999), *The Indonesian Economy in Crisis*, ISEAS, Singapore.

HIRST, Paul and Grahame THOMPSON (1996), *Globalisation in Question: The International Economy and the Possibilities of Governance*, Polity Press, Cambridge.

HSIAO, Michael H.H. (1996), “Agricultural Reforms in Taiwan and South Korea”, in J. BORREGO, A. ALVAREZ Bejar and K.S. JOMO (eds.), *Capital, the State and Late Industrialization: Comparative Perspectives from the Pacific Rim*, Westview, Boulder, Colorado.

IKEMOTO, Yukio (1985), “Income Distribution in Malaysia, 1957-1980”, *The Developing Economies*, 23(4), December.

IKEMOTO, Yukio. (1991), *Income Distribution in Thailand: Its Changes, Causes and Structure,* Institute of Developing Economies, Tokyo.

IKEMOTO, Yukio (1992), *Income Distribution in Thailand*, Institute of Developing Economies, Tokyo.

ISHAK, Shari (1996), “Liberalisasi Ekonomi dan Implikasinya Terhadap Usaha Pembasmian Kemiskinan di Malaysia” (Liberalization of the Malaysian Economy and Its Implications for the Eradication of Poverty), Paper presented at a seminar on “Rancangan Malaysia Ketujuh: Penerusan Usaha Pembasmian Kemiskinan” (Seventh Malaysia Plan: Continuing Efforts for the Eradication of Poverty), Kota Kinabalu, May 7-8.

ISHAK, Shari (2000), “Economic Growth and Income Inequality in Malaysia, 1971-95”, *Journal of the Asia Pacific Economy*, 5(1&2), pp. 112-124.

ISHAK, Shari and Ragayah Mat ZIN (1990), “The Patterns and Trends of Income Distribution in Malaysia, 1970-1987”, *The Singapore Economic Review*, 35(1), pp. 102-123.

ISHAK, Shari and Ragayah Mat ZIN (1995), “Economic Growth and Equity in Malaysia: Performance and Prospects”, Paper presented at the Fifth Tun Abdul Razak Conference, Athens, Ohio, USA, April 12-13.

ISRA, Sarntisart (1995), “Trade Liberalization in Thailand: Income Distributional Impacts and Financing Problem”, *Asian Economic Journal*, 9(3), pp. 261-291.

ISRA, Sarntisart (1999), “Growth, Structural Change and Inequality: The Experience of Thailand”, Processed, WIDER, Helsinki.

JOMO, K.S. (1986), *A Question of Class: Capital, the State and Uneven Development in Malaya*, Oxford University Press, Singapore.

JOMO, K.S. (1990), *Growth and Structural Change in the Malaysian Economy*, Macmillan, London & St. Martin's Press, New York

JOMO, K.S. (ed.) (1995), *Privatizing Malaysia: Rents, Rhetoric, Realities,* Westview Press, Boulder, Colorado.

JOMO, K.S. (ed.) (1998), *Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia*, Zed Books, London.

JOMO, K.S. (1999), “Globalization and Human Development in East Asia” in UNDP, *Globalization With A Human Face: Human Development Report 1999, Background Papers*, Vol. 2, Human Development Report Office, United Nations Development Programme, London, pp. 81-123.

JOMO, K.S. (ed.) (2001*a*), *Malaysian Eclipse: Economic Crisis and Recovery*, Zed Books, London.

JOMO, K.S. (ed.) (2001*b*), *Southeast Asia's Ersatz Industrialisation*, Houndmills, Palgrave.

JOMO, K.S. and Greg FELKER (1999), *Technology, Competitiveness and the State: Malaysia's Industrial Technology Policies*, Routledge, London.

JOMO, K.S. with H. OSMAN-RANI (1985), “Wage Trends in Peninsular Malaysian Manufacturing, 1963-73”, *Kajian Ekonomi Malaysia*, 21, 1 (June), pp. 18-38.

JOMO, K.S. and Ishak SHARI (1986), *Development Policies and Income Inequality in Peninsular Malaysia*, Institute for Advanced Studies, University of Malaya, Kuala Lumpur.

JOMO, K.S. and Shyamala NAGARAJ (eds.) (2001), *Globalisation versus Development: Heterodox Perspectives*, Houndmills, Palgrave.

Jomo, K.S. and Patricia TODD (1994), *Trade Unions and the State in Peninsular Malaysia*, Oxford University Press, Kuala Lumpur.

