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## Political Islam and Democratic Change in Indonesia

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### Abstract

In the late 1990s Indonesia, the world's most populous Muslim nation, transitioned to democracy amidst concerns over Islamist ascendancy. Yet, a decade later and Indonesia accommodates a diversity of Islamic political expression. The following article considers the clues to this accommodation. It examines the relationship between political Islam and democratisation and its possible future trajectory in Indonesia.

**Keywords:** Democratisation, Identity, Indonesia, Political Islam

In 1998, Indonesia's transition to democracy witnessed the burgeoning of political Islam, a trend that raised the uneasy spectre of Islamism. (Note 1) Despite this unease, in the ten years since the transition, the Islamist threat has proved to be largely unfounded. It, therefore, seems appropriate to examine how Indonesia developed such a broad range of Islamic political expression. In what follows, I argue that both the material and ideational factors in play during Indonesia's democratisation provide important clues to unravelling how this diverse accommodation was possible.

### 1. Historical Islamic identification

Islam's long established historical roots in Indonesia date back to the 14th century having arrived via trading merchants from Persia and India. In amalgamation with *adat* (traditional customs), it plays a significant role in many of the archipelago's diverse cultural identities. As such, Islam is notably diverse in its manner of expression and the depth of commitment across Indonesia. For instance, on Java, there is a distinct difference, in terms of religiosity, between two major Islamic strands. Nominal Javanese Muslims, *abangan*, identify with an indigenized syncretic *Agami Jawi* whilst stricter *santri* or *muslimin* practice *Agami Islam santri*. *Santri* also adopt traditionalist or modernist outlooks, the former is viewed as a more open and tolerant form of practice whilst the latter is seen as more puritan, closer in expression to Arabian orthodoxy. Outside Java, places like Aceh in Northern Sumatra and parts of the Moluccas and central Sulawesi observe strict Islamic practice. In fact, it would be fair to say that *khittah* (cultural-religious) identification across the archipelago is a key feature of the polity's language of self-understanding. (Note 2) Nearly ninety percent of the population carry an ID card (KTP) that identifies them as Muslim. (Note 4)

### 2. Nationalism, Islam and the Indonesian Republic

Having said this, throughout the colonial and post-colonial periods, an uneasy relationship formed between the modern Indonesian state and the polity's cultural-religious identification. Consequently, there is, on the one hand, historical acknowledgement of Islam but also a concomitant state-level containment of its political appeal (Hamayotsu 2002: 353-375). To elaborate, during the struggle for independence Islam developed three major political responses to and within the emerging national project. These were the traditionalist Sunni Islamic organisation, *Nahdlatul Ulama* (NU - Awakening of Ulama), the modernist Islamic political party, *Masjumi* (Council of Muslim Organisations) and the militant Islamist movements, *Darul Islam* (DI - Abode of Islam) and *Tentara Islam Indonesia* (TII - Indonesian Islamic Army). (Note 4) Yet, the new Republic under the secular nationalism of both Sukarno and Suharto frustrated the political ambitions of these organisations by imposing major restrictions on a politicised Islam. For instance, after 1949, Sukarno re-positioned the significance of Islam in the national-political project by dropping the *Jakarta Charter* from the constitution. (Note 5) This left many stricter Muslims, particularly from outside Java, with the sense that the finalised constitution marginalised Islam and reinforced central Javanese dominance of the new republic. As if to reinforce this perception, Sukarno's subsequent quashing of the PPRI (Revolutionary Government of the Republic of Indonesia) rebellion in 1959 led to the prohibition and collapse of *Masjumi*. Following the events of 1965, Suharto's *Orde Baru* (New Order) also went on to stymie political Islam's former influence by refusing *Masjumi* any sort of return. In fact, Suharto's overhaul of the electoral system in 1971 effectively de-Islamised Indonesia's state-level political structure. This allowed the New Order's Golkar to dominate the electoral system after Suharto had forced the

major Islamic organisations to come under the banner of one political party *Partai Persatuan Pembangunan* (PPP - the United Development Party). In practical terms, PPP was the only vehicle through which NU and *Muhammadiyah* could gain political representation.

Yet, despite Suharto's attempt to subsume the polity's Islamic identification to the diktats of New Order corporatism, it remained only partially successful (Barton 2002: 1-15). In reality, this marginalisation of political Islam only precipitated greater civil society activity focusing on building a dynamic Islamic community based on education and social welfare. Rather than directly challenge for political power, reformists like Dawan Rahardjo, Djohan Effendi and Nurcholish Madjid viewed Islamic development through social organizations as their the new *raison d'être* championed the building of *Ikatan Cendekiawan Muslim Indonesia* (ICMI - Association of Muslim Intellectuals). (Note 6) This appealed to a younger generation of well-educated urban middle-class Indonesians who were enjoying increased access to strategic positions within business, government service and academia.

By the 1990s, the formation of ICMI and *Majelis Ulama Indonesia* (MUI - Council of Indonesian Ulama) facilitated the launch of Islamic news media, *Republika* and *Ummat* along with the Muslim educational foundation, *Yayasan Abdi Bangsa*. This indirectly helped to restore Islamic issues onto the political agenda. Interestingly, keen to court Islamic support as a counter to growing pro-democracy sentiment and rumbling military dissent, Suharto even began to encourage such developments. Indeed, it was politically advantageous to tolerate Islamic political activism and promote pro-Islamic officers in the army (Kadir 1999: 22-24). Major figureheads within ICMI such as Amien Rais, Sri Bintang Pamungkas, Eggy Sudjanan, Din Syamsudin and Adi Sasono symbolized this growing Islamic political influence. From Suharto's perspective, the likes of ICMI countered organizations beyond his direct control such as *Muhammadiyah* and *Nahdlatul Ulama*. Although this shored up his friable authority, the strategy would eventually backfire in the wake of the 1997 financial crisis.

### 3. Democratic transition and political Islam

By 1998, pro-Islamic figures within ICMI, like Din Syamsudin who had been instrumental in bolstering the orthodox *Dewan Dakwah Islamiyah Indonesia* (DDII - Indonesian Council for Islamic Predication) and *Komite Indonesia Untuk Solidaritas dengan Dunia Islam* (KISDI - Indonesian Committee for Solidarity of the Islamic World) began questioning Suharto's authority. (Note 7) Subsequently, with Suharto's grip on power loosening in the face of economic meltdown and pressure for reformasi, orthodox factions in the 'green' military began shifting their support to DDII and KISDI. (Note 8) Given the turbulent political climate, the DDII/KISDI/Military alliance eventually abandoned Suharto, as they saw him as a liability to the interests of Islam.

Notwithstanding this alliance, Indonesians overriding sense of tolerance and the diversity of Islamic expression made the possibility of a united orthodox Islamist front distinctly remote. In fact, key figures in the reformasi struggle, the prominent Islamic leaders, Abdurrahman Wahid and Amien Rais and the likes of the late Nurcholish Madjid were instrumental in maintaining public support for democratic change. (Note 9) All three continually emphasised the compatibility of Islam with democracy. In the turmoil of 1998, this was a crucially important stance to take as many Muslim activists were on the front line of the rallies against Suharto's regime. By doing so, they effectively prevented calls for the creation of an Islamic state gaining any sort of credence.

### 4. Islamic political parties

Even with Suharto stepping aside, Wahid continued to remain wary of NU's political return, viewing this as potentially damaging to its social mission. He preferred to stress moderation and support for *Pancasila* as the way to promote Islam in the national interest. (Note 10) Eventually, however, pressure from NU's *Kyai* (religious leaders) persuaded Wahid to reconsider and go on to form *Partai Kebangkitan Bangsa* (PKB-National Awakening Party). Likewise, tensions between Wahid and his uncle, Yusuf Hasyim and brother, Salahuddin Wahid led them to the form *Partai Kebangkitan Ummat* (PKU - Muslim Nation Awakening Party). (Note 11)

By late 1998, the prospect of a single Islamic political voice was remote with forty out of the eighty political parties to varying degrees, Islamic (Kadir 1999: 21-44). Although this number decreased by election time in 1999, twenty Islamic parties remained eligible. Most significantly, *Muhammadiyah's* Amien Rais formed the populist *Partai Amanat Rakyat* (PAN - National Mandate Party) after unsuccessfully seeking alliance with, amongst others, *Partai Persatuan Pembangunan* (PPP - Unity and Development Party). Yusril Ihza Mahendra took up the leadership of *Partai Bulan Bintang* (PBB - Crescent and Star Party). Other parties with stricter Islamic agendas included, *Partai Keadilan* (PK - Justice Party), *Partai Ummat Islam* (PUI - Muslim Believers' Party), and *Partai Masjumi Baru* (PMB - New Masjumi Party). In addition, the orthodox Islamic movements, KISDI, DDII, *Kesatuan Aksi Mahasiswa Muslim Indonesia* (KAMMI - United Action of Indonesian Muslim Students), and *the Asosiasi Partai-Partai Islam* (APPI - Association of Islamic Parties) formed strong links with PK and PBB. In fact, DDII and KISDI remained strategically supportive of BJ Habibie in an attempt to offset Muslim support for the secular-nationalist, Megawati Sukarnoputri and PDI-P. Similarly, MUI and *Kongres Umat Islam Indonesia* (KUII - Congress of the Indonesian Islamic Community) urged Muslims to vote for an Islamic party and intimated that the next Indonesian president and vice-president should be Muslim.

Evidently, expansion of the post-Suharto party-system introduced new political parties capable of appealing to major Muslim constituencies in particular PKB, PAN, PBB and PK. This re-emergence of political Islam provided much needed electoral competition for more established parties such as Golkar and PPP forcing them to adjust their electoral priorities to retain the endorsement of their pro-Islamic factions. Indeed, despite the wider popularity of Megawati Sukarnoputri's PDI-P, the election of the NU's leader Abdurrahman Wahid as the new president reflected the influence of increased Islamic politicisation. Having said this, the results of the 1999 election clearly indicated that Indonesians en masse favoured a democratic polity over an Islamic state. (Note 12)

Significantly, however, Hidayat Nur Wahid's *Partai Keadilan Sejahtera* (PKS - the Prosperous Justice Party, formerly *Partai Keadilan*) style of Islamic orthodoxy went on to secure a significant increase in its vote from 1.5 percent to 7.4 percent come the 2004 elections. (Note 13) Yet, the most realistic explanation of PKS's electoral rise lies with a younger generation of urban Muslims who perceive it as a 'clean' Islamic party. In fact, much of the PKS success rested on an anti-corruption rather than a pro-Shari'a platform with it enjoying support in Jakarta and on university campuses.

### 5. Militant Islamist groups

Of more concern is that since the collapse of Suharto's regime in 1998, Indonesia has witnessed a proliferation of paramilitary wings associated with Islamist organisations. They include *Laskar Pembela Islam* (LPI - Defenders of Islam Militia); *Laskar Jihad* (LJ - Jihad Militia); *Laskar Mujahidin Indonesia* (Indonesian Mujahidin Militia) and *Jemaah Islamiyah* (JI - Islamic Community). Many of these groups have roots in the Islamic militias of Indonesia's independence struggle but their current activities owes much to the tutelage of *hadrami* (Indonesians of Middle Eastern descent) who fought alongside the *mujahidin* in Afghanistan in the late 1980s. For instance, JI, who identify radical Muslim cleric Abu Bakar Bashir as its spiritual Omar, has pan-Islamic ambitions to create *Darul Islam Nusantara* (Bandoro 2001: 333-337). Its activities are linked to *al-Qaeda* networks operating in Southeast Asia including the 2002 bombings on Bali and Sulawesi, the 2003 Jakarta Marriott Hotel bombing and the 2004 suicide bombings at the Australian Embassy in Jakarta. By contrast, LPI and LJ both publicly deny any links with *al-Qaeda* and claim their focus is domestic issues (Hasan 2006). Suspicions persist, however, that both LPI's and LJ's involvement in internecine conflict enjoys indirect support from KISDI, DDII and sympathetic 'Green' factions in the armed forces (Roosa 2003: 10-11).

Given Indonesia's recent authoritarian past, dealing with the perceived threat from militants is a particularly difficult and sensitive political issue. There is a real danger of polarising the moderate Islamic majority or impinging on newly acquired freedoms that may resurrect the spectre of military repression. (Note 14) But despite the extreme threats posed by these groups, indications are that they will remain marginalised by mainstream society. Encouragingly, on 18 October 2002, parliament issued anti-terrorism Decree No.1 and No.2/2002 designed to give *Badan Intelijens Negara* (BIN -The National Intelligence Agency) greater capacity in identifying terrorist suspects. (Note 15) Moreover, Susilo Bambang Yudhoyono's government is now actively cooperating with Malaysia, Singapore, the Philippines and Australia to combat terrorism in Southeast Asia.

