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Whither the Patrimonial State in the Age of Globalization?

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ABSTRACT. Despite Max Weber's prediction that rational-legal bureaucracies would replace patrimonialism, we have instead seen the perpetuation of neopatrimonial systems in many developing states. For the postcolonial states that are struggling with the dual challenges of promoting economic growth and establishing stable democratic polities, the perpetuation of patrimonialism adds to their challenges. This paper has explored whether globalization could enable patrimonial states like the Philippines and Indonesia to overcome these patrimonial barriers. Unfortunately, despite the changes represented by globalization, it appears to be "business as usual" with the patrimonial officials using the state apparatus to promote their own interests and those of their cronies. Similarly, globalization seems to be promoting capitalism more than democracy, and is not strengthening the institutions essential for democratic consolidation.

KEYWORDS. globalization · patrimonial state · Philippines · Indonesia · Max Weber

Introduction

For some, globalization entails a rising tide that lifts all boats and the spread of democratic ideals and human rights around the globe. For others, the term conjures up dark images of an ever-widening gap between global "haves" and "have-nots." Which image is correct? Or are they both right in their own ways?

Today, many postcolonial states are highly patrimonial. According to Max Weber, a patrimonial state is one where "practically everything depends explicitly upon personal considerations: Upon the attitude towards the concrete applicant and his concrete request and upon purely personal connections, favors, promises, and privileges" (Weber 1968, 1041). The following represent some of the essential features of a patrimonial state: The exchange of resources from political officials to their associates (i.e., cronies); policies tend to be particularistic rather than universalistic in nature; the rule of law is secondary to the "rule of man;" and political officials tend to blur the boundaries between the public and private realms.

Weber had predicted that patrimonialism would disappear in the advent of rational-legal bureaucracies. However, this has not been the case. The perpetuation of patrimonialism has serious ramifications for both democratization and economic development in these states. Basically, patrimonialism can be seen as a barrier to both democratization and development. After an initial discussion of why patrimonialism poses a barrier to democratization and development, this article will then compare the Philippine and Indonesian experiences with economic development and democratization to see whether globalization could help to overcome these patrimonial barriers to development and democracy.[1]

Patrimonial Developmental States?

Despite the neoliberal prescription for a reduction in state involvement in the economy, the success of the High Performing Asian Economies (HPAEs) is indicative of the significant role that the state can, and must, play in promoting economic development. However, it is questionable whether all states, particularly patrimonial ones, could play this role. Vision, embedded autonomy, and efficient bureaucracies were three essential ingredients for promoting development in the East Asian developmental states. Unfortunately, patrimonialism impinges on each of them.

Vision is important because the developmental process forces the state to adapt to constant changes in the domestic and global political economies. Vision is problematic for the patrimonial state. On the one hand, the vision of the patrimonial officials is usually clouded by the demands of their cronies, who view the state as their private piggybank to be plundered at will. Furthermore, to truly develop and implement a vision would necessitate subordinating all other considerations to the goal of national development. Patrimonial officials have a hard time doing that, particularly when the goals of economic growth conflict with the particularistic concerns of their relatives and associates. For example, Suharto was unwilling to support the technocrats' reforms in the wake of the Asian financial crisis because those reforms threatened the fortunes of his family members (Emmerson 1999).

On the other hand, the history of the Suharto regime shows that patrimonial officials *can* develop a vision for their nation's development.

The Indonesian government's long-term plan, the *Garis-garis Besar Haluan Negara* (Broad Guidelines of State Policy), as well as the *Rencana Pembangunan Lima Tahun* (Five-Year Development Plan) or *Repelita*, were attempts to promote economic development and to adapt to changes in the domestic and global political economies. Such a vision has been sorely lacking in the Philippines. Why was the Suharto regime more successful at developing a vision than any of its Philippine counterparts? Suharto was concerned about his regime's legitimacy, and he saw economic development as a way to foster that legitimacy (Emmerson 1999). Typically, patrimonial officials view their legitimacy as being derived solely from how well they play their role of "super patron." In other words, legitimacy is seen as being derived from how well they promote particularistic interests, rather than from how well they promote the nation's interests. As a result, the Filipino leaders were less troubled by concerns for their regime's legitimacy.