JOMO, K.S. with Chen Yun CHUNG, Brian C. FOLK, Irfan ul-HAQUE, Pasuk PHONGPAICHIT, Batara SIMATUPANG, Mayuri TATEISHI (1997), *Southeast Asia's Misunderstood Miracle: Industrial Policy and Economic Development in Thailand, Malaysia and Indonesia*, Westview Press, Boulder, Colorado.

KHAN, M. H. and K.S. JOMO (eds.) (2000), *Rents, Rent-Seeking and Economic Development: Theory and Asian Evidence*, Cambridge University Press, Cambridge.

KHARAS, Homi and Surjit BHALLA (1991), “Growth and Equity in Malaysia: Policies and Consequences”, Paper presented at the Eleventh Malaysian Economic Convention, “The Sixth Malaysia Plan: The Way Forward to a Developed Nation”, Kuala Lumpur, 24-26 September.

KUO, W. (1975), “Income Distribution by Size in Taiwan: Changes and Causes”, in H. OSHIMA and T. MIZOGUCHI (eds.), *Income Distribution, Employment and Economic Development in Southeast Asia*, Japan Economic Research Center and Manila: Council for Asian Manpower Studies, Tokyo, pp. 80-146.

KUZNETS, Simon (1955), “Economic Growth and Income Inequality”, *American Economic Review*, 45(1), pp. 1-28.

LEE, J.S. (1994), *The Role of the State in Economic Restructuring and Development: The Case of Taiwan*, Occasional Paper Series No. 9403, Chung-Hua Institute for Economic Research, Taipei.

LEIPZIGER, D.M., D. DOLLAR, A.F. SHORROCKS and S.Y. SONG (1992), *The Distribution of Income and Wealth in Korea*, Economic Development Institute (EDI) Development Studies, World Bank, Washington, D.C.

MALAYSIA (1993), *Mid-term Review of the Sixth Malaysia Plan, 1991-1995*, Government Printers, Kuala Lumpur.

MALAYSIA (1996), *Seventh Malaysia Plan, 1996-2000*, Government Printers, Kuala Lumpur.

MANNING, Chris (1998), *Indonesian Labor in Transition: An East Asian Success Story?*, Cambridge University Press, Cambridge.

MCGEE, T.G. (ed.) (1986), *Industrialization and Labour Force Processes: A Case Study of Peninsular Malaysia*, Australian National University, Canberra.

McLeod, Ross H. (1999), "Banking deregulation and re-regulation in Indonesia", *Journal of the Asia Pacific Economy*, 4(2), pp. 258-297.

Medhi, Krongkaew (1994), "Income Distribution in East Asian Developing Countries: An Update", *Asian Pacific Economic Literature*, 8(2), pp. 58-73.

Medhi, Krongkaew (ed.) (1995), *Thailand's Industrialization and Its Consequences*, Macmillan, London.

Medhi, Krongkaew. (1996), "Thailand: Poverty Adjustment Update", Processed, Economic Research and Training Centre, Faculty of Economics, Thammasat University, Bangkok.

Meerman, Jacob (1983), *Public Expenditure in Malaysia*, Oxford University Press, New York.

Mehmet, Ozay (1986), *Development in Malaysia*, Croom Helm, London.

Milanovic, Branko (1999), *True World Income Distribution, 1988 and 1993: First Calculation Based on Household Surveys Alone*, Policy Research Working Paper 2244, World Bank, Poverty and Human Resources, Development Economics Research Group, Washington, D.C.

Myers, Charles and Chalongphop Sussangkarn (1991), "Educational Options for the Future of Thailand: A Synthesis", TDRI Year-end Conference, Bangkok, December 14-15.

Narayanasamy, N. (1996), "Social Standards in the Marketplace", in R. Rasiah and V.N. Hofmann (eds.), *Social and Environmental Clauses and Free Trade*, Friedrich Ebert Stiftung, Bonn.

Nordstrom, Hakan (2000), "Trade, Income Disparity and Poverty: An Overview", Processed, World Trade Organization, Geneva, pp. 1-9.

Oey, Astra Meesook. (1979), *Income, Consumption, and Poverty in Thailand, 1962/63 to 1975/76*, Staff Working Papers No. 364, World Bank.

Onchan, T. (1995), "Economic Growth, Income Distribution and Poverty in Thailand", Paper presented at the Fifth Tun Abdul Razak Conference, April 21-13, Athens, Ohio, USA.

Pangestu, Mari (1996), *Economic Reform, Deregulation and Privatization: The Indonesian Experience*, Center for Strategic and International Studies, Jakarta.