### Conclusion

Evidently, the rearticulated character of Indonesia's post-authoritarian political space is complex. Islam has reasserted an influence on the grammar of politics with the number of Islamic parties more prevalent than at any time in the past. This is something that challenges both the appeal of established political elites and what is achievable in secular terms. Yet, whilst Islamist parties do exist, the majority of Islamic involvement in electoral politics remains very far from being associated with the institution of an Islamist state. The 2004 results suggest that the majority of Muslims are more interested in a democratic nation-state. This preference has much to do with the fact that Indonesian's share a strong sense of setting differences aside and working through problems, something forged by a common history of anti-colonial struggle, a shared national language (*bahasa Indonesia*) and state sponsored education. Consequently, moderation and pluralism remain the predominant electoral norms. (Note 16) This is not to deny the challenges of the present reality but simple dichotomies appear to ill suit. As Islamic orientated political players firmly establish themselves, there is no reason to assume that Islamic and secular versions of democracy are identical. With a mass audience accustomed to viewing politics through extant symbolic lenses, this represents an important part of Indonesia's democratic evolution. It will be interesting to see how Indonesia continues to adapt.

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### Notes

Note 1. The contemporary phenomenon of political Islam, not to be confused with Islam as a religion, refers to an ideological interaction between politics and religion in the broadest sense. Islamism, on the other hand, is specifically concerned with the modern politicisation of Islamic cultural concepts and symbols in a highly orthodox manner for radical ends, i.e. the establishment of an Islamic state, or at least an Islamic polity characterised by observance of Shari 'a. Although often used inaccurately and interchangeably with Islamism, political Islam encompasses a considerably more complex plurality of expression in Indonesia

Note 2. One need only look at the size of Indonesia's two major socio-religious organizations to appreciate the influence of Islam in daily life. The traditionalist Sunni Islamic *Nahdlatul Ulama* boasts in the region of 30-35 million members whilst membership of the reformist *Muhammadiyah* (Followers of Muhammad) is approximately 29 million.

Note 3. Since 1965, not to profess a religion left you open to condemnation and persecution as a communist, therefore the majority of Indonesians profess a religious identity.

Note 4. In the immediate post-independence era, Masjumi was the prominent Islamic party in Indonesia and its leaders played major roles in the fledgling republic. Currently, Muhammadiyah most closely identifies with the Islamic legacy left by Masjumi. In contrast, *Darul Islam* and *Tentara Islam Indonesia* were revolutionary Islamic movements with similarities to the Islamic Brotherhood in Nasser's Egypt. They formed out of Islamic militias who opposed the Dutch in Java as part of the long anti-colonial struggle for independence. Between 1948 and 1963, after Sukarno banned DI and TII, they did fight for an Islamic State (NII - Negara Islam Indonesia) under the leadership of S.M. Kartosuwiryo, primarily in West Java, South Sulawesi and Aceh. Their forces peaked in 1957 with an army estimated to be 13,000 strong. In 1962, DI and TII were eventually defeated after the Indonesian armed forces captured and executed Kartosuwiryo.

Note 5. Article 29 of the pre-independence 1945 Constitution gave the state the right to control and regulate religious life in Indonesia. During the 1945 constitutional debates, Islamic groups proposed a briefly incorporated preamble known as the Jakarta Charter. The seven words of which are, 'with an obligation for Muslims to implement Islamic law'.

Note 6. Their ideas on Islamic social and educational renewal emerged in close association with *Himpunan Mahasiswa* (HMI - Association of Muslim Students). Madjid's moderate and reformist views made him one of Indonesia's foremost Muslim intellectuals. Known as *Cak Nur* (informal Javanese for brother), he headed up *Paramadina*, a prominent education and research institution focused on social justice but passed away in August 2005 after a short illness.

Note 7. Although barred by Suharto from national politics, DDII and KISDI remained major promoters of orthodox Islamic values in Indonesia. They receive substantial funding from the Middle East with Saudi Arabia and Kuwait being major donors.

Note 8. Throughout the 1980s, tensions within the military caused factional splits with 'red and white' symbolizing the secular nationalist factions and 'green' a support for Islam.

Note 9. Reformasi refers to the democratic movement against Suharto's New Order and the overall project of political reconstruction.

Note 10. The Republic of Indonesia enshrined *Pancasila* in Article 29 Section 1 of the 1945 Constitution as the official national ideology to ensure national unity post-independence. Derived from the conflation of *panca* (five) and *sila* (principle), the ideology's five pillars are monotheism, humanitarianism, nationalism, consensus democracy and social justice.

Note 11. PKU's political platform is a mix of *Pancasila* and Islam and not very different in practical terms from PKB.

Note 12. The 1999 election results: *Partai Demokrasi Indonesia - Perjuangan* (PDI-P - Indonesian Democratic Party - Struggle) 37.4%; Golkar 20.9%; PKB (National Awakening Party) 12.6%; PPP (Unity and Development Party) 10.7% and PAN (National Mandate Party) 7.13%; PBB (Crescent and Star Party) 1.8% and PK (Justice Party) 1.5%. Komisi Pemilihan Umum: <http://tnp.kpu.go.id/tabulasi>

Note 13. PKS increased its 2004 vote from 1.5 percent to 7.45 percent, Golkar 21.6%; PDI-P 18.5%; PKB 10.57%; PPP 8.15%; PD 7.45%; PKS 7.4% and PAN - 6.43%. Komisi Pemilihan Umum: <http://tnp.kpu.go.id/tabulasi>

Note 14. The notorious *UU Anti-Subversi 1963* (Anti-Subversion Laws) are still fresh in the memories of many Indonesians. The laws had no clear legal accountability and gave almost unlimited power to the Military who used them to suppress any form of dissent.

Note 15. See *Departemen Penerangan R.I.*-Department of Information Republic of Indonesia: <http://www.qtzfdm.or.id/documents/laws>.

Note 16. PKB, PPP and PAN along with the secular nationalist parties *Partai Demokrasi Indonesia - Perjuangan* (PDI-P - Indonesian Democratic Party - Struggle) and Golkar all reflect this ethos.





## Negotiating Chinese Identity in the Internet Age

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### Abstract

The advent of the internet has led to the globalization of cultural images of Chinese identity. Online Chinese immigrants' associations, in conjunction with Chinese-language electronic media, offer various and often competing images of Chinese ethnic and cultural identities. The multiple representations of Chinese identity in the various media formats provide options for individuals to negotiate their identity and belonging in different contexts. This paper examines the roles that the internet plays in influencing ethnic identity among Chinese immigrants in the province of British Columbia, Canada. I argue that the array of images offered by online Chinese-language media websites and virtual communities create more options for individual Chinese immigrants to negotiate and redefine their ethnic and cultural identities in relation to other Chinese and non-Chinese immigrant groups.

**Keywords:** Chinese, Ethnicity, Globalization, Hybridity, Identity, Immigrants, Internet

### 1. Introduction

Public debates on immigration in Canada increasingly focus on the influences that immigrants have on shaping Canadian ethnic and cultural diversity (P. S. Li, 2003, p. 54). Since the early 1960s, expansion of the global economy, in conjunction with changes to Canada's immigration and citizenship laws and policies, has encouraged various waves of Chinese people—especially those engaged in transnational trade and business—to immigrate to Canada from various parts of the world. Frequent movement between societies allows individuals not only to redefine their ethnic and cultural identities but also to have a sense of belonging to various locations simultaneously. In addition, the rise of electronic mass media and the establishment of online communities among Chinese immigrants around the world has given rise to new cultural images of Chinese ethnic and cultural identities among Chinese immigrants in Canada.

Within Canada, racial, ethnic, and cultural differences are important markers of distinction between immigrant groups. At the same time, these differences serve to confirm individual membership within a community. For many recently arrived Chinese immigrants in Canada, the internet is useful for accessing information about settlement, public services, and employment opportunities. Chinese immigrants also use the internet to learn and preserve their cultural traditions. In this paper, I will examine the role that the internet plays in shaping individual identity among Chinese immigrant groups in the Canadian province of British Columbia. I will argue that the globalization of Chinese images has created new and alternative spaces for individual Chinese immigrants in British Columbia to redefine their ethnic identity and cultural identity as well as to differentiate themselves from others perceived as non-Chinese in the province, across the country, and across national borders.

### 2. Internet and the Construction of Ethnicity

In recent years, the internet has received significant attention from scholars across disciplines. Researchers increasingly focus on the politics that exist in the rhetoric and representation of Chinese ethnic identity on the internet. Similar to other material cultural artifacts, the internet is socially constructed and thereby has significant socioeconomic and political implications. A popular subject of debate among scholars and researchers is whether the internet is being used to create a homogenous or a heterogenous world. While the internet has been seen as means of constructing homogeneity and social control by elite groups, it also provides possibilities for individuals and groups to challenge dominant rhetoric and representation (Nye, 2006, p. 608; Wanning, 2005, pp. 66–67). As such, the internet must be seen as a system of tools, materials, structures . . . and techniques under human control. Societies continually add and subtract items from their repertoire, and in using them they often come into conflict, as they construct diverse [individual and group] life-worlds. (Nye, 2006, p. 614)

Local populations in various parts of the world have sought to integrate certain cultural products and practices offered by the worldwide web into their own practices and beliefs, thereby creating hybrid cultures (Nye, 2006, p. 607). For this reason, the internet is an effective tool not only for preserving immigrant cultures but also for contesting and reinventing cultural identities and beliefs (p. 613).

The internet has increased flows of Chinese cultural images across national borders. Consequently, the majority of Chinese immigrants in Canada and other host societies around the world can access various online Chinese-language media to fulfill their particular needs (Wanning, 2005, p. 66). However, differences in educational and socioeconomic backgrounds contribute to unequal internet access among Chinese groups in Canada (Nye, 2006, p. 606). In this way, the internet has contributed to the emergence of a new global economic hierarchy among immigrant groups. Sun Wanning (2005, p. 66) and Brenda Chan (2006, p. 2) suggest that the rise of Chinese-language electronic media products (e.g., online magazines and newsgroups) in democratic countries such as Canada further contribute to the process of redefining Chinese identity among Chinese migrant groups within a transnational context. Together, the various images offered by the internet challenge and reinforce individual Chinese immigrants' perceptions and understanding of what it means to be Chinese.

Currently, three dominant versions of Chinese identity exist on the internet. The first is linked to the identification with and loyalty to the Chinese Communist Party and its political ideology of socialism. Being Chinese is also linked to the idea of belonging to the Han ethnic identity, especially for many Chinese immigrants from mainland China, Taiwan, Hong Kong, and Macau. Finally, Chinese identity is closely tied to Confucianism, which many Chinese groups around the world perceive as an essential feature of Chinese culture (Chan, 2006, p. 7). Internet users therefore have the option of accessing a range of interpretations and meanings of *Chinese* and *Chinese culture*. In addition, virtual (online) communities comprising mostly educated and professional Chinese immigrants provide various representations of Chinese identity and provide the individual with opportunities to negotiate her or his identity and belonging (Wanning, 2005, p. 67).

In Canada, Chinese immigrants arriving from various parts of the world possess their own cultures, histories, and experiences of what it means to be Chinese (Wickberg, 2007, p. 178). Local Canadian versions of Chinese identity and culture often compete with ideas that recent Chinese immigrants bring from their previous homelands (Chan, 2006, p. 3).

The term *Chinese* thus disguises multiple layers of local and national identities and social status. This article will use this term to refer to ethnicity, nationality, and citizenship.

### 3. Immigration and Ethnicity in Canada

The Canadian government divides immigrants into three categories—family class, economic class, and refugee class—for its selection and admission process (P. S. Li, 2003, p. 39). Within the dominant media and public discourse, the term *immigrants* is ambiguous and is often used to refer to those who are racially, ethnically, or culturally different from those of British and French backgrounds (p. 44). Immigration has played and continues to play significant roles in the construction of Canadian identities. Historically, Canadian immigration policy favored immigrants from Europe (mainly Britain) and the United States (p. 18). However, other European and non-European immigrant groups also chose to migrate to Canada in search of a better life and economic opportunities (p. 160).

In Canada, as in the United States, Chinese immigration has a long history. The gold rushes in the Fraser Valley in 1859 and western railroad construction from 1881 to 1885 stimulated demand for Chinese labor in British Columbia (P. Li, 2008, p. 160). Early Canadian nationalist rhetoric and dominant culture sought to portray Canada as a nation dominated by a white working-class population (P. Li, 2008, p. 128). Non-European immigrants such as the Chinese were seen as beneficial to the country's socioeconomic development and therefore permitted to enter, but in limited numbers (Wickberg, 2007, p. 186).