Vision alone is not enough to promote development, as the vision has to permeate the policy-making process, and transcend all other considerations. For that to happen, the policymakers must have a considerable degree of autonomy from powerful vested interests in society. In the patrimonial state, where the line between the public and private realms is blurred, where particularistic concerns and considerations take precedence over all others, and where the cronies have penetrated the state, state autonomy remains scarce.

Yet, in times of crisis, Suharto was willing to insulate the technocrats from the demands of his cronies. Crisis, combined with a leader who had the requisite political will due to his concerns for his regime's legitimacy, helped to insulate the Indonesian technocrats from outside pressures. This insulation was not impenetrable, and regularly collapsed during the boom years, but at least it contributed to development planning (Emmerson 1999). Like Indonesia, the Philippines has had more than its share of economic crises, and has suffered from the same boom and bust economy. However, the Philippine leaders have never been able to use these crises in order to engender a degree of state autonomy.

Even in times of crisis, the patrimonial officials' support for the technocrats is still contingent on their concern for their associates' economic wellbeing. So even if a patrimonial state like Indonesia is able to engender a degree of autonomy, it is not the "embedded autonomy" that Evans (1992) writes of. Patrimonial states are embedded in society, but the problem is that they are embedded in a series of clientelistic relationships tying the patrimonial officials with their cronies. Patrimonial states like the Philippines and Indonesia have a difficult time breaking free from the predatory attacks of the cronies, thereby truly insulating the policy-making process.

Even if the policy-making process does enjoy a degree of insulation, implementation of the developmental program is still problematic. This is because the development plan has to be implemented by the bureaucracy. One of the legacies of colonialism was weak political institutions, particularly bureaucracies. These already weak institutions have been weakened even further by patrimonialism. Due to its emphasis upon personal connections and considerations, patrimonialism prevents institutions like the bureaucracy from operating efficiently. Even if the technocrats are given a degree of autonomy and leeway, the absence of an efficient bureaucracy can still stymie the developmental process. The Indonesian state is relatively more efficient than its Philippine counterpart, but its bureaucracy is still plagued by many of the same problems and inefficiencies as the Philippines.

In times of crisis, patrimonial officials with a degree of political will can overcome some of the barriers to development posed by patrimonialism. However, their record is still mixed. Indonesia had greater success than the Philippines at attempting to create a developmental state, but it still fell short compared to the HPAEs. The problem is that while patrimonial states are hard-pressed to assume the active interventionist role of the developmental state, they also have a difficult time playing the less interventionist role prescribed by neoliberalism—creator of an environment conducive to capitalism.

"Boom-bust" economies are characteristic of patrimonial states. During the boom years, the patrimonial officials dispense their largesse with little thought on issues such as performance, efficiency, or productivity. Furthermore, patrimonialism promotes rent-seeking and other nonproductive activities. The patrimonial state fails to lay the groundwork for future development; thus, when the inevitable bust comes, the economy collapses like a house of cards.

The promotion of entrepreneurship is also problematic for the patrimonial state. Whether it is Evans' midwifery or husbandry roles, patrimonial states usually end up promoting a class of cronies, rather than entrepreneurs (Evans 1995). Programs designed to foster entrepreneurship wind up benefiting the patrimonial officials' "clients," rather than potential entrepreneurs. Thus, Suharto created a new economic elite, but outside of the Indonesian Chinese; it predominantly consisted of his relatives and friends (Shin 1989).

Institutions pose the biggest challenge for patrimonial states trying to create an environment conducive to entrepreneurship. In such an environment, institutions are essential to provide the predictability and certainty required for capitalist development. Rule of law, transparency, and good governance all promote entrepreneurship, but the patrimonial state has a difficult time delivering any of them. Without them, entrepreneurs are loath to invest in new industries or any nonspeculative activities that involve risk. According to Romulo Neri, then Director of the Philippine House of Representatives' Planning and Budget Office, the Philippines "must take the effort of strengthening our social and political institutions and make our rules more predictable and credible to make our country a desirable production and service base for global enterprises that will create high value jobs for our people" (quoted in *Philippine Daily Inquirer,* August 6, 1999). Due to the deinstitutionalized nature of patrimonial systems, the state is unable to promote entrepreneurship, or, for that matter, democracy.

Democratization and the Patrimonial State

Democratic consolidation entails institutionalization—the institutionalization of certainty or predictability in the democratic institutions and of uncertainty in the electoral arena. Therefore, the challenge that patrimonialism poses for democracy lies in its deinstitutionalized nature. In patrimonial systems, institutions are relegated to a secondary—at best—role. Personal connections and considerations are hegemonic, and thereby eclipse the political institutions.