Park, Donghyun (2000), "The Dichotomy between Northeast Asian Capitalism and Southeast Asian Capitalism", *Journal of the Asia Pacific Economy*, 5(3), pp. 234-54.

Pasuk, Phongpaichit and Chris Baker (1995), *Thailand: Economy and Politics*, Kuala Lumpur, Oxford University Press.

Pasuk, Phongpaichit and Chris Baker (1999), "The Political Economy of the Thai Crisis", *Journal of the Asia Pacific Economy*, 4(1), pp. 193-208.

Pasuk, Phongpaichit and Isra Sarntisart (2000), "Globalization and Inequality: The Case of Thailand", Processed, Faculty of Economics, Chulalongkorn University, Bangkok, 12 September. Processed, Center for Strategic and International Studies, Jakarta, August.

Radelet, Steve and Jeffrey Sachs (1998), "The Onset of the East Asian Financial Crisis", Processed, Harvard Institute for International Development.

Ramirez, Alejandro, Gustav Ranis and Frances Stewart (1997), "Economic Growth and Human Development", Economic Growth Center Discussion Paper No. 787, Yale University, New Haven.

Rao, J. Mohan (1998), "Openness, Poverty and Inequality", Paper prepared for the Human Development Report Office, United Nations Development Programme, New York.

Rao, V.V.B. (1993), "A Primer on Income Inequality", *Times Economic Link*, October-December, pp. 5-11.

Rasiah, R. (1994), "Capitalist Industrialization in ASEAN", *Journal of Contemporary Asia*, 24(3).

RASIAH, Rajah and H. OSMAN-RANI, (1995), "Enterprise Training and Productivity in Malaysian Manufacturing", Paper presented at the World Bank Conference on Enterprise Training and Productivity, June 12-13, Washington D.C.

RASIAH, Rajah, Ishak SHARI and K.S. JOMO (1996), "Globalisation and Liberalization in East and South East Asia: Implications for Growth, Inequality and Poverty", in UNCTAD, *Globalization and Liberalization: Effects of International Economic Relations on Poverty*, UNCTAD, New York and Geneva, pp. 181-200.

RODRIK, Dani (1994), "Getting Interventions Right: How South Korea and Taiwan Grew Rich", Working Paper No. 4964, National Bureau of Economic Research, Washington, D.C.

SAUWALAK, Kittiprapas (2000), "Social Responses to Economic Crisis: Some Evidence During 1997-99 of Thai Crisis", Paper for the TDRI Workshop on "Social Impact of Asian Economic Crisis", Thailand Development Research Institute (TDRI), Bangkok, May 26.

SUEHIRO, Akira (1989), *Capital Accumulation in Thailand*, Centre for East Asian Cultural Studies, Tokyo.

THEE, Kian Wie (1991), "The Surge of Asian NIC Investment into Indonesia", *Bulletin of Indonesian Economic Studies*, 27(3), pp. 58-62.

TJONDRONEGORO, Sediono M.P., Soejono IRLAN and Joan HARDJONO (1992), "Rural Poverty in Indonesia: Trends, Issues and Policies", *Asian Development Review*, 10(1), pp. 67-90.

UNDP (United Nations Development Programme) (1994), *Human Development Report 1994*, Oxford University Press, New York.

WEISBROT, Mark, Robert NAIMAN, and Joyce KIM (2000), "The Emperor Has No Growth: Declining Economic Growth Rates in the Era of Globalization", Processed, Center for Economic and Policy Research, Washington DC.

WINTERS, L. Alan (2000), "Trade and Poverty: Is There A Connection?", Processed, World Trade Organization, Geneva, pp. 43-69.

WORLD BANK (1993), *The East Asian Miracle*, New York, Oxford University Press for World Bank, Washington, DC.

WORLD BANK (1995), *World Development Report 1995*, Oxford University Press, New York.

WORLD BANK (1997), *World Development Report 1997*, Oxford University Press, New York.

WORLD BANK (1998), *World Development Report 1998*, Oxford University Press, New York.

WORLD BANK (2000), *Entering The 21st Century: World Development Report 1999/2000*, Oxford University Press, New York.

YOU, J.I. (1999), "Income Distribution and Growth in East Asia", *Journal of Development Studies*.

YU, T.S. (1994), "Does Taiwan's Industrialization Have Its Own Paradigm?", Occasional Paper Series No. 9404, Chung-Hua Institute for Economic Research, Taipei.