The idea of migration as an economic investment was widely shared by the majority of Chinese immigrants. Along with the Chinese immigrant working class, Chinese merchants also came to the province (Chu, 2006, p. 393).

Early Chinese immigrants contributed significantly to the socioeconomic development of British Columbia, especially in railroad construction (P. Li, 2008, p. 127). The construction of the Canadian Pacific Railway during the late 1800s attracted many Chinese from mainland China (Wickberg, 2007, p. 186). However, their contributions were undermined by Canada's restrictive immigration and citizenship policies. Upon the completion of the Canadian Pacific Railway in British Columbia during the 1880s, the Canadian government introduced the Chinese Immigration Act, which required individual Chinese immigrants to pay a head tax of \$50 upon entering the country (Chu, 2006, p. 397). The Act also specified that vessels arriving in Canada "could not carry more than one Chinese person for every fifty tons of tonnage" (p. 397). Those who paid the head tax were issued a certificate of entry by the government. However, Chinese immigrants were required to turn in their certificates if they left the country, even for a short period of time, or risk being barred from re-entering. Those who chose to leave could stay outside the country for up to one year; otherwise,

they were required to pay the head tax again. Unlike poor Chinese workers, Chinese clergymen, Chinese merchants and non-Chinese migrants did not have to pay a new head tax upon re-entry. Additionally, whereas wealthy Chinese merchants' wives and children were exempt from paying the head tax upon entering the country, poor immigrant workers were forced to pay a heavy price to have their families join them in Canada (p. 398). The head tax thus contributed to a gender imbalance among the early Chinese immigrant population in Vancouver and elsewhere in Canada. Differential treatments of Chinese immigrant groups meant that the chances of immigration for Chinese women and their children were contingent upon their partners' occupations and financial status.

Realizing that \$50 was not enough to discourage Chinese immigrants from entering the country, the Canadian federal government increased the head tax to \$100 in 1900 and \$500 three years later (Chu, 2006, p. 399; Goutor, 2007, p. 561; P. Li, 2008, p. 127–128). The increased head tax successfully discouraged many Chinese immigrants from immigrating to Vancouver (P. Li, 2008, p. 129). At the end of WWI, the economic crisis in British Columbia and elsewhere led to further restrictions on the number of Chinese immigrants entering the province (Chu, 2006, p. 400). By 1923, the Canadian government introduced the Chinese Immigration Act, which banned Chinese immigration altogether. Chinese immigrants who were already in Canada were denied certain rights and privileges that many white settlers took for granted, such as voting, participating in all occupations, and traveling freely (P. Li, 2008, p. 128). Chinese immigrants were often labeled by Canada dominant racial discourses as “dirty, lazy, and alien”; these racial stereotypes further reinforced the idea of Chinese people as an “inferior race” (Chu, 2006, p. 396).

Throughout the 1890s, a series of anti-Asian campaigns were organized by various union leaders against Chinese and other Asian immigrant workers in British Columbia (Goutor, 2007, p. 561). By accepting low wages, Chinese workers, according to the unions, were undermining “the standards of living of Canadian workers, or driving them out of industries altogether” (p. 554). In addition to the economic reason, race was also used by white labor leaders in British Columbia to reinforce their anti-Asian rhetoric campaign. Goutor suggests that the racist attitudes displayed by white labor leaders stemmed mainly from these individuals’ “fear . . . desires, and personal characteristics they hated most. The results were jumbles of contradictory stereotypes that were attached to a racialized group” (p. 569). The Chinese were often portrayed by European dominant media as “sexual predators who sought to take advantage of white women” (p. 556). The racial sentiments displayed by white male labor leaders reflected the politics of racial purity in Vancouver and elsewhere in Canada, where the mixing of different racial or ethnic groups was discouraged. Compared to their male counterparts, Chinese women’s sexuality was perceived as less threatening to the dominant white population in British Columbia (Chu, 2006, p. 394). British immigrant workers, on the other hand, were represented as “honest” and “hardworking” workers (Goutor, 2007, p. 557).

Canadian restrictive immigration policies had important consequences for individuals and communities of Chinese immigrants in British Columbia and elsewhere in Canada. The head tax, in conjunction with the anti-Asian campaigns, prevented the majority of Chinese immigrants in British Columbia from bringing their families over and discouraged many Chinese women from immigrating to the province. Many women with spouses in British Columbia remained in China to care for their children and extended families. The practice of remittances provided economic support for many of those who stayed behind (Chu 2006, p. 394).

Migration was widely understood among the Chinese as a male activity. In Canada, the preference for cheap male labor meant that Chinese women had less chance than their male counterparts to find employment from overseas (Chu, 2006, p. 393). Early Chinese women immigrants in British Columbia were mainly wives of Chinese merchants, and single women who were employed as sewers and domestic workers. The presence of these Chinese immigrant women workers contributed to the existing Chinese cheap labor force in the province (Chu, 2006, p. 399). The number of Chinese women arriving in Canada in the late nineteenth and early twentieth centuries was small, and those who did come were often labeled as prostitutes. The immigration of Chinese women was initially welcomed by European settlers in Canada, because these women were seen as ideal sexual partners for Chinese men (Chan, 2006, p. 394). The low ratio of Chinese women to men was perceived by white labor leaders as a sign that few Chinese immigrants would chose to settle in Canada (Chu, 2006, p. 396). This acceptance was soon replaced by fear of Chinese women because of their potential to increase the numbers of Chinese in the province, and this fear was used to justify restrictions on Chinese women immigrants into Canada. In contrast, women from Britain and other European countries and the United States were encouraged by the Canadian government to immigrate to Canada as potential wives and mothers of future nation builders and citizens (Chu, 2006, p. 395).

After WWII, economic development within Canada led to a labor shortage, and the Canadian federal government made a series of changes to immigration and citizenship policies aimed at attracting skilled labor (Hou & Beiser, 2006, p. 137). During the 1980s, Canada introduced the Multiculturalism Act, which portrayed the image of Canada as a mosaic society (Kymlicka, 2003, p. 377), in contrast to the United States’ melting-pot immigration policy. Multiculturalism has been contested and remains controversial in Canada.

Economic changes in China, in conjunction with the changes made by the Chinese government concerning foreign travel, produced a new wave of Chinese immigrants, and since the 1980s the majority of immigrants in British Columbia have been from China (Beaujot, 1999, p. 100). Those who have left China since the 1990s are recognized by the Chinese government as the “new migrants” (Chan, 2006, p. 2). The new wave of immigrants from China to British Columbia occurred simultaneously with large numbers of Chinese immigrants from Hong Kong, Taiwan, South East Asia, America, and Australia.

While the new wave of Chinese immigrants from mainland China can be seen as an historical extension of Canada’s past, it is important to recognize differences between the newcomers and the previous Chinese immigrants. Whereas earlier waves of Chinese immigrants in British Columbia were composed mainly of semiliterate male peasants from China (Chan, 2006, p. 2), recent Chinese immigrants possess more capital and skills and come from various parts of the world (Lee, 2005, p. 238). In the late 1990s and early 2000s, international surveys voted British Columbia’s largest city, Vancouver, one of the most desirable places to live in the world. These surveys enhanced the multicultural image of the city and attracted a new influx of Chinese immigrants (Wickberg, 2006, p. 189).

#### **4. Cultural Consumption and Community Building**

It is a commonly held view among Chinese immigrants in Canada and other parts of the world that the maintenance of a collective Chinese identity outside of China is necessary and that it depends largely upon three institutions: social and business networks, Chinese-language education systems, and Chinese-language media. These institutions often exist alongside one another in communities where Chinese immigrants live (Wanning, 2005, p. 68). Historically, Chinese immigrants in Vancouver often joined voluntary associations soon after settling in the new community (Chan, 2006, p. 3). These associations not only play significant roles in providing assistance and a sense of belonging to new Chinese immigrants to the city (Nye, 2006, pp. 606–607), but they also provide those who are uprooted from their former homes and communities with the opportunity to redefine their identity and relations with others from similar ethnic and cultural backgrounds (Chan, 2006, p. 2). Such associations continue to play significant roles in the settlement process of Chinese immigrants in Vancouver (Wickberg, 2007, pp. 178–179). However, the emergence of online Chinese associations has altered social relations among Chinese immigrants and posed challenges to dominant meanings and representations of Chinese identity and community.

Online associations serve to connect Chinese immigrants in Vancouver to others across Canada and around the world. In addition to being used by some Chinese immigrants to promote group belonging and solidarity based on a common history, the internet is also used to challenge dominant narratives of the global Chinese identity and simultaneously construct ideas and representations of that identity (Chan, 2006, p. 18). The social relationships constructed by Chinese immigrants online further contribute to the formation of a global community of Chinese immigrants (Nye, 2006, p. 599). The internet is increasingly becoming a valuable learning tool for Chinese immigrants who are interested in learning, preserving, and transferring their cultural heritage to the next generation (Wickberg, 2007, p. 179). It is necessary to emphasize that Chinese online communities are closely connected to offline communities that also play important roles in shaping perceptions about Chinese identity among Chinese immigrant groups in Vancouver.

Before the advent of the internet, genealogical research was a leisure activity practiced by few Chinese people. However, the availability of online genealogies has encouraged many Chinese newcomers to learn about their families’ histories and heritage (Chan, 2006, p. 6). Individuals can now pick and choose parts of their heritage and histories that they want to preserve and transmit to their children (p. 7). The internet offers individuals the possibility of redefining their and their children’s identities in ways that represent them in a positive light to themselves, other Chinese people, and non-Chinese members of the community.

The various Chinese-language news media websites and online popular magazines—some of which originate in mainland China—have helped to shape the meanings of Chinese identity among Chinese immigrants in British Columbia (Wanning, 2005, p. 73). These media outlets offer alternative versions of Chinese identity that cater to the specific needs of individual members. Individuals are thus provided with the opportunity to redefine and negotiate their identities in relation to other Chinese immigrants with similar backgrounds. At the same time, community members have the option of not taking up the identities offered by these media sources.

#### **5. Conclusion**

As we have seen in this paper, Chinese immigration patterns in British Columbia and elsewhere in Canada are shaped by the gender, race, and national discourses of the dominant white community. The extent to which these discourses ultimately shape the meaning of Chinese identity varies among Chinese immigrants. Early restrictive immigration and citizenship policies and practices of the Canadian federal government effectively contributed to the sexual imbalance among Chinese immigrants and reinforced Canada’s racial and national rhetoric and representations. Although in recent years the Canadian federal government has made a series of attempts—including a recent official apology from the current Prime Minister, Stephen Harper—to redress the head tax imposed on early poor working-class Chinese immigrants, the legacy of the tax still affects many current residents of British Columbia.

Since the 1960s, economic and political changes in Canada, China, and other parts of world have resulted in various waves of Chinese immigrants to Canada. The recent influx of Chinese people (mainly from Hong Kong, Taiwan, mainland China, Latin America, and Southeast Asia) to Vancouver has shaped the city's ethnolandscape and given rise to new and alternative meanings of Chinese ethnic and cultural identities. Differences in experiences, geographies, histories, class, education, and cultures among Chinese immigrants in British Columbia have shaped individual perceptions of what it means to be Chinese. These differences play significant roles in reinforcing, challenging, and redefining Chinese ethnic and cultural identities among various Chinese immigrant groups in Vancouver and elsewhere in Canada.

The internet provides possibilities for the new Chinese immigrant to redefine her or his ethnic and cultural membership as well as a sense of belonging to the larger community. At the same time, the internet allows individuals or groups to challenge dominant representations of Chinese ethnic and cultural identities and to construct alternative versions of Chinese culture and ethnic identity. Together, these representations offer individual Chinese immigrants the opportunity to redefine their self-identity and negotiate their belonging in various communities within the transnational context.

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## The Modern Significance of Confucianism

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### Abstract

Confucianism still has important value in the modern times; the purpose of the thesis is to expound the modern significance of Confucianism, that is, it is important to protect the natural environment; to keep harmony of the society; to improve the international relations and to cultivate the perfect personality. So the thesis concludes that Confucianism should be re-examined and developed in the equal communication, dialogues, and fusion between Chinese and western philosophical traditions in the 21st century.