In the patrimonial state, personal considerations and connections penetrate all political institutions. For example, the political parties in patrimonial systems represent little more than the electoral vehicles of their leaders and are actually just a series of clientelistic relationships tying the political patrons with their mass clients. As long as these political patrons deliver the goods, considerations of political ideology or policy are relegated to the back burner. As a result, the party's legitimacy is derived solely from its ability to meet its clients' particularistic needs, and these clients regularly shift their political allegiances when a "better" provider comes along. In short, Mainwaring's (1997) characteristics of an institutionalized party system (stability, ideological consistency, legitimacy, and significance) are all compromised in the patrimonial state.

Personal connections and considerations penetrate the legislatures of patrimonial states as well. Legislation tends to deal predominantly with particularistic issues, rather than issues of national significance. Furthermore, with the entire system revolving around the distribution of the pork barrel, the executive's power is enhanced at the expense of the legislature's. The legislators are well aware that their political survival is contingent upon their continued access to the pork barrel, and that the executive determines who has access to the pork barrel. The legislators are not inclined to challenge the executive nor give up their role of check on the executive's power. Finally, since the political survival of its members is solely dependent upon their ability to continue to "deliver the goods," the legislature as a political institution is not being held accountable, thereby thwarting political institutionalization even further.

Particularistic considerations also penetrate the judicial systems in patrimonial states. The scales of justice tip heavily in favor of those with the requisite connections and wealth. The rule of law ends up perverted and corrupted by the personal connections to which it is supposed to turn a blind eye. As with the legislature, the judicial branch in the patrimonial state abdicates its role of check on the power of the executive branch, and lacks institutional accountability.

Patrimonialism thwarts political institutionalization in several ways. First, the emphasis upon personal connections and considerations bypasses the political institutions, therefore diminishing their political significance. Second, the political institutions cannot serve as a check on the patrimonial officials because their power and influence is wholly contingent on their continued access to the halls of power. Third, since the political officials and institutions are judged solely on their ability to deliver the goods, there is no institutional accountability. Finally, since personal considerations pervert the decision-making process, the political institutions' actions are frequently unpredictable. In short, it is extremely difficult to institutionalize certainty in patrimonial states.

The institutionalization of electoral uncertainty in the patrimonial state is equally problematic. In many patrimonial states, such as the Philippines, the same political clans or dynasties largely dominate electoral politics. Thus, while the faces showing up in the winners' circle may change, the names stay largely the same. Some of the political clans have faded away, while others have risen up in recent years. However, for the most part, Philippine electoral politics continues to be dominated by the same elite families that have been predominant since the introduction of electoral competition by the American colonialists. This is especially true at the local level. On the other hand, at the national level, stars from the media or professional sports have joined the political elite. However, there is still little uncertainty, as the popular actors or basketball stars can be fairly certain of electoral victory, just like their elite cohorts.

In patrimonial states, there is too much certainty when democracy requires uncertainty, and too much certainty when uncertainty is called for. Just as the deinstitutionalized nature of the patrimonial state proves a threat to its efforts to promote economic development, so too does it pose a barrier to democratic consolidation.

Patrimonial States in the Age of Globalization

When the HPAEs were building their economic "miracles," the global environment was very different than today. Aided by Cold War concerns and conflicts, these economies developed in an atmosphere that was highly conducive to their growth. Today, the Era of Globalization has replaced the Cold War Era. Could globalization help overcome the patrimonial barriers to economic development and democratization discussed earlier, or will it only serve to reinforce those existing barriers?

On the one hand, globalization has serious implications for the state, both patrimonial and nonpatrimonial alike. For better or worse, it has carried the neoliberal prescription for smaller, less interventionist states around the world. Globalization is seen as contributing to the state's declining significance or centrality. In the wake of globalization, the state's ability to control the economy declines. Increasingly, the nation's economic policies are developed externally, and the state loses its ability to control the flow of currency, investments, or people through its borders. In addition, for the debtor nations, their economic policies are largely imposed by the International Monetary Fund (IMF), leaving them little discretion in this area. This has been referred to as the "hollowing out" of the state, and represents the marginalization of the state in economic decision making (Im 1996).

