

Beyond Utopianism and Despair: Indigenous Models of Development?

LAM PENG ER

INTRODUCTION

In March 2006, the World Bank opened a meeting in London called *Asia 2015* to discuss the issue of persistent and endemic poverty in the globe's largest continent. An estimated two out of every three Asians are still living in poverty despite the revolution in science, technology, medicine, productivity and information, the new wave of democratization, and the economic rise of China and India. Notwithstanding the good intentions of many who attended that World Bank meeting, it appears that no new paradigms, approaches or solutions were offered beyond the "Western" ideological assumptions of "free market" and aid.

BETWEEN UTOPIA AND DESPAIR

On the issue of poverty it is easy for us to swing between utopianism and despair. A Utopian approach would be to exhort, by moral suasion, the rich First World to voluntarily reduce their material consumption and mend their wasteful ways. But that may be preaching to the deaf. Given the selfish nature of human beings and the very essence of democratic regimes to pander to these self-interested voters, it is difficult to be sanguine that consumers and producers in the First World would sacrifice their material self interest for the Third.

A corollary is: would the rich in the Third World sacrifice their material consumption for the poor in their own countries? If those on the affluent side of the class divide in the Third World are reluctant to significantly sacrifice their material consumption for the other side of the divide (despite similarities in ethnicity, culture, language and religion) within their own countries, why should we expect the First World to curtail their comfortable lifestyle for Asia? Asking young idealists and old liberals in the West to buy rock concert tickets or CDs for Band Aid to mitigate poverty in the Third World is one thing; asking them to lower their material consumption is another.

It is also sheer Utopianism if Asians think that "Asian values" such as Confucianism can be retrieved from a wonderful yet mythical past to underpin a developmental model for the 21st century. I am puzzled why Confucianism or other types of "Asian values" from the past are deemed desirable. Are they supposed to be antidotes to crass consumerism? But the small circle of leisured

and cultivated Confucian gentlemen of old maintained their lifestyle of contemplation, aesthetics, morality and high social mindedness based on extracting the “surplus value” of a huge illiterate peasant class. Indeed, neither did Confucianism nor Communism could solve the problem of social inequality, poverty, and peasant unrest in China in the past or even today. (An estimated 84,000 cases of peasant resistance and unrest against corrupt local officials were recorded in China in 2005).

A Despairing approach is a fatalistic one which accepts the social “reality” that the poor has always been with us in Asia and will surely remain so in the future. Another Despairing approach is for the socialistic-inclined romantics in Asia to ape after other developmental models in Europe such as the Scandinavian one and hope that the latter would be the panacea to social inequalities in their countries. Indeed, the Scandinavian model is not easily transferable to Asia. Indeed, to romanticize the Scandinavian model (a kinder and gentler form of welfare capitalism compared to the harshly competitive but highly productive capitalism of the US model) is like chasing after the wind.

For the Scandinavian model to work, Asian state and society must be prepared to accept astronomical levels of taxes for welfare redistribution, and enjoy similar levels of educational, technological, material, political and gender development of the Scandinavian countries. Alas, not many Northeast and Southeast Asian countries have bonanza similar to the North Sea oil of Norway, world-class companies like Nokia of Finland, or Ikea and Volvo of Sweden. Moreover, these Scandinavian countries within their own individual boundaries are relatively homogenous in terms of culture, language, race and religion, unlike many Asian societies. Can patriarchal Asia accept women (like Scandinavian female leaders) calling the shots beyond the home? Development in Asia is even more daunting and complicated than Scandinavia because, in addition to class divides, there are also the issues of ethnicity, religion, nation-building and national identity — formidable challenges to political and social stability of post-colonial countries.

INDIGENOUS MODELS OF DEVELOPMENT?

My main claim is that Asian countries have to find their own indigenous models of development. This include going beyond the “Washington Consensus” model of development, the Scandinavian mirage, or the Japanese model of state led-development which has already lost its luster in its country of origin. Rather than to retreat to some imagined past of Asian wealth, power, civilization or values (e.g. Middle Kingdom, Sri Vijaya, Majapahit, Malacca Sultanate, Ayuthia or Angkor etc), Asians can and should consider contemporary ideas about Third World development from the Third World of Latin America and Asia rather than the chimera from Scandinavia.

In my short paper, I will consider the controversial ideas of Hernando de Soto (the Peruvian economist who advocates a system whereby peasants can obtain credit by using their land as collateral), and Muhammad Yunus, the founder of Grameen Bank (which offers micro-banking to the poor in Bangladesh) as indigenous models for Third World countries in Asia. I will also make four other claims.

First, the ideas of De Soto and Muhammad Yunus cannot be imported lock, stock and barrel to other Third World countries in Asia. Interesting ideas from Latin America and South Asia must be adapted to the local conditions of East Asia.