**Keywords:** Confucianism, Anthropocentrism, The unity of nature and man

Confucianism has been predominant for 2000 years in the traditional Chinese culture, and it has had a great influence on the Chinese politics, economy, culture and the social psychology. In modern times, however, Marxism was established as the official ideology in China after the communist took over in 1949, and then Confucianism was totally eclipsed by Marxism. At the same time, with the industrial civilization developing quickly in the modern times, more and more ecological and social problems are emerging. While lots of the scholars pay more and more attention to Confucianism again, they argue that human can find much resourceful and valuable wisdom in Confucianism thoughts. The purpose of the thesis is to expound the significance of the Confucianism: it can provide an effective perspective to solve environmental problems; the social problems; the international relations problems and the personality cultivation problems.

### 1. Confucianism can benefit to the ecological civilization

#### 1.1 *The consequence and the cause of the environmental crisis*

Environmental pollution caused China to suffer 511.8 billion yuan (about 64 billion U.S. dollars) in economic losses in 2004, which amounted to 3.05 percent of GDP that year, according to a report, titled *China Green National Accounting Study Report 2004* (Gov.com, 2006), the environmental costs of water pollution, air pollution, and solid wastes and pollution accidents accounted for 55.9 percent, 42.9 percent, and 1.2 percent of the total costs, respectively. These figures demonstrate that the rapid economic growth that the Chinese government has been so proud of has been achieved in part at the expense of the environment and natural resources. And it warned people of realizing the seriousness of the pollution in China. We must change the existing developing pattern of economy. As Karyn Lai, a famous professor in the University of New South Wales, announces that “(a) major theme that cuts across many debates in environmental philosophy is that of anthropocentrism.” He also claimed that, “anthropocentrism, construed as the inability or unwillingness of human beings to accord moral standing or moral consideration to other species, has been held responsible for the degraded state of the natural environment and for species extinction.” (Karyn Lai, 2003, pp. 279) since the theory of the anthropocentrism is the cause of the present environmental problems, the serious situation cannot be changed unless we change the view of the anthropocentrism. Fortunately, Confucian’s vision has offered a kind of wisdom with great inspiration for us, that is, the principle of the unity of nature and man that can be used as correct ways of thinking for the solution of these problems.

#### 1.2 *The theory of ‘the unity of nature and man’ (Note 1) of Confucianism*

The theory of ‘the unity of nature and man’ stresses on harmonious development of man and nature. Although Confucianism interpreted the theory of ‘the unity of nature and man’ in many different ways including mysticism; its center value is indeed to expound a cosmology of unity of nature and man. Ancient Chinese philosophers had already recognized that “if the seasons of husbandry be not interfered with, the grain will be more than can be eaten. If close nets are not allowed to enter the pools and ponds, the fishes and turtles will be more than can be consumed. If the axes and bills enter the hills and forests only at the proper time, the wood will be more than can be used.” (Mencius, 1983, pp.203) there are a great many of the similar arguments in the ancient Chinese philosophy books.

Indeed, in ancient China, ‘the unity of nature and man’ is not merely a humanist thinking principle but also the actualization of such principle in the activities of treating nature kindly and preserving natural environment that manifested in positing the officials to preserve natural environment such as ‘yuren’ (Note 2) in antique China and

promulgating some decrees of preserving natural resources such as 'tianlu' (Note 3) and 'Liji-Yueling' (Note 4) in the Warring states period. Ancient ecological wisdom appears to be valuable and enlightening, especially in such times that human existential environment are increasingly decelerated. Naturally, these important theoretical resources concerned with human destiny and trends of civilization in Chinese philosophy are the very points for the scholars to pay attention to today.

## **2. Confucianism has the enlightening significance to solve the social problems**

Since 1978 China carried out the policy of the reform and opening, the development of economy makes people all over of the world surprised. At the same time, however, many social problems never seen before emerged continuously. Such as morality neglected, money worship, crime rate increase etc. what caused these problems is that the former value of morality is abandoned by Chinese gradually. Today, we should re-examine the value of the Confucianism to correct the present social problems.

### *2.1 Morality is first*

Confucians regard moral values as the basis of social and political order. The onus lies on each individual to assume the moral obligations inherent in his position; the cardinal virtues of benevolence or humanity embrace the moral qualities of the true man: loyalty, reciprocity, dutifulness, filial and fraternal affection, courtesy, good faith and friendship. Confucians maintain people should be guided by morals and regulated by ritual. So they assist that mediation rather than litigation is the preferred means of dispute resolution. Confucians value social harmony, and litigation is considered to be a negative social phenomenon because it exacerbates ruptures and poisons social relationships beyond the point of repair. Therefore, Confucius said, "In hearing litigations, I am like any other body. What is necessary is to cause the people to have no litigations." (Doebelin, 1940, pp.46) Today, the society ruled by law is advocated, this view is obviously different from the times of Confucius. However, a society which depends on the law solely is not an ideal society. If the government can integrate the law with the morality, the consequence is obviously effective.

### *2.2 Family is the essential structure of the society*

The Confucian tradition is particularly known for its emphasis on human relatedness, particularly family relations. These relations are usually called Five Cardinal Virtues including parent and child; elder and younger sibling; husband and wife; person-in-charge and subordinates and friend to friend. These Five Cardinal Virtues are constituted as spheres of value as Mencius outlined, "closeness between father and son, duty between ruler and subject, distinction between husband and wife, precedence of the older over the younger, and trustworthiness between friends". (Mencius, 1983, pp.238) These Five Cardinal Virtues should be understood dynamically rather than statically, in the context of the Confucian life-long process of learning to be human. Even though the relations themselves are described constancies, the value desiderate is not descriptions of an idealized static state, but culturally constructed remedies for difficulties particular to each of those relational spheres. The traditional Confucian Five Cardinal Virtues model recognizes the primacy of familial relations. These primordial ties provide the central orientation to the rights and responsibilities as a man.

In modern times, society accepts the individualism and emphasizes the value of the individual, so the value of the family is neglected gradually. Therefore more and more people around us are suffering from anxiety, depression, isolation, and helplessness in life. It is said that "in established world economies and countries, we are now confronting the fact that at least one out of five people suffers from mental health problems." (G.C.Poon, 2003, pp.108) Historical and anthropological research shows that family relations persist through a variety of economic and political systems, and that thus far no society has permanently replaced or done away with them. It seems that the basic human family system, with at least one and at best two biological parents, is the simplest and most directly efficacious arrangement for human development, particularly though not exclusively for the nurture of young children. Confucian thought has a profound future significance in improving the role of the family in the society.

## **3. Confucianism can provide a way to deal with the international conflict of civilizations**

The conflict of civilization has been a continuous problem so far, so the world is not peaceful and the people are not secure in the heart. For example, since the US government waged the war to Iraq, the people of two countries even all over the world have suffered the torture of the war. It is reported that three and a half years after major combat ended in Iraq, nearly 2,900 U.S. service men and women have been killed and a relentless insurgency has complicated a political solution and caused the deaths of thousands of Iraqis in sectarian violence. Facing the damage of the conflict of civilization, which is puzzling human beings today, Confucianism has offered some wisdom with great inspiration for us, for example:

### *3.1 Harmony but no assimilation*

Confucianism attached importance to the theory of harmony. Confucius said "the use of ritual is the harmonious." (Confucius, 1983, pp.51) That is, harmony is the most important. So Confucius told his students: "The superior man is

harmony but no assimilation; the mean man is assimilation but no harmony.” (Confucius, 1983, pp.147) the theory had great impact on solving the relations of persons and countries. For example, in ancient times China was once one of the strongest countries in the world, but it never waged a war to invade other weak nation, although it had the economy and military strength. On the contrary, it often provided economic and technological help to the small countries around it. This action reflected the theory of harmony fully. So how to realize the harmonious relation Confucius had a series of methods to instruct the governors, that is Loyalty and Reciprocity.

### 3.2 The morality of Loyalty and Reciprocity

The principle of Loyalty and Reciprocity is the nucleus idea of the Confucius. Loyalty means doing one's utmost; Reciprocity means putting one in the others' place whatever one does. That is, “fully realizing the self is Loyalty; extending the self is called Reciprocity.” (ZhuXi, 1983, pp.72) Today the doctrine of Reciprocity is called the golden law by the scholars all over the world. When people solve the controversial issues between countries, if they all put themselves in the other's place, and the world will be more peaceful than today. Certainly, the relations of countries is much more complicated than which of persons, but Mencius, another the most famous Confucian, presented the principle of communicating between the countries in detail. That is, people are the fundamental elements when solving the problem of the relations of the two countries.

### 3.3 People are fundamental for the government

There were many small states in the ancient China, Qi is the strongest state among of them. And the people of Qi attacked Yan, a small and weak country to the north of Qi, and conquered it. The King of Qi asked Mencius if he should take possession of it for himself, Mencius replied that, “If the people of the Yan will be pleased with your taking possession of it, then do so...If the people of the Yan will not be pleased with your taking possession of it, then do not do so...” (Doebelin, 1940, pp.124) according to Mencius, people are the decisive forces that solve the countries conflicts. This argument provided some reference for the United States to settle the dispute in the anti-terrorist. The peaceful world will never come if violence is retaliated by violence and injustice is revenged by injustice. People from all over the world can't forget the catastrophe caused by the conflict of civilizations and expect eagerly the arrival of the peace.

## 4. Confucianism can help us with the personality cultivation

As we are contemplating on some of the great issues that are facing our human civilization in the 21st century, we must collectively recognize that more and more people around us are suffering from extraordinary worry and unhappiness in life. In established world economies and countries, we are now confronting the fact that at least one out of five people suffers from mental health problems. (G.C.Poon, 2003, pp.108)

Confucianism is not only a theory of governing the country, but also a training way developed to be a way of controlling oneself. For example, Confucius educated his students to control their mind-heart and make it conform to the ritual. Confucian stressed on the training personal morality by learning and introspection continuously, so that one can keep his good nature inherited from the heaven. Moreover, Confucians assist there are many attractive things, but one can only take some he ought to rather than he wants. Mencius said: “Life is my favorite, and righteousness is also my favorite, however, if I can't get both, and I will give up the life and take righteousness.”(Mencius, 1983, pp.332) If we can understand the profound significant of these words, we will have a strong faith and belief in our heart. If we have a forceful faith or a highest value in our heart, we won't have such feelings as anxiety, depression, isolation, and helplessness. In one word, Confucianism can balance our behavior; it is possible to say that Confucianism is developed to be level of practical and living philosophy.

As we have seen, human civilization in the 21st century confronts many important problems, its prospect will not be the conflict of civilizations and the disaster caused by such conflicts as some western scholars have predicted, but rather a co-existence of various civilizations which is claimed by Confucianism as ‘harmony but no assimilation’ and will accord to the aspiration of the peoples from all over the world. Chinese philosophy should obtain much more esteem and therefore the equal communication, dialogues, and fusion between Chinese and western philosophical traditions may be expected to enter into a new great phase.

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**Notes**

Note 1. An important term in Chinese philosophy. It means that the relation of the nature and man is harmony.

Note 2. A kind of the official that administers the mountains and forests in the state

Note 3. An official given by the Heaven on the head

Note 4. A chapter in the book that instructs the king of the state to do something or not to do something in every month



## Personality and Second Language Learning

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### Abstract

This paper examines the relationships which exist between personality and second language learning and adds to the data available on the use of a highly respected personality indicator, the Myers Briggs Type Indicator (MBTI). Language learning and academic success are both highly correlated with intelligence, but research suggests that the importance of intelligence declines after high school age, partly because of the stronger effects of personality. This study places emphasis on the importance of personality in learning success and examines research evidence on the issue, discussing some of the inconsistent results that have been obtained. A study of 100 Hong Kong university undergraduates was carried out to add to this research base. The instruments used were the MBTI for personality traits, the Strategy Inventory for Language Learning (S.I.L.L.) for learning strategies and a standardized test for language proficiency. Significant statistical relationships were not found and the reasons for this are discussed.

**Keywords:** Personality, Second language learning, Intelligence, Hong Kong

### 1. Introduction

The relationship between personality and second language learning ability, has received some research interest in the last few decades. The results that are available however, have sometimes been inconsistent, often because of methodological and conceptual differences in the way the studies were performed. This article will consider some of the research evidence which has examined these relationships and details a recent study of undergraduate students in Hong Kong which aimed to determine not only the connections between personality, language learning and learning strategies, but also to add to the available data on the personality profiles of Chinese students.

The study will first briefly clarify what might be meant by the terms intelligence, learning strategies and personality, before presenting details of the Hong Kong data collection.

### 2. Theoretical Perspectives

According to Chamorro-Premuzic and Furnham, (2005, p. 40) researchers in cognitive psychology agree on a definition of intelligence which states that it.....