The hollowing out of the state represents its loss of sovereignty and centrality, as well as autonomy. With this loss of autonomy, the state could conceivably be forced to implement economic reforms that it had previously resisted. According to Juwono Sudarsono, an Indonesian military analyst, globalization means that "the global market will force upon us business practices and disciplines that we cannot generate internally" (Friedman 2000). In the wake of the Asian financial crisis, the need for economic reform in Indonesia became increasingly evident, particularly in the banking system. As a result, bank restructuring has become a major issue in Indonesia. In January 1998, the Indonesian government established the Indonesian Bank Restructuring Agency (IBRA) to address the crisis.

Similarly, globalization has made it increasingly clear that the Philippines must implement major economic reforms if it is going to compete in the global market. A closer examination of the recent Indonesian and Philippine experiences with economic reform will reveal whether globalization has made economic reform unavoidable and irreversible, or whether patrimonial states can still resist these pressures for change. If globalization represents a meaningful change for patrimonial states, then we would expect to find the patrimonial officials unable to protect their cronies from the onslaught of economic reform. On the other hand, if we see the patrimonial officials backsliding on their earlier promises of reform and continuing to promote the interests of their friends and relatives, then it is safe to say that globalization represents "business as usual" for the patrimonial state.

IBRA's experiences are indicative of the challenges to economic reform in Indonesia. IBRA took over fifty-four banks for restructuring and consolidating. Included among these banks were some of the largest private banks in Indonesia, such as Bank Danamon and Bank BDNI. Despite the dire straits in which IBRA found these banks, it failed to suspend them from trading right away. This hesitation was in marked contrast with Thailand, where the Bank of Thailand immediately suspended trading by the banks of which it assumed control (*Far Eastern Economic Review,* April 9, 1998).

IBRA's hesitation in addressing the crisis was due to the marked resistance that it faced—from the powerful bankers themselves, government officials, and political leaders. IBRA delayed throwing the book at many of the bank directors, despite their blatant violations of standard banking practices. For example, a major problem was that many of the bank directors had approved loans to affiliated business enterprises that exceeded the stipulated limits. However, IBRA was slow in going after these violations. Thus, IBRA continued to negotiate with Mohamad "Bob" Hasan even after his Bank Umum Nasional missed its deadline for meeting its debt payment obligations (*Far Eastern Economic Review,* October 8, 1998). The fact that Hasan was a close associate and golf partner of former President Suharto undoubtedly helped his case.

The businessmen have been able to slow IBRA's efforts through noncompliance. In order to finance the recapitalization of the restructured banks, IBRA plans to sell the assets of the banks it seized. However, many of the owners of these banks have refused to turn over their assets, thereby successfully paralyzing IBRA. By August 1999, IBRA had only managed to sell some cars, paintings, and furniture—hardly the "big ticket" sales that it needs in order to fund its operations (*Far Eastern Economic Review,* April 22, 1999 and August 19, 1999).

IBRA has been forced to play hard ball with the powerful Indonesian businessmen. When IBRA settled IDR 48 trillion (USD 4.4 billion) of the Salim Group's debt, many criticized the agreement as a "sweetheart deal" for Salim. Although the Government received shares in 104 of the Salim Group's companies, it actually only received a small proportion of the shares in the Group's major holdings. In addition, the Salim Group's managers will continue to run all of the companies, and its chief executive, Anthony Salim, has maintained his position (*Far Eastern Economic Review*, October 8, 1998).

The political leadership has found IBRA's activities threatening. When IBRA proposed closing 46 banks, former President Habibie tried to reduce the number to 15. Then, when the government was scheduled to announce the closing of 38 banks and the rescuing of many others through a capital infusion, Habibie postponed the announcement by two weeks. Habibie's delay was seen as evidence that politically connected businessmen could still pull the necessary strings to protect their interests. After the IMF threatened to withhold USD 2 billion in aid unless more banks were closed, the Habibie Administration was forced to concede on the issue. However, seven of the banks that IBRA wanted to close were nationalized instead, raising the possibility that their former owners could ultimately resume control of them (*Far Eastern Economic Review*, March 25, 1999).