Second, Malaysia and Indonesia have the opportunity to offer themselves as models of development for the Third World beyond Southeast Asia if they can reconcile the following: economic development, democratization and multiculturalism. I discount Singapore as a suitable model for the Third World because it is a unique and tiny city-state, port and emporium whose trade value is a few times larger than its GDP; it lacks a rural hinterland like most agrarian societies. Moreover, it is presently less pluralistic and participatory than the political systems of Malaysia and Indonesia.

Besides the issue of class, many African countries face the fault lines of tribalism and religion, while certain South Asian countries are also confronted by the problems of caste, ethnic and religious conflict. In this regard, Malaysia has a developmental role more important than itself: the potential of being a Third World model which can accommodate the desirability of economic development, democratization and multi-culturalism. Indeed, few countries in the world are at the confluence of great civilizations like Malaysia: Islam, Indian, Chinese and the West (a result of British colonialism and being plugged into the international political economy). If Malaysia can reconcile and balance the challenges of poverty, ethnic and religious diversity, and economic progress, then it can look to its own indigenous experiences rather than to "Look East" (to Japan) or "Look North" (to Sweden, Norway and Finland) for developmental models. To not only be able to surmount and transform Huntington's nightmare of a clash of civilizations but to offer a Third World model of economic progress coupled with an embrace of cultural and political diversity is a historical contribution which Malaysia can make to humanity and world civilization. But are there Malaysian leaders and thinkers who are prepared to make this clarion call to their citizens to pursue this honorable role in the international system for their own enlightened self-interest?

Third, I do not consider Bhutan's astonishing model of Gross National Happiness rather than the measurement of GNP to be relevant to the Third World (even though it is indigenous and repudiates crass material consumption) not because it is bad (it is actually original, good and charming) but because most Third World countries lack the unique conditions of Bhutan - isolated from the seduction and contamination of capitalism and tourism, the presence of an

enlightened, respected and beloved king, and non-encroachment by the great powers. It is also idiosyncratic. For example, smoking among Bhutanese is banned for health reasons as a public policy. (Concessions however are kindly given to foreigners who do smoke).

Fourth, the formal forms of democracy in the Third World may not bring about economic development at all. Although Nobel Laureate Amartya Sen observes that mass starvation is avoided in democracies, the track record for democracies and the alleviation of poverty in East and South Asia is often dismal. My impression is that the Philippines, Pakistan, Bangladesh and Sri Lanka are only superficially democratic. These are actually “feudal democracies” which are based on patron-client networks, vote buying, primordial sentiments and personality cults rather than policy based systems. The election of women as Presidents and Prime Ministers in these countries are less an indication of an enlightened attitude towards gender equality but a feudal orientation to the magical name and patronage of political dynasties.

Before I discuss de Soto, and the Grameen Bank, it is necessary to make the caveat that not all indigenous models of development are necessary good, desirable and charming like Bhutan’s. The most shocking, vicious and murderous approach is the autarchic one adopted by the Khmer Rouge who committed genocide against a third of its own population to create a clean slate and an ideal peasant community uncontaminated by bourgeois values. Stalin and Mao also launched their brutal models of “development” and collectivization which have led to the deaths of millions.

Another model of development (more accurately anti-development) which is indigenous is the one launched by the Iranian revolution. The primary value is to create a theocratic state and society which is inherently hostile to crass materialism, consumption and profits. Indeed, Ayatollah Khomeini said that he did not launch the Iranian revolution to “discuss the price of melons”. But the regime can be sustained not only because of Shiite ideology and clergy but also because of substantial oil exports to pay for the system and the real threat posed by the US superpower (which only succeeds to rally the Iranian masses behind the state). Given the present regime’s refusal to yield to US and other Western pressure to abandon its uranium enrichment program (which Washington claims to be convertible to making nuclear weapons), the Iranian model is likely to come under tremendous international pressure and likely to develop a siege mentality for regime survival.

HERNANDO DE SOTO: PEASANTS, LAND AND CREDIT FOR ENTREPRENEURSHIP

De Soto was then Peruvian President Alberto Fujimoro’s personal representative and principal advisor until his resignation in 1992. According to the Wikipedia

encyclopedia, between 1988 and 1995, de Soto and the Institute of Liberty and Democracy (ILD) initiated many laws and regulations to develop the Peruvian economy which included land reforms and the granting of titles to more than 1.2 million families and to legitimize some 380,000 firms which previously operated in the black market.

I quote at length the entry in the Wikipedia encyclopedia on de Soto: “The main tenet of de Soto books is that people in developing countries lack an integrated formal property system, leading to only informal ownership of land and goods. ... De Soto analyzed the social connections necessary to create money and capital. ... De Soto says that modern developmental theory’s failure to realize this process of creating an integrated system of property rights as the downfall of their ability to create viable theories and policies. The lack of an integrated system of property right makes it impossible for the poor to leverage their informal ownerships into capital (as collateral for credit), which de Soto claims would form the basis for entrepreneurship. Hence farmers in much of the developing world remain trapped in subsistence agriculture”.