“...is a very general mental capacity that, among other things, involves the ability to reason, plan, solve problems, think abstractly, comprehend complex ideas, learn quickly and learn from experience.... it reflects a broader and deeper capability for comprehending our surroundings- ‘catching on’ ‘making sense’ of things, or ‘figuring out’ what to do....”

Many of the elements in the definition of intelligence given above have also been described as indications of the ‘good language learner’ and have been tabulated in lists of learning strategies that such learners use (Oxford, 1995). Learning a second language successfully requires using reasoning and problem solving abilities and it requires the ability to use and apply strategies which try to make sense of the structure and use of a new language, a clear overlap with definitions of intelligence. Strong elements of successful language learning have been the use of what are called *cognitive strategies* (the direct processing of language, e.g. memorizing, inferring meaning, solving problems, identifying or making sense of relationships) and *metacognitive strategies* (thinking about those processes). Both of these have been identified as of crucial importance in strategy research. (O’Malley, et al. 1985a). Attempts have been made to teach strategies for language learning, but these have not met with much success (Hassall, 1984, O’Malley, et al. 1985b). Among the reasons for this may be the fact that the ability to use strategies is related to general intelligence and thus subject to the same developmental, social and genetic influences which limit the effects of direct teaching.

Research has provided evidence of the power of general intelligence in predicting academic performance, including second language learning success (academic performance being estimated by written or oral examinations, continuous assessment, group work, essays or dissertations). (Gagne & St Pere, 2001, Neisser, et al. 1996, Sternberg & Kaufman, 1996). However, there is also evidence that general intelligence (as measured by IQ tests) is often not highly correlated with academic performance. (Singh, & Varma, 1995). Ackerman (1994) and Jensen (1980) report a

declining correlation as subjects moved from elementary to university education. If intellectual ability, as measured by psychometric tests, has a declining predictive power in adults, the question arises as to what accounts for the difference? It may well be that personality plays a strong role. In other words, general intelligence may be able to predict what a person *can do* whereas personality type may predict what a person *is likely to do*. There may well be a strong argument for a greater role to be given to the concept of personality in learning, over the effects of general intelligence.

The next section will look at how we might define personality and what research evidence currently exists to demonstrate its influence on learning in general, and language learning in particular.

### 3. Personality

Personality theory assumes that everyone is different and that individuals are characterized by a unique and basically unchanging pattern of traits, dispositions or temperaments. Personality has however, been studied in a variety of different ways. It has been viewed as pertaining to different forms of information processing styles or learning styles (Messick, 1994). Marton & Saljo (1976), identified two learning styles: *surface-level*, characterized by students who memorize and rote learn, as opposed to those who learn at a *deeper level*. Biggs (1987), in Hong Kong, noted three styles, labeling them as *utilizing*, *achieving* and *internalizing*. There has been also been a view that personality consists of a multitude of specific *traits* and it is therefore impossible to offer an accurate profile. Examples of traits or dispositions have been: anxiety, locus of control, achievement orientation, intrinsic motivation, self esteem, social competence etc. Multi-trait models have been developed using factor analysis to reduce the wide list of traits to a smaller number of fundamental constructs of personality and which *are* able to offer more accurate profiles. Multi-trait models have been widely accepted as providing the core features of personality and extensive investigation has demonstrated high levels of reliability and validity. The three best known are the *Eysenck Personality Questionnaire*, (EPQ) (Eysenck, 1975), the *Myers Briggs Type Indicator*, MBTI (Briggs Myers, et al., 1998) and the *Five Factor Model*, (FFM) (Costa and McCrae, 1992). (Appendix 1 summarizes the main features of MBTI with related FFM traits. For reasons of space EPQ is not summarized here.)

#### 3.1 Multi-trait models and learning

The research detailed below relates particularly to the personality traits found in the multi-trait models. Such research is cited as evidence that many studies have found a relationship between personality and learning, although not always a consistent one.

Neuroticism (an EPQ trait) has been found to have a clear relationship with general language learning aptitude (Robinson, et al, 1994) and has often been negatively correlated with academic performance (Lathey, 199; Weiss, 1998). It is not surprising that stress and anxiety may affect success in exams, or that Neuroticism may cause a more general effect in terms of attendance, poor health, worry and poor study habits (Woodrow, 2006). Language learning has often been observed as stressful and so such effects would clearly be in evidence. Eysenck & Cookson, (1969) found that the correlation between Extroversion and achievement changed from a positive to a negative correlation around the ages of 13-14. It is now generally accepted that Introverts (EPQ, FFM and MBTI traits) have an advantage in learning and are more likely to have better study habits (Goh & Moore, 1987; Sanchez-Marin, et al. 2001), although contradictions remain. In reviewing nine studies connected with second language learning, Kiany (1998) found that two detected a positive relationship with Extroversion and L2 success, three found a positive relationship with Introversion and L2 success, and three found no link. Others point to evidence that Extroverted students learn foreign languages better because of their willingness to interact with others and because of their reduced inhibitions (Ehrman & Oxford, 1990).

It has also been reported that Psychoticism (an EPQ trait) is negatively related to academic performance. As Psychoticism relates to insensitivity, solitariness and an uncaring attitude, and as such a trait is more likely to be negatively associated with educational settings, this result is unsurprising. Conscientiousness (a FFM trait) is positively related to achievement (not surprisingly) (Goh & Moore, 1987; Busato, et al. 2000; Blicke, 1996 & Costa & McCrae, 1992). Openness/Intuition (FFM and MBTI traits) have been positively associated with academic performance. (Blicke, 1996; Geisler-Brenstein & Schmeck, 1996). Ackerman (1999) found that a wide vocabulary was associated with Openness/ Intuition. Blicke (1996) suggested that Openness/Intuition were correlated with the desire to use wider learning strategies and learning techniques.

Some relationships have also been found between language teaching methodological issues and personality preferences. (The following evidence refers to MBTI data). Those with a Thinking preference, rather than a Feeling preference were found to prefer more analysis of language data and have a greater ability to see details rather than the global picture. Those with a Feeling preference saw things more globally and sought holistic strategies such as guessing, predicting and paraphrasing, with avoidance of grammatical analysis. Judgers needed more direction and clear grammar rules. Intuitive students were more likely to use abstract principles of language in a more divergent way and feel relaxed with guessing, predicting and other "compensation" strategies. (Sharp, 2005).

An interesting connection can be made here with discussions on *investment theory* (Cattell, 1987). This theory posits that certain personality traits related to curiosity, imagination, creativity, intuition and achievement motivation are likely to drive an individual to *invest* in the development of skills and knowledge. Openness/ Intuition, as aspects of personality, might drive individuals to *invest* in improved reasoning, problem solving skills, skills in comprehending complex ideas etc, which are clear features of intelligence. This again suggests that certain personality features are related to learning success and to intelligence.

#### 4. The Hong Kong Study

A study was carried out with 100 undergraduates at a university in Hong Kong. The purpose of the study was to investigate personality differences (using the MBTI) and strategy use (using the Strategy Inventory for Language Learning, SILL) to see if there were any identifiable relationships between these variables and the students' language proficiency (assessed with a standardized English language test). The study also aimed to present data to add to that already available concerning personality typing in Chinese settings.

Participants:

N=100

84 female            16 male

Mean age = 24.4yrs.

All subjects were ethnic Chinese undergraduates, studying for a degree in English language and literature.

##### 4.1 The selection of MBTI as a research tool

The Myers Briggs Type Indicator (MBTI) was selected as a research tool for a number of reasons:

- a) More than 2 million assessments are done each year using this inventory
- b) The MBTI has been researched for 40 years, with reliability and validity studies supporting it in a variety of cultures (see Briggs Myers, et al. 1998).
- c) The MBTI has a clear and direct relevance to learning. Unlike the EPQ none of the preferences indicated in MBTI have negative connotations (for example EPQ's use of *Psychoticism* as a trait suggests a tendency towards instability, *Neuroticism* has similar negative connotations. MBTI traits offer more neutral trait descriptions).

MBTI is made up 4 bipolar scales as shown in appendix 1. Each of the four dimensions is independent of the other three, so the bi-polar scales can be combined to yield 16 possible combinations, ISTJ, ESTJ, ISFJ, ESFJ etc. These 16 combinations are used when presenting the results of MBTI assessments.

##### 4.2 Learning Strategies

The Strategy Inventory for Language Learning (SILL) was selected for this study because it has been used frequently around the world in recent years (Oxford, 1995) and therefore allows easy comparison with other studies. It is designed specifically for second language English learners and was therefore appropriate for the subjects in this study.

Strategy use was assessed using a 68 item self-report questionnaire. A Likert scale is used, with sections categorized as follows:

- Section A Remembering effectively (memory)
- Section B Using mental processes (cognitive)
- Section C Compensating for missing knowledge (compensation)
- Section D Organizing and evaluating (metacognitive)
- Section E Managing emotions (affective)
- Section F Learning with others (social)

##### 4.3 Administration of MBTI and SILL

The MBTI data collection took 2 hours, attendance was voluntary and great care was taken to explain that the MBTI was not a test and that there were no right or wrong answers. MBTI form G was used.

The SILL questionnaire was administered in a later session with the students. Both MBTI and SILL results were discussed with the students and it was pointed out how an understanding of personality type and strategy use could be beneficial for students' development and learning.

##### 4.4 Proficiency Testing

All students were given a standardized English language proficiency test with multiple choice format, cloze design and open-ended questions to test grammar and reading comprehension. A composite score for both grammar and reading

is given as a percentage in the next section. It was unfortunately not possible to broaden the type of assessment given to include speaking and listening skills because of time constraints related to student availability at the university where the data collection took place.

## 5. Results of Study

The MBTI results are given below in table 1 and 2. Types are presented as separate traits (table 2) and as 16 alternative combinations (table 1). Tables 3 shows the proficiency results and table 4 the SILL results. Table 5 shows the relationship between MBTI and second language proficiency.

### MBTI : key

E – Extroversion	T - Thinking	I - Introversion	F - Feeling
S – Sensing	J – Judging	N - Intuition	P – Perceiving

Insert Table 1 and Table 2 here:

Table 1 and 2 show a wide distribution of personality types in the group assessed, as would be expected. The most pronounced are ISTJ, ISFJ and ISFP (table 1). There is a strong preference for Sensing (S) over Intuition (N), Introversion (I) over Extroversion (E), and for Feeling (F) over Thinking (T) (table 2).

Insert table 3 here

Mean score is 70.2. SD 10.3

Table 3 show the composite, percentage scores for grammar and reading comprehension.

Insert table 4 here

### *5.1 Analysis*

Some preliminary analysis to investigate the relationships between the variables of personality, strategy use and proficiency is given below.

MBTI and Strategy Use (measured by SILL), with MBTI as the dependent variable, strategy use as the independent variable.

No significant relationships were found, except as given below:

Introversion negatively related to use of SILL social category:  $p < 0.011$

Introversion positively related to metacognitive strategy use:  $p < 0.057$

### SILL and Proficiency

No significant relationship was found between SILL categories and proficiency.

Insert table 5 here:

These results indicate no significant relationship between personality and proficiency scores, although there is a slightly higher score related to Introverted students.

## 6. Discussion

This study failed to find any simple direct relationship between personality, learning strategies and second language proficiency. Some studies have found difference in language learning success related to personality (as noted in section 3 above) and teachers continue to regard personality as of considerable importance in learning (e.g. Bleese, 1986; Griffith, 1991). However, there have been other studies which have also failed to find relationships. Carrell, et al. (1996), Ehrman and Oxford, (1995) and Carrell & Anderson (1994) for example, failed to find any direct, simple relationships in their research on the issue. Why then, does the current study, like some others, have such difficulty in establishing relationships between these variables? One reason may be that personality preferences, as set out in the MBTI, give no indication of student maturity, motivation, or of situational factors (a point also noted by Carrell, et al., 1996). MBTI, as mentioned earlier, has very high reliability and validity ratings (Briggs Myers, et al. 1998), but there have been detractors: Zemke (1993) found that MBTI reliability only reached 61% and Wiggins (1989) put reliability at no more than 50%. A further confounding factor in the present study may be that there was only limited variability in proficiency scores or strategy use. Low variation will obviously result in low correlations. Although a standardized university language test was used, it related only to grammar and reading comprehension. A more comprehensive measure covering listening and speaking skills may have revealed stronger relationships, but as noted earlier this had not been possible in the present study.