The decisions to postpone announcing the bank closures, and to nationalize rather than close the seven banks, are indicative of the major challenges facing IBRA's efforts at bank restructuring. First, as was discussed previously, IBRA faces resistance from the business and political officials. Second, connections have permeated the decision-making process and perverted its functioning. For example, one of the seven banks that was saved from closure was owned by Aburizal Bakrie, the head of the Indonesian Chamber of Commerce, a member of

Habibie's board of economic advisors, and a close associate of one of Habibie's top economic ministers. His bank was saved despite the critics' charges that 99 percent of the loans from his Bank Nusa Nasional were nonperforming and that the government had already given it emergency loans totaling IDR 3.7 trillion. In addition, 29 percent of the bank's loans had gone to Bakrie-affiliated companies, which exceeded the legal limit on loans to a single borrower (*Far Eastern Economic Review*, August 19, 1999).

The penetration of personal connections and considerations into IBRA's decision-making process is indicative of a third challenge IBRA faces—its lack of political independence. To strengthen IBRA, its critics said the agency had to be given more authority to negotiate bank foreclosures and the power to prosecute bank owners who were resisting paying their debts. According to the Indonesian economist Kwik Kian Gee, "IBRA needs to be its own master" (*Far Eastern Economic Review,* November 18, 1999).

Fourth, IBRA's efforts have been hampered by the lack of political will on the part of its masters, Indonesia's leaders. Political support for IBRA has not been forthcoming, as the leadership has tried to avoid making the difficult decisions that would jeopardize their support among powerful vested interests. Thus, another challenge that faces IBRA is the politicization of its decision-making process. IBRA has become a tool that the leaders can use to achieve their political objectives. The "Baligate scandal" perfectly illustrates this problem.

"Baligate" involved the payment of IDR 546 billion (roughly USD 70 million) by the nationalized Bank Bali to PT Era Giat Prima, a finance company owned by Setya Novanto, who was the Deputy Treasurer of the Golkar Party during the Habibie regime. Since Bank Bali had been nationalized, it was under the control of IBRA and Bank Indonesia. Novanto's company was paid for its assistance in recovering loans totaling IDR 904 billion that Bank Bali had made to three other banks, which had subsequently been taken over by IBRA. Technically, since these banks had all been taken over by IBRA there was no need for Bank Bali to use an intermediary, as their obligations were all supposed to be guaranteed (*New York Times*, September 16, 1999).

Critics have alleged that part of the money that Bank Bali had paid was siphoned off to Golkar's campaign coffers. Since it was responsible for Bank Bali, IBRA has lost some of its credibility in the wake of the scandal. An inquiry into the scandal by auditors from Pricewaterhouse Coopers concluded there were "numerous indicators of fraud, noncompliance, irregularity, misappropriation, undue preferential treatment, concealment, bribery, and corruption" (*New York Times*, September 16, 1999).

The concerns raised by the auditors echo those made by Indonesian observers over the years. In other words, there has not been a dramatic change in the modus operandi of the Indonesian political economy. According to Rizal Ramli, an Indonesian economist, "With the fall of Suharto, you might have expected that Suharto-isms would be reduced. But it hasn't worked out that way. The game is the same; only the players have changed" (*International Herald Tribune*, March 5, 1999).

Has the Philippine "game" changed? Despite the Philippine government's stated commitment to reform, there has been a considerable degree of backsliding and attempts at noncompliance, as the political officials have attempted to slow liberalization and protect powerful industries and associates. Raul Concepcion, the chair of the Federation of Philippine Industries and twin brother of a former secretary of the Department of Trade and Industry, has been one of the most vocal critics of trade liberalization and globalization in the country. According to Concepcion, "the die is cast (globalization is here.) And (the failed talks in Seattle) is just extending the agony" (*Asia Pulse*, December 6, 1999).

Not all Philippine industries share Concepcion's sense of dread when it comes to globalization. For those industries, whether agricultural or industrial, who fear globalization and trade liberalization, there are strong allies in the Philippine halls of power. Among recent Philippine presidents, reform was a greater priority for the Ramos administration than any of the others. Yet, like his predecessors and successors, Ramos was not averse to using the state apparatus to promote the interests of his friends and relatives. Less than twenty-four hours after his inaugural address, in which he delivered a powerful attack on the rent seeking and traditional modus operandi of the Philippine economy, he signed his first executive order (EO), granting the cement manufacturers the right to import cement duty-free for the next three years. The fact that this EO was drafted by his Finance Secretary, Ramon del Rosario, whose family's corporation was a leading cement manufacturer, did not go unnoticed (McCoy 1994, 19).