The fabulously rich are often highly leveraged but have access to credit and banking overdrafts. However farmers with informal land rights, as de Soto has pointed out, often lack credit to improve and expand their operations. At the mercy of natural disasters (floods, droughts and locusts), rent-seeking state and loan sharks, a farmer’s existence can be precarious indeed.

I wonder whether de Soto’s ideas may have some relevance in Asia including Malaysia and Indonesia. In regions such as the state of Kelantan or an autonomous region like Aceh, perhaps ideas concerning micro-credit to the farmer can be adjusted to Islamic banking principles. Can national and state governments or even NGOs perform the role of guarantors to peasants taking loans from financial institutions to improve their land and crops, and ensure that these institutions do not charge usury at extortion rates?

While the attractiveness of de Soto’s ideas is the translation of informal landownership into capital and credit that at best is necessary but not sufficient for development in the Third World. My impression is that compulsory mass education beyond the primary school for children especially females is probably the best investment a government can make for the development of a country.

MUHAMMAD YUNUS AND THE GRAMEEN BANK

While de Soto views land as a collateral for credit, the Grammen Bank (GB) has turned conventional banking on its head by removing the need for collateral. (Perhaps a valid criticism of de Soto is: how can we help the poor who do not even have informal rights to land?). The Grameen Bank offers an answer. Founded by Professor Muhammad Yunus, it is driven, according to the GB’s website, by the philosophy that “if financial resources can be made available to

the poor people on terms and conditions that are appropriate and reasonable, these millions of small people with their millions of small pursuits can add up to create the biggest development wonder”.

According to the same source, “as of July 2004, it has 3.7 million borrowers, 96 percent of whom are women. With 1,267 branches, GB provides services in 46,000 villages, covering more than 68 percent of the total villages in Bangladesh”. Apparently, the rate of default on loans is very low.

A cynic can say that despite the Grameen Bank, Bangladesh remains one of the poorest and most corrupt countries in Asia. That may be so but the absence of the GB in Bangladesh would definitely made life for a few more million people especially women extremely tenuous and miserable. Can Malaysia and Indonesia consider the GB and see how they can adapt it to assist the landless poor in these countries? Can loans be made without collaterals to lift the peasants out of poverty and enable them to engage in self-help by running small businesses without resorting to loan sharking? Are peasants in Southeast Asia honorable enough to pay back their loans like Bangladeshi women?

CONCLUSION

The theoretical roads to development may be paved by good intentions but are often littered by broken bodies and spirits when (mis)applied to the real world. Marxism, an idealistic developmental theory which is also based on the secular values of production and consumption, and the taming of nature, has led to grotesque results: state planning and initially rapid economic development through the injection of industrial inputs but its totalitarian controls and despotic power crushed the human spirit. At the other extreme is the Anglo-Saxon “free market” which privileges the “equality” of opportunity than the equality of results. In truth, there is no level playing economic field. Undeniably the US system of capitalism has permitted creativity and high productivity, but it has also left behind the weaker elements of society. Unmitigated economic competition can lead to a Hobbesian world where life is nasty, brutish and short for those who lacks the means to compete.

Earlier, we have also discussed the seemingly attraction of the Scandinavian model but concluded that it is difficult to apply it to Asia which lacks the conducive political consensus, economic wealth and relatively ethnic and cultural homogeneity of these societies. Rather than to be enamored by the Western models of development (Marxist, Anglo-Saxon and Scandinavian), I proposed that Asian countries can examine indigenous models from the Third World. Two models were offered for consideration: de Soto’s idea of offering informal land holdings as collateral for credit to the peasants to engage in entrepreneurship, and the Grameen Bank’s approach of removing the need for collateral to the poorest of the poor. I then asked: can Asian countries including Malaysia and

Indonesia consider these ideas and adapt them to their local conditions and social realities? And if the Peruvian and the Bangladeshi models mentioned are not suitable for Malaysia and Indonesia to deal with poverty, what other indigenous models can we study? Or are we back at square one and am forced to embrace the “trickle down” model of mainstream Western developmental theory?

I end by reiterating my earlier observation that Malaysia and Indonesia have the opportunity to offer a model of develop which reconciles economic growth, democratization and multiculturalism for other Third World countries to emulate. Indeed, despite the various problems and challenges faced by these two Southeast Asian countries, they appear to be better off than Peru and Bangladesh. Nevertheless, thinkers and practitioners from Peru and Bangladesh have offered novel ideas and practices to address and mitigate the problems of poverty and a lack of development. What about thinkers and practitioners from Malaysia and Indonesia? Can they help to build a better and fairer world for themselves and the rest of the Third World?

LAM Peng Er, PhD
Senior Fellow
East Asian Institute
National University of Singapore