Although it has not been possible in this study to demonstrate any clear relationships between SILL, MBTI and proficiency, other studies have sometimes found that successful language learners are more likely to use certain learning strategies (McDonough, 1986; Skehan, 199; Harris & Grenfell, 2004; Li Qin, 2006). The results of this study show that

the Hong Kong undergraduates surveyed are in the medium range of strategy usage, according to Oxford (1995). This is also similar to other studies using Chinese subjects (Klassen, 1994; Yang, 1994). The rank order of SILL means is similar to that of the Brenner (1999) study in Hong Kong (which also used Chinese undergraduates) and to the ranking found by Goh & Foong (1997) with Chinese students in Singapore. The reasons why there might be this consistency in strategy use amongst Chinese students is certainly worth further investigation in future research on this issue.

### 6.1 MBTI in Chinese Contexts

The results presented in this study only offer a very small sample of MBTI personality preferences in Chinese contexts. Indeed, studies using MBTI in Chinese cultures generally have so far been small in number. Those that are available are referred to below to enable comparison with the current study. Huang & Huang (1992) assessed university students (n=280), Yao (1993) looked at school administrators (n=293) and Broer & McCarly (1999) management students (n=119). More recently Li & Qin (2003) assessed non-English sophomores in two Chinese universities (n=187). All four studies found that a large percentage of Chinese subjects preferred Sensing. This result is replicated in this study for Hong Kong Chinese students. Sensing may be preferred because it relates to the strategy of memorizing facts and details (a strength of sensing). These are required for success in school exams and university entrance and are seen by some as a dominant feature of education in Chinese contexts (Watkins & Biggs, 1996). Information gathered through the senses therefore, is likely to predominate rather than the use of imagination and intuition.

There was also a dominance of Introversion over Extroversion in all four studies and in the current study. Huang & Huang (1992) quote a variety of sources which indicate a Chinese predilection for Introversion. They suggest that Introversion was not only a trait of Chinese living in Taiwan (where their study took place), but also of Chinese living in other parts of the world.

Given that the total number of subjects in the studies being considered above is small (total n=991) and that there are vocational and educational biases in the samples, it would not be advisable to make generalizations about the Chinese population. However, it is interesting to note that there are very high percentages supporting both Introversion and Sensing. Further work needs to be done with larger samples to see if consistent patterns become evident.

## 7. Conclusion

This article has argued in support of clear relationships between personality, second language learning and strategy use and has presented a variety of research evidence supporting such a relationship. The data collected in Hong Kong however, has demonstrated the difficulty in providing direct, statistical evidence with small sample data collection. In terms of conceptual difficulties, regarding the terminology and definition of personality and learning strategies, more needs to be done to refine precisely what is being identified when these terms are used and more recognition given to the overlap in the skills, abilities and predispositions they denote. Research of this sort presents considerable problems in separating the many variables which influence successful language learning attainment. These variables may relate to self-concept and self-confidence (Clement, et al. 1994), gender (Tannen, 1991), and attitude and motivation (Dornyei, 2003). Clearly separating out these factors presents considerable difficulty in data collection and analysis. Future research requires larger samples and more comprehensive measures of personality and learners strategy use (perhaps using more than one of the standard multi-trait models assessments with same students), so that precise statistical evidence can be found that will shed light on the intuitive belief held by teachers and educators of the importance of these issues in learning.

## Appendix 1

### The Myers Briggs Type Indicator (MBTI)

A summary of the MBTI is given below. Costa & McCrae (1989) report on strong correlations between MBTI and the FFM – these are indicated below each preference description.

**Extroversion (E) –Introversion (I).** An Extrovert is said to receive energy from outside sources, whereas an Introvert is more concerned with the inner world of ideas and is more likely to be involved with solitary activities. This trait does not just describe whether a person is outgoing or shy, but considers whether a person prefers working alone or feels energized and at home working in a team. (Introversion and Extroversion are identical under FFM).

**Sensing (S) – Intuition (N).** A Sensing preference relies on gathering information through the five senses, attending to concrete, practical facts. Sensors are less likely to see the ‘bigger picture’ and more likely to follow a step by step approach. An Intuitive thinker is more likely to be drawn by abstract possibilities, meanings and relationships and will be drawn by the innovative and theoretical. (FFM terminology describes Sensing as Closed and Intuition as Open)

**Thinking (T)- Feeling (F).** A Thinking person is more likely to prefer decisions made in an impersonal, logical, objective manner. A Feeling person will make decisions based more on personal values, relationships and the feelings of others. Women are more likely to be Feelers. (FFM terminology describes Feeling as Agreeable and Thinking as not prioritizing Agreeableness )

**Judging (J) – Perceiving (P).** This personality preference describes how a person deals with the outside world. The Judger is more likely to look for a planned and controlled life, seeking closure, preferring planning and regulation. The Perceiver deals with the outside world through sensing or intuition, but prefers spontaneity, flexibility, freedom and autonomy and ‘playing it by ear’. (FFM terminology describes Judging as high Conscientiousness, and Perceiving as Low Conscientiousness)

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Table 1. MBTI results (combined traits)

<u>ISTJ</u>	<u>ISFJ</u>	<u>INFJ</u>	<u>INTJ</u>
N=14	N=12	N=0	N=3
<u>ISTP</u>	<u>ISFP</u>	<u>INFP</u>	<u>INTP</u>
N=6	N=12	N=7	N=2
<u>ESTP</u>	<u>ESFP</u>	<u>ENFP</u>	<u>ENTP</u>
N=4	N=6	N=8	N=3
<u>ESTJ</u>	<u>ESFJ</u>	<u>ENFJ</u>	<u>ENTJ</u>
N=7	N=4	N=8	N=4

Table 2. MBTI (individual traits)

E 44%	S 65%
I 56%	N 35%
T 43%	J 52%
F 57%	P 48%

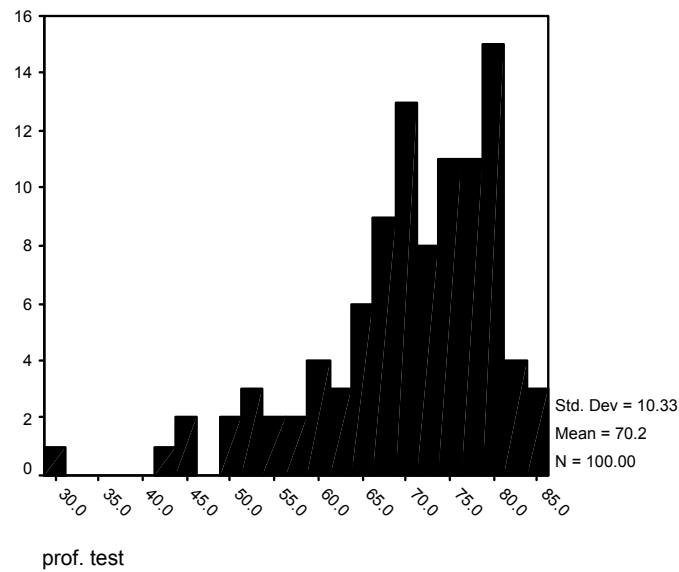


Table 3. Language Proficiency Test Results

Table 4. Ranked SILL Results:

	<u>Mean</u>	<u>SD</u>
Compensation	3.4	0.5
Metacognitive	3.3	0.5
Cognitive	3.3	0.6
Social	3.1	0.8
Affective	2.9	0.6
Memory	2.7	0.6

Table 5. MBTI and Proficiency

I(71.50)	E(68.90)p=.156
S(70.22)	N(70.65)p=.844
F(70.16)	T(70.64)p=.711
P (70.38)	J (70.37) p=.866

(Bracketed number is the proficiency score as a percentage)



## Evading Tactics of Psychological Contract Violations

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### Abstract

Nowadays, the theory of psychological contract is the focus of human resources research at home and abroad. With the transformation of economic pattern and globalization of world economy, the psychological contract in employment relationship has changed extremely, even has been broken and to be perceived as psychological contract violations. The present article analyzed psychological contract and psychological contract violations, putted forward some evading tactics.

**Keywords:** Psychological contract, Psychological contract violations, Evading tactics

In 1980s, with the development of global economic integration and transformation of economic pattern, enterprises have to materially adjust their management tactic and operation pattern. After a series of innovations such as merger and acquisition, reshuffle, reduction of staff and expenditure, as well as new management methods, etc, the relation between employees and organizations has changed greatly. The employees' former mental balance is broken. In the past, if the employees could work hard and be loyal to their organization, with no doubt, they could permanently work for the organization and develop their career stably there. But now the job guarantee and career stabilization do not exist any more. Caused by the innovation in enterprises, it appeared some issues among employees, such as the playing-down employees' loyalty and satisfaction, the descending work performance, the increasing dissatisfactory and hostile behavior, the rising brain drain rate, and so on. All these problems restrict the development of enterprises. The weight of economic contract in enterprise is descending here, but the weight of psychological contract is going up. The study on psychological contract is widely paid attention to by scholars and enterprises, meanwhile it also has become a hot topic in management field domestically and overseas at present. With the transformation of economic pattern and globalization of world economy, the psychological contract in employment relationship has changed extremely, even has been broken and to be perceived as psychological contract violations. The present article analyzed psychological contract and psychological contract violations, putted forward some evading tactics.

### 1. History Root and Development of Psychological Contract

Argyris was the first person who used the term of psychological contract to depict the interactive relation between the employees and their foremen in 1960s. In 1962, Levinson deemed the psychological contract as an unwritten contract and a summation of expectations from organization and employees. Psychological contract here emphasized on the inherent, recessive, never expressive expectations, which existed before forming the relation of employers and employees. Of the expectations, some were specific, and some were inexplicit. In 1965, Schein defined Psychological Contract as ".....in organizations, there exists a set of inexplicit expectations among each member, different supervisor as well as the others". And he also pointed out that psychological contract had two administrative levels. They were individual psychological contract and organization psychological contract. In 1973, Kotter considered that psychological contract was an inner agreement between individuals and organizations. It concretized the cost paid out by one side and redound received by the other side. In the late 1980s, the understanding about the concept deepened more. American scholar Rousseau believed that psychological contract was an understanding or a faith on employees' and employers' compulsoriness. On the basis of promises, trust and perception, psychological contract formed with the background of employment relationship. In 1994, Robinson, Kraatz and Rousseau pointed out again that psychological contract substantially was parties' subjective faith and a process constructed in practice, that is, "employees' promises, understanding and apperceive on exchange relation of external & internal contribution (effort, loyalty, etc) as well as organization inducement (reward, promotion, etc)". In 1997, Herriot and Pemberton thought psychological contract was a perception about various responsibilities that employers and employees should provide for one another in employment relation. This perception came from apperceive towards the formal agreement or kept in different expectations.

As has been said above, there is not a monolithic definition of psychological contract yet. But there is one point of common understanding, that is, psychological contract is a recessive contract for coordinating the relation between employees and organizations. It is the basis of harmonious employment relation. Based on the promises, the essential characteristic of this concept is the subjective apperceive for the obligation and compulsory of one another.

## **2. Characteristics of Psychological Contract**

### *2.1 Subjectivity*

The contents of psychological contract is employees' cognizance or subjective perceive in terms of their own obligation and organization's obligation, but not the obligation itself. Due to the employees' unique experiences and opinions on the relation between themselves and organization, psychological contract maybe differ from the economic contract as well as the understanding and explanation of the others or the third side (organization agent). Different employees identify and breach psychological contract in different ways. It presents subjectivity.

### *2.2 Dynamics*

The formal economic contract is stable. With the variance of work notion, the growth of the organization, and the development of employees' needs, psychological contract is in a changing and emendatory state. Any changes on organization operation mode could influence the production of psychological contract. No matter the change is physical or social. The longer employees work in the organizations, the wider their psychological contract contains, the more latent content on expectations and responsibilities in the relation of employees and their organization has. (Baud·Machin, 2000)

### *2.3 Informality and Implicitness*

In economic life, apart from the formal, open and dominant economic contract with obvious legal and regulative effects, there is another kind of important contract. It does not form by letters and written expression, but by various tacit and complicated agreements between employees and their organizations. Psychological contract has no definite promises as economic contract, but it influences people's economic behavior deeply.

### *2.4 Bi-directionality and Non-equivalence*

Psychological contract is bidirectional. But the expectations and promises between employees and organizations in psychological contract do not correspond one by one. The confidence and loyalty that the employees have toward their enterprises can not be weighed. Organizations' promises and employees' expectations and contributions are also incapable to be corresponded.

### *2.5 Incentive Function*

Schein (1980) has ever pointed out, "Psychological contract is powerful determinant of behavior in organizations, though it is with no clear written statement". If psychological contract was breached, employees would reappraise and reconstruct more contracts in organizations.