It was during the Estrada administration that one finds the most blatant efforts to rollback liberalization. In January 1999, Estrada issued EO 63, which readjusted the tariff rates on a number of industries. The government was responding to the pleas emanating from the industrial sector for a slowing down of globalization. EO 63 raised the tariff rates on yarns, threads, fabrics, garments, pocket lighters, polyamide, and kraft liners. At the same time, it lowered tariffs on such items as iron and steel slabs, battery separators, and crystal tissues (*BusinessWorld*, February 16, 1999).

In deciding which tariff rates to raise and which to lower, the government claimed that its only criteria was growth potential and the capacity to improve during the tariff relief period. However, critics charged that the favored industries were all backed by close associates of the president. As a result, a World Trade Organization (WTO) mission came to the Philippines to review compliance with WTO rules. The mission "echoed perceptions that the Philippines may be backtracking on its trade reform. Deeper considerations have also been raised regarding transparency and the apparent political nature of the decision" (*BusinessWorld*, March 9, 1999).

Similar concerns surrounded the Estrada administration's issuance of Administrative Order (AO) 58 in March 1999. AO 58 placed the importation of petrochemical products at the discretion of the petrochemical producers and users. The petrochemical industry sought higher import duties for polypropylene and polyethylene, two essential inputs in the production process. Earlier they had sought higher tariffs for petrochemical products, but when that move was defeated, they pushed for higher import duties. To do so, they went directly to the president. However, when AO 58 evoked an outburst of criticism, Estrada backed down and amended his initial order.

Estrada's use of administrative and executive orders to protect favored industries generated considerable criticism. However, Philippine industries have been able to call upon their friends in Congress in order to slow trade liberalization. In 2000, Congress approved the Retail Trade Liberalization Act. The law's passage is indicative of progress in promoting trade liberalization. After years of being denied access to the Philippine retail sector, foreign retailers were finally going to be allowed inside.

On the other hand, the approved law does not represent a complete victory for liberalization. The members of Congress inserted a number of provisions into the bill to protect local retailers. According to Peter Wallace, the president of the Economist Intelligence Unit, "This law in its present form is a farce, it is unacceptable. It was fine when it was in the Lower House, but provisions were added in the bicameral committee" (*Asia Pulse*, May 1, 2000).

Philippine congressmen inserted a number of provisions that watered down the law. For example, an initial investment of PHP 300 million (USD 7.5 million) in paidup capital is required before a foreign investor can own 100 percent of a local retailer. After two years, the initial investment required would drop to USD 2.5 million. Limitations were also placed upon the number of retail stores a foreign investor could set up, such that an investor of USD 2.5 million would be limited to three stores in his or her first year of operation. Foreigners are also barred from purchasing existing retailers whose net worth is greater than USD 2.5 million in the first two years after the bill goes into effect. Additionally, the foreign investors would have to sell 30 percent of their equity after several years. Finally, the bill stipulated that the foreign-owned retail stores had to sell local products worth up to 30 percent of their total inventory (*Asia Pulse*, May 1, 2000).

The Retail Trade Liberalization Act opened the door to foreign retailers, but not completely. The Philippine retailers who opposed liberalization were able to use their influence in Congress to weaken the proposed legislation. Yet, as Alexander Magno of the Philippine Federation for Economic Freedom points out, "It must be noted that the most undesirable restrictions, such as the local inventory requirement, are time bound. This means that the law actually becomes more liberal over time" (*The Nikkei Weekly*, May 18, 2000).

The Philippines and Indonesia are clearly changing due to globalization, but the economic elites in both countries can still influence those changes and control their pace. Globalization has forced economic reform onto the agenda of patrimonial states, but it has not turned these states into developmental states for several reasons. First, the vision of the patrimonial states is still "clouded" by the particularistic concerns and considerations of the cronies. Second, globalization has actually weakened the autonomy of patrimonial states, which were already weak to begin with. In other words, it certainly has not facilitated the rise of "embedded autonomy" in patrimonial states like the Philippines or Indonesia. Finally, by "hollowing out" the state, globalization has contributed to a weakening of the already weakened patrimonial state. Vision, embedded autonomy, and state capacity remain in short supply in the era of globalization.

On the other hand, has globalization enabled the patrimonial state to create an environment conducive to capitalist development? The IMF and the World Bank have put pressure on the Philippines and Indonesia to promote greater transparency in their economies, and the rule of law. The World Bank helped the Indonesian government draft a new bankruptcy law and create a new bankruptcy court. However, this court has not worked as the Bank intended. Along with the Supreme Court, it has consistently ruled in favor of insolvent businesses. The government has lost several cases against businessmen whom it charged with corruption or refusal to pay their debts (*Far Eastern Economic Review*, March 4, 1999).

Despite the efforts of the World Bank and the IMF, the rule of law remains an unrealized ideal for Indonesia. According to Laksamana Sukardi, "The first step is to make the legal system independent. Nobody wants their cases taken to court because they know the judges are dishonest and can be bought" (Friedman 2000). Besides transparency and the rule of law, the global community is also stressing good governance as an essential prerequisite for development. Yet, despite all of the calls for greater governance, it remains an unrealized ideal for many countries, including the Philippines and Indonesia. Neither government has been able to provide the sort of environment that is conducive to development. According to Guillermo Luz, the executive director of the Philippines' Makati Business Club, "The problem right now isn't economic policy but governance" (*Far Eastern Economic Review*, March 23, 2000). Similarly, Ernesto Pernia of the Asian Development Bank says, "Businessmen are businessmen. They move in the basis of certainty. I would not blame them. I would put the blame squarely on the government because it has to provide the environment conducive to business" (*Philippine Daily Inquirer*, February 21, 2000).

Historically, Indonesia has enjoyed better governance than the Philippines, especially during times of crisis. However, in the wake of the Asian financial crisis, there has been growing concern about poor governance in that country as well. According to one Indonesian observer, "The corrupt culture of governance hasn't changed and I would argue that in the present government, the hanky-panky has even gotten worse" (*Far Eastern Economic Review*, May 13, 1999). While globalization has put greater transparency, rule of law, and good governance on the agenda, it has not been able to bring these objectives to fruition.

Democratization in the Age of Globalization

As we have seen, globalization can help to place economic reforms on the agenda, where they were previously absent. Can globalization do the same for political reforms, or in other words, for democracy? There are a number of ways in which globalization could help to promote democratization. First, globalization can facilitate the spread of democratic values around the globe. Through the media, Internet, or even just the general interactions promoted by globalization, democratic ideas and values can permeate previously impossible locations. One of the contributing factors to the "third wave" of democratization was exposure to Western media, and globalization is serving to enhance that exposure even further.

Globalization could also promote democratization by strengthening transborder social movements working on human rights and democratic issues. The media or the Internet could publicize the human rights abuses of authoritarian regimes to a wider audience, enabling these social movements to gain support from around the world. As a result, they would be able to place greater pressure upon authoritarian regimes to democratize. Similarly, globalization could empower traditionally marginalized societal groups. Once again, these groups could be strengthened by globalization's ability to bring their struggle to living rooms around the world and open up to them entirely new support bases.

By empowering societal groups that had traditionally been marginalized, globalization could help to democratize the political process. Furthermore, by "hollowing out the state," globalization could also weaken the elites who had traditionally used the state to promote their particularistic interests. These privileged groups could lose their power base, further democratizing the political process.

Globalization could also facilitate democratization by promoting socioeconomic development. With the "rising tide lifting all boats," globalization would promote development around the world. In so doing, it could raise the level of socioeconomic development of a number of nations such that they would now enter the "zone of transition," where they would be ready for democracy (Lipset, Seong, and Torres 1993).

Finally, as discussed previously, globalization has engendered calls for institutional reform around the globe. Due to globalization, the Philippines, Indonesia, and other patrimonial states have been under increasing pressure to promote the rule of law, transparency, better governance, and others. However, whether these pressures will be translated into actual reforms remains unclear.

Furthermore, there are many ways in which globalization could be seen as detrimental to democratization. First, while globalization can contribute to the spread of democratic ideas and values around the world, the opposite is also true—it can also lead to the spread of antidemocratic values. The Internet is a perfect tool for hate groups and others that are looking for new ways to disseminate their message to a wider audience. As globalization comes to be seen as spreading American—or at least Western—values it can engender a backlash, as Friedman's "olive tree" strikes back against the imposition of Western political and socioeconomic ideas and values (Friedman 2000).