### *2.6 Adaptability*

Psychological contract has no fixed pattern and uniform standard. Just as the fact that effective incentive methods and countermeasures could not take effect in any circumstances in organizations, content of psychological contract is adjusting and changing along with organizations' development in different periods and employees' extending apperceive on psychological contract. There is no unchangeable psychological contract.

## **3. Psychological Contract Violation**

Modern society is characterized by diversification. The change, destruction and violation of psychological contract are unavoidable. If employees thought that they had fulfilled enterprises' demands but enterprises had not undertaken their responsibilities as employees expected, psychological contract violation would appear. Many research scholars find that employees usually do not consider what they get less than enterprises promise them as psychological contract violation. To illustrate the definition of psychological contract violation, Morrison and Robinson (1997) defined it as a subjective experience, that is to say, when enterprises met employees' psychological contract except one or several demands, employees would subjectively perceive psychological contract violation.

Western scholars have done some investigations on the extent of psychological contract violation. Robinson and Rousseau (1994) found that about 55 per cent of MBA students had experienced psychological contract violation in the first two years of their working life. Otherwise when psychological contract was destructed, employees might think over the exchange relation with enterprises, and the employment relationship might change. However, Turnley and Feldman (1999) discovered that only 25% of employees had experienced psychological contract violation. The difference was caused by different formation of psychological contract and measurement. Strictly speaking, most of employees has experienced psychological contract violation. In an investigation on over 800 administrators, Turnley (1996) found 81 per cent of respondents had thought enterprises did not meet at least one of what they promised them. Nevertheless, only 24 per cent of respondents believed what they got was less than what enterprises promised them. Examining the fulfillment extent of psychological contract mainly depends on measurement of psychological contract violation.

#### 4. Evading tactics of Psychological Contract Violation

##### 4.1 Evading “ideology misunderstanding”, enterprises should construct human-oriented enterprise culture.

Enterprise culture is the microcosmic foundation formed by employees' collective psychological characteristics, mental outlook and administrative mode. In the process of development, enterprises' administrators usually only pay attention to the tangible economic contract, but ignore the intangible psychological contract. They even seldom consider employees' feeling and expectation. This necessarily will lead to employees' psychological contract violation and it will undoubtedly reduce enterprises' benefits. Enterprises should construct human-oriented enterprise culture, putting talents to full use and efficient use. They should effectively develop employees' ability and potentiality. In order to figure a powerful spiritual support for their employees, enterprises should also create an atmosphere and a spirit which are strenuous, enterprising, harmonious, equal and just. This will assuredly create a good environment and space for reaching and maintaining psychological contract. And it could arouse employees' enthusiasm for putting their shoulders to the wheel, and adhere to “promises” which has been accepted by enterprises and employees in the “contract”. Accordingly it will form a harmonious employment relationship and realize the enterprises' strategic target.

##### 4.2 Evading “perception misunderstanding”, enterprises should set up a good communication mechanism.

The psychological contract between enterprises and employees possesses dynamic character. It is continuously changing and modifying. If merely depending on perceptive promises to each other, the two sides will produce mutual dissatisfaction and inconsistent pace. Finally it will lead to psychological contract violation and break the steady employment relationship established between enterprises and employees. Only if the two parts set up an all-round dynamic communication and intercommunication channel can they understand demands and desires of each other. Enterprises should periodically and irregularly communicate with their employees, regard the growth of employees, assist employees to design their perfect future profession, and create opportunities for employees to exert their independent innovation consciousness and independent participation consciousness.

##### 4.3 Evading “growth misunderstanding”, enterprises should build effective training and promotion mechanism.

Nowadays, in labor market supply exceeds demand. Under the circumstance, employees are in quite passive position. At this time, if employees perceive psychological contract violation and that enterprises are reluctant to or do not take any compensation measures, the effect of negative behavior caused by employees will be obvious, and even could affect the image and the benefit of enterprises. By providing with effective training, advanced study and promotion mechanism, enterprises can not only lessen employees' psychological contract violation, but also increase their satisfaction. The fact that enterprises give opportunities of training and advanced study to their employees means what employees have done is recognized or appreciated by enterprises. They have potentialities to be promoted. Promotion will bring some active changes such as work contents, management right, and salary. The most important is to enhance employees' sense of identity and belonging.

##### 4.4 Evading “obligation misunderstanding”, enterprises should pay attention to promote employees' work satisfactions.

If employees thought that they had fulfilled enterprises' demands but enterprises had not undertaken their responsibilities as employees expected, psychological contract violation would appear. Thus enterprises must pay attention to promote employees' work satisfactions to lessen or eliminate the psychological contract violation. Employees' satisfactions are determined by how their demands have been met. When working in enterprises, employees usually have some demands. For instance, they hope that they could obtain suited reward, do a challenging job, win recognition, and opportunities of advanced study and promotion. They also want to work in a harmonious atmosphere and a comfortable environment, and expect a bright future.

##### 4.5 Evading “participation misunderstanding”, enterprises and employees should strengthen mutual trust.

Trust is the core of psychological contract. It directly influences the behaviors of enterprises and employees. The employees' trust in enterprises plays an important role in subjective experiences of psychological contract violation. It affects employees' acknowledgement and explanation on psychological contract violation, as well as the resulted behaviors (Robinson, 1996). When employees perceive that enterprises destroy psychological contract, psychological contract violation will appear. Employees will spontaneously believe that enterprises' words and deeds are inconsistent. If they consider that their present work will not obtain affirmatory return, their work motivation will decrease (Robinson, 1996). Enterprises should break employees' former executive or obedient role, and increase employees' participation. They should make employees know enterprises' goal very well, and give employees voice right in the process of decision-making and implement. And thereby enterprises could enhance employees' sense of achievement and pride. Enterprises should respect suggestions from employees and try to foster employees' identity sense. This may relieve employees' uncertainty on the future of enterprises. This may also form an open and straight-out atmosphere so that to buildup trust between enterprises and employees. The mutual trust is the important link of forming and maintaining a good psychological contract.

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## Exchange Rates and Export Growth in Asian Economies

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### Abstract

This paper discusses the impact of exchange rates on the export performance of selected Southeast Asian economies, namely, Indonesia, Malaysia, Singapore and Thailand. We construct an empirical model to account for the role of the real exchange rate and other economic fundamentals such as macroeconomic stability, terms of trade, capital goods investment, external demand and human capital. The study makes use of a *panel data* and estimates an export equation using a *fixed effect* model. The findings in this study strongly corroborate results from the theoretical framework that exchange rate misalignment and exchange rate variability have significant impacts on export performance. The study also finds evidence that the export growth path of these selected economies are dependent on global demand conditions, especially demand from OECD countries.

**Keywords:** Real exchange rates, Exchange rate misalignment, Panel data, Fixed effect model

### 1. Introduction

This paper analyses the impact of real exchange rate (RER) competitiveness and other economic fundamentals such as investment in capital goods, term of trade, human capital, and external demand on export performance in the selected Southeast Asian economies of Indonesia, Malaysia, Singapore and Thailand. A panel data is formed by combining the time series data of these four countries.

This work extends the work of Elbadawi (1998) and several others like Sekkat and Varoudakis (2000). It unifies two theoretical models of Rodrik (1994) and Paredes (1989). Rodrik's model, motivated by the export experiences of Taiwan and Korea explains rapid export growth as being driven by a sustained boom in capital investment. Paredes' model, influenced by the Latin American experiences predicts a significant role for RER competitiveness and RER stability in the determination of export supply.

### 2. Previous empirical research

There are several empirical models to examine the impact of exchange rate policies on exports of goods and services. Balassa (1990) studies the responsiveness of exports of goods and services to RER-related price incentives. This study was conducted for a panel of 16 Sub-Saharan African (SSA) countries. Sapir and Sekkat (1995) showed that the impact of RER, RER volatility and misalignment vary across different sectoral levels and exchange rate regimes.

Sekkat and Varoudakis (2000) extended the work of the above-mentioned studies by incorporating two more exchange rate policy indicators, namely RER volatility and RER misalignment. The study was conducted for selected SSA countries. The study postulated the following relationship between export volume and exchange rate variables:

$$\log(X_i) = \alpha_0 + \alpha_1 \log(MNF_i) + \alpha_2 \log(E_i) + \alpha_3 \log(V_i) + \alpha_4 \log(mis_i) + \varepsilon_i, \quad (1)$$

Where,

$X_i$  is the ratio of export of sector  $i$  over  $GDP$ ,  $MNF$  is the ratio of total manufactured value added to  $GDP$ ,  $E$  is the effective exchange rate (RER),  $V$  is the volatility of the RER,  $mis$  is a measure of misalignment and  $\varepsilon$  is the error term.

Paredes (1989) found no significant link between export supply and exchange rate uncertainty for Chile and Peru. Grobar (1993) conducted a study to assess the impact of exchange rate volatility on export for ten developing countries (Argentina, Brazil, Colombo, Greece, Malaysia, Mexico, Philippines, South Africa, Thailand and Yugoslavia). The study lent support to the hypothesis that exchange rate volatility negatively affects exports. The study however found that misalignment did not have a significant impact on exports for the ten countries.

Rodrik (1994) showed that the sustained export growth in Korea and Taiwan was not achieved due to currency depreciation. The upward trend in export and trade in these countries are attributed to the increased investment in capital goods, research & development and human capital development. These investments have enhanced the productivity and competitiveness of the goods and services produced in these two Asian 'tiger economies'.

Elbadawi (1998) conducted a study on more than sixty countries analyzing the role of real exchange rate in the non-traditional exports of Africa, and comparing it with the more successful non-African countries. Elbadawi's specification for the export demand function incorporated features from both Rodrik's and Paredes' models. Elbadawi's formulation of the export demand function is as follows:

$$\begin{aligned} \log(XNTY_t) = & \beta_0 + \beta_1 RERMIS_t + \beta_2 RERVAR_t + \beta_3 \log(MM_t) \\ & + \beta_4 \log(TOT_t) + \beta_5 TOTVAR + \beta_6 SCH_t + \beta_7 OECYB_t \\ & + \gamma_1 DSSA_t + \gamma_2 DEA_t + \gamma_3 DLAC_t + \varepsilon_t, \end{aligned} \quad (2)$$

Where,  $XNTY$  is the ratio of non-traditional exports to  $GDP$  (both in current dollars);  $RERMIS$  is the real exchange rate misalignment;  $RERVAR$  real exchange rate variability in logs;  $MM$  is imports of machinery over  $GDP$ ;  $TOTVAR$  is variability in the terms of trade;  $SCH$  is an index of schooling (the average of the primary and secondary enrolment ratios).  $OECYB$  is OECD countries' GDP per worker (in constant dollars); and  $DSSA$ ,  $DEA$  and  $DLAC$  are dummies for Sub-Saharan Africa, East Asia and Latin America (proxing for differing supply conditions), respectively.

Elbadawi's study indicated that RER misalignment, RER volatility, investments in machinery and schooling have significant impact on export performance. RER variability was found to have a negative impact on export performance.

The next section proposes a model similar to that presented in Elbadawi (1998) and Sekkat and Varoukadakis (1999) to assess the impact of exchange rate and human capital on the export path for the selected economies.

### 3. The model data

This study makes use of a *panel data* which is formed by *pooling* the time series, cross-section data of Indonesia, Malaysia, Singapore and Thailand. The use of panel data is believed to be appropriate here because of the limited number of observations for each country.

Panel data sets are typically wide but short i.e. with wide cross sectional units but short number of years as in the study of Elbadawi (1998). In this study however because the cross sectional units are only four- since we focus on only four countries, the panel data formed is not the typical wide and short panel. However, the advantage here is we reduce the large averaging effect that occurs in wide panel data sets. Thus, the estimation obtained in this study would better reflect the situation in these four countries.

There are three models that can be used for analysing panel data. The first model is to simply combine or pool all the time-series and cross section data and then estimate the underlying model using ordinary least squares (this is referred to as pooled least squares). The intercept is assumed to be common.

The second model involves the recognition that omitted variables may lead to changes in the cross section and time-series intercepts. This model is referred to as the *fixed-effects* model, which allow for intercepts to be different for the different cross-sections.

The third model allows for the variation in the cross-sections and also the periods. This method is called the *random-effects*. The method is essentially a variation of the generalized least squares estimation.