Also, the argument that globalization is spreading democracy is suspect. Rather than spreading democracy, what is really being spread around the world is capitalism. Although many proponents of globalization tend to conflate these two systems, they are distinct and not interchangeable (Onis 1999). Thus, while globalization is spreading American culture around the globe, many critics have charged that it is capitalism, not democracy, which defines that culture. According to Benjamin Barber (1998), "America's global culture is not so much hostile as indifferent to democracy: its goal is a global consumer society comprised neither of tribesmen (too commercially challenged to shop) nor of citizens (too civically engaged to shop), both of whom make lousy clients, but of consumers." Globalization might not be making the world safe for democracy, but it is certainly making it safe for capitalism.

The difference between capitalism and democracy becomes clear when one considers who represents the building block for each system: consumers for the former and citizens for the latter. Globalization clearly creates consumers, but its impact on citizenship is unclear. Thus, "people around the world are becoming 'bourgeois' rather than 'citizens' and their identities are being constructed by the goods they consume, such as Polo, Rayban sunglasses, Nike shoes, or Big Macs. Fetishism of this kind transcends class, gender, and political ideology. The market knows no boundary and global medias spread consumerism throughout the world" (Im 1996).

By transcending class and other identities, this global consumer culture mitigates class-consciousness and class activity. Rather than thinking of themselves as members of a specific class, people view themselves as individuals defined by their individual desires and interests. This is not conducive for collective action, and unfortunately it is collective action that is called for in order to change these patrimonial states. For change to occur, the middle class and other "non-favored" members of society need to challenge the traditional modus operandi. Until that happens, it will continue to be business as usual with the political and economic systems favoring the particularistic concerns of the patrimonial officials and their cronies. Unfortunately, such a collective challenge to the patrimonial systems becomes increasingly unlikely in the age of globalization with its emphasis upon individual actions and needs.

Another challenge that globalization poses to democratization stems from its lack of accountability. As external institutions or national commitments to trade and other agreements increasingly come to shape a nation's policy, the public loses its ability to hold the public officials accountable for their actions. With globalization, the "increased levels of economic interdependence between states undermine the congruence between the 'people' being governed and their supposed governors" (Coleman and Porter 2000). Highly patrimonial states already lacked accountability, and globalization will only serve to make them even less accountable.

The uneven nature of globalization represents its final challenge to democratization. While globalization is a truly global phenomenon, its rate and level vary around the world. This is true on both the interstate and intrastate levels. The benefits of globalization are not spread out evenly around the globe, such that there are clear "winners" and "losers" in the age of globalization. This poses a challenge to democratization because it is serving to widen the gap between rich and poor. In other words, rather than "lifting all boats," it is sinking some of them. As the chasm between the rich and poor widens, democracy is threatened since such a social structure is less conducive to democracy.

Conclusion

Despite Weber's prediction that rational-legal bureaucracies would replace patrimonialism, we have instead seen the perpetuation of neopatrimonial systems in many developing states. For the postcolonial states that are struggling with the dual challenges of promoting economic growth and establishing stable democratic polities, the perpetuation of patrimonialism adds to their challenges. Patrimonial states lack the vision, autonomy, and bureaucratic capacity necessary to implement a developmental program. Furthermore, they have a hard time promoting entrepreneurship, and instead tend to promote the cronies of the patrimonial officials. Patrimonialism also poses a threat to democratic consolidation, due to the deinstitutionalized nature of the patrimonial state.

This paper has explored whether globalization could enable patrimonial states like the Philippines and Indonesia to overcome these patrimonial barriers. Unfortunately, despite the changes represented by globalization, it appears to be "business as usual" with the patrimonial officials using the state apparatus to promote their own interests and those of their cronies. Similarly, globalization seems to be promoting capitalism more than democracy, and is not strengthening the institutions essential for democratic consolidation. For those postcolonial states that remain highly patrimonial, their political and economic futures will remain uncertain unless they are able to overcome patrimonialism's barriers to institutionalization and finally institutionalize some certainty in their political and economic systems.❁

Note

1. While both countries are highly patrimonial, their records with regards to economic development and democratization initially seem quite different. Indonesia has enjoyed relatively higher growth rates than the Philippines, while the Philippines, unlike Indonesia, has been under democratically elected governments for most of its history. Yet, despite these differences, they share many similarities—both are plagued by "crony capitalism," and in both, democratic institutionalization remains unrealized.

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