Consider the following model for the export function for the selected ASEAN economies:

$$y_{it} = \alpha_{it} + \beta_i' x_{it} + \varepsilon_{it}, \quad (3)$$

where,  $i$  ( $i=1, \dots, n$ ) is the cross-section units (countries) and  $t$  ( $t = 1, \dots, T$ ) is the periods. The dependent variable  $y$  measures the export function. The vector  $\beta$  is the parameter of interest. The residual is denoted as  $\varepsilon$  residual. The design matrix ( $x$ ) for the model is

$$x = [RER, RERMIS, RERVAR, \log(MM), \log(TOT), \text{ILLITERATE}, \text{OECD}]$$

$RER$  is the real exchange rates defined such that an increase in  $RER$  represents an appreciation (data from IMF International Financial Statistics, 2000).  $RERMIS$  is real exchange rate misalignment, obtained from subtracting  $ERER$  from  $RER$  and expressed as a percentage of  $ERER$ . (for theoretical and empirical work on the equilibrium exchange rate



ERER see Mohamad and Nair (2007). A positive figure represents an overvaluation. All RER, ERER, and RERVAR are expressed in logs, while RERMIS is expressed in percentages.

The equilibrium RER level (ERER) is also used to find out which of the ER variables most significantly affect exports. All RER, ERER, and RERVAR are expressed in logs, while RERMIS is expressed in percentages. This model extends Paredes' model by explicitly linking export supply to the actual level of RER, level of the equilibrium RER and to the degree of RER disequilibrium. These different measures of RER can also proxy ER policy and therefore the model can assess the impact of ER policies on export.

RERVAR is RER variability measured from the monthly standard deviation of the real effective exchange rates (data from IMF World Economic Outlook WEO 2000 database), This measure is used to proxy macroeconomic stability relevant for export performance.

MM is machinery imports as a percentage of GDP. TOT is terms of trade (data was obtained from IMF WEO 2000).

ILLITERATE is the illiteracy rate for adult (percentage of people 15 and above, data from World Bank, World Development Indicator WDI, 2000). This measure was used to replace schooling as the data is more complete. Illiteracy rate also proxies the initial stock of human capital in the different countries.

OECD is average GNP per capita of OECD countries in constant 1995 USD (the individual GNP per capita data for 23 OECD countries were obtained from World Bank WDI 2000) and is used to control for the level of world demand.

As mentioned earlier, there are three possible models that can be derived from the (3). They are the pooled, fixed and random models. The pooled model assumes the intercepts for the countries are identical, that is,

$$\alpha_{it} = \alpha$$

The difficulty with pooled least squares is its assumption of constant intercept and slope are unreasonable.

The fixed effects for the model in (3) is estimated to allow for different intercepts for different cross-section units, thus:

$$\alpha_{it} = \alpha_i, \text{ where } E(\alpha_i \varepsilon_{it}) \neq 0$$

The random effects model on the other hand treats intercepts as random variable across pool members so that:

$$\alpha_{it} = \alpha + u_i, \text{ where } E(u_i \varepsilon_{it}) = 0$$

For our problem we could not estimate random effects model as it requires the number of cross-sections to be greater than the number of regressors. In our case, the number of cross-sections (countries) is four, while the number of regressors in the model is seven.

In order to test which model is better between the pooled least squares regression model and the fixed effects model, we conduct the following F-test, where the null and the alternative hypothesis are as follows:

$$H_0 : \alpha_{it} = \alpha$$

$$H_A : \alpha_{it} = \alpha_i$$

The *F*-test statistic is given as follows (Greene 2000: 562):

$$F = \frac{(R_{fe}^2 - R_p^2)(nT - n - k)}{(1 - R_{fe}^2)(n - 1)} : F_{n-1, nT-n-k}, \quad (4)$$

The test statistics in (4) follows an *F*-distribution with  $(n-1)$  and  $(nT-n-k)$  degrees of freedom.

The model in (3) was estimated using a sample of pooled cross section and time series data. Two different measures of exports were used as dependent variables, and these were estimated separately. These are total exports of goods and services (log X), total export of manufactured goods (logXmanf)

The model in (3) was first estimated using pooled least squares technique with assumption of a common intercept and then using fixed effects model that allow for different intercepts representing each country. The coefficients of all the regressors are assumed common across the cross section units (the four countries). The use of country dummies to obtain the different intercepts can capture to some extent the initial differences that exist among these countries. The fixed-effect model was estimated using the generalised least square (GLS) method.

#### 4. Results and discussion

Initial results of regressions show DW statistics having values close to zero, suggesting existence of autocorrelation. To correct for this an AR(1) term is introduced which significantly improves the model. We also estimated the models using the White Heteroskedasticity estimator (to correct for the existence of heteroskedasticity) and the generalized least squares method with cross sections weights. Regressions using RER were found not to be significant, and so the tables report regressions that exclude this variable.

Tables 1 and 2 report the results for the 2 export functions. Each table contains three fixed effects regressions. Equation 1 incorporates the full set of variables, while regression 2 excludes imports of machines (MM) and regression 3 excludes RERMIS. Equation 2 and 3 are designed indirectly to test Rodrik's conclusion that capital goods are important determinants for export growth.

The estimated regressions for the export functions appear to fit the data very well with more than 95% of the variation in exports explained by the model.

Generally, the parameters in the models have the expected signs and most are significant at 1% level. For Table 1, in equation 1 RERMIS is not significant but RERMIS becomes significant in equation 2, when the variable imported machinery (log MM) is excluded. The negative significant impact of RERMIS means that an overvaluation of the RER relative to its equilibrium level will tend to decrease exports, while an undervaluation will increase it. The magnitude however is rather small.

Unlike the findings in Elbadawi (1998), the variable ERER in our study was found to be highly significant in all regressions. This implies that not only does exchange rate misalignment matter, the position of the equilibrium rate also is important, with higher ERER leading to reduce amount of exports.

RER variability was found to be damaging to exports as revealed by the significant and negative coefficient of RERVAR. The magnitude however is much less compared to the damaging effect of an appreciating ERER but bigger than the effect of RERMIS. The results for the coefficient of imports of machinery (MM) are highly significant with the expected positive signs in all the regressions. The findings lend further support to the hypothesis that this factor is an important catalyst enhancing the export growth in these East Asian countries.

The estimated coefficients for ILLITERATE confirm the importance of human capital is an important factor for the export from these countries. A reduction in the illiteracy rate boost total export of goods and services produced in these countries.

For the OECD variable, only equation 2 show weak significance (at 10 %). the result lends some support to the importance of external demand in these countries.

Finally all country constants (intercepts) have positive values and are highly significant. The fixed effects values reported in the tables indicate that the fixed effects model with different country intercepts are more efficient than the model which assumes constant intercept. From the empirical results, Malaysia seems to have the highest initial advantages in the production of total export of goods and services compared to the other three countries.

## 5. Conclusion

This work has policy implications concerning the importance of various exchange rate measures that affect exports. The RER misalignment measure, RERMIS, is found to be negatively and significantly associated with export. This means that an undervaluation of RER can be used to promote export, while an overvaluation will tend to reduce export. However, the results also suggest that, variability may be a more important variable to consider than the level of misalignment. This finding can contribute towards a policy choice when policy makers are faced, for example, with the trade-off between stability of the exchange rates and the possibility of serious misalignment caused by pegging.

This study also gives strong support for the contribution of imported investment in capital towards export growth. The results for OECD countries average GNP per capita (OECD), terms of trade (TOT) and illiteracy rate ILLITERATE were mixed, but are generally consistent with predictions.

Empirical findings from this study not only corroborate the view that imports of investment in capital goods, basic capabilities, and perhaps some strategic interventions to resolve market failures are important for successful export-orientation; but also give evidence for the contributions of competitive and stable exchange rates.

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Table 1. Estimation of Equation 5 Using Dependent Variable Total Export of Goods and Services (log X)

Dependent Variable LOG(X)	Equation 1		Equation 2		Equation 3	
	Coeff	T-stat	Coeff	T-stat	Coeff	T-stat
RERMIS	-0.0011	-0.933	-0.0015***	-1.424	-	-
LOG(ERER)	-0.6349*	-3.545	-0.6465*	-3.249	-0.5366*	-3.939
LOG(RERVAR)	-0.0125***	-1.588	-0.0219*	-2.751	-0.0088	-1.243
LOG(TOT)	0.1749	1.127	0.3829*	3.141	0.1447	0.971
LOG(MM)	0.2699*	4.022	-	-	0.2849*	4.036
ILLITERATE	-0.1893**	-2.661	-0.2141*	-2.898	-0.2045*	-3.317
OECD	1.20E-5	0.738	5.25E-05*	2.446	1.15E-05	0.736
IND__C	5.8538*	2.557	2.0868***	0.967	5.6893*	2.608
MAL__C	7.3029*	5.184	3.6533*	2.286	7.0147*	5.339
SINGA__C	7.0734*	5.031	4.2069*	2.761	6.7198*	5.318
THAI__C	6.4092*	5.100	3.2586*	2.339	6.1123*	5.3973
AR(1)	0.9534*	100.34	0.9662*	203.193	0.9544*	114.17
R <sup>2</sup>	0.9994		0.9982		0.9995	
ADJUSTED R <sup>2</sup>	0.9994		0.9981		0.9994	
NO. OF OBSERVATIONS	80		111		80	
SAMPLE PERIOD	1976-1998		1970-1998		1976-19998	
FIXED EFFECTS	200.1817*					

Table 2. Estimation of Equation 5 Using Dependent Variable Export of Manufactured Goods (log Xmanf)

Dependent Variable LOG(Xmanf)	Equation 1		Equation 2		Equation 3	
	Coeff	T-stat	Coeff	T-stat	Coeff	T-stat
RERMIS	-0.0041*	-2.453	-0.0050*	-2.170	-	-
LOG(ERER)	-1.2439*	-4.672	-1.3955*	-4.338	-0.9774*	-3.654
LOG(RERVAR)	-0.0222*	-2.396	-0.0406*	-2.643	-0.0098	-1.138
LOG(TOT)	0.4632***	-1.613	0.0199	-0.072	-0.5477**	-2.089
LOG(MM)	0.5922*	8.812	-	-	0.6126*	8.240
ILLITERATE	-0.0376*	-1.665	-0.0696*	-2.167	-0.0592*	-2.498
OECD	2.9E-05***	2.954	6.6E-05**	2.376	1.40E-05	0.653
IND__C	11.7719*	8.625	8.4350*	5.306	11.8293*	8.435
MAL__C	12.3073*	8.848	9.956*	6.507	12.238*	8.578
SINGA__C	12.5010*	9.106	10.3020*	6.988	12.2399*	8.738
THAI__C	11.6662*	8.445	8.3747*	5.813	11.4172*	8.229
AR(1)	0.7*	5.673	0.7433*	6.718	0.6752*	7.310
R <sup>2</sup>	0.9995		0.9977		0.9994	
ADJUSTED R <sup>2</sup>	0.9994		0.9973		0.9993	
NO. OF OBSERVATIONS	70		70		70	
SAMPLE PERIOD	1980-1998		1980-1998		1980-1998	
FIXED EFFECTS	244.5770*					

**Notes for all tables**RERMIS: Real Exchange Rate Misalignment =  $(\text{RER} - \text{ERER}) / \text{ERER} * 100$ 

ERER: Equilibrium Real Exchange Rate

RERVAR: Real Exchange Rate Variability

TOT: Terms of Trade measured in index

MM: Import of Machines

ILLITERATE: Illiteracy Rate (%) of adults 15 years and above.

OECD: Average OECD countries GNP per capita (in constant 1995 USD)

IND\_C, MAL\_C, SINGA\_C, THAI\_C are cross section (country) constants

AR(1) : Autoregressive variable of lag one.

FIXED EFFECTS give F statistics of the test of the non-existence of a fixed effects

\*, \*\*, \*\*\* significant at 1%, 5%, and 10% levels respectively



## Thirty Years' Financial Support for Chinese Industry

### Reform of National Defense Science

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#### Abstract

The year of 2008 is the 30th anniversary of Chinese reform and opening-up. In thirty years, the defense science industry of China has achieved great accomplishments, and the practice and experience of defense science industry reform deserve retrospection. Financial support is one of necessary conditions for the reform and development of national defense science industry. In this article, we will review 30 years' financial support of defense science industry from three stages including the probe and reform, i.e. the adjustment and transition, and the reform, i.e. the defense science industry in the new century, and the reform and the development, i.e. the road and objective of the advance, and put forward the future development direction of the defense science industry.

**Keywords:** Defense industry, Reform and development, Adjustment and transition, Financial support

Since the Third Plenary Session of the Eleventh Central Committee in 1978, the reform and development of national defense science industry have experienced thirty years' journey. In thirty years, through some difficult roads, the defense science industry has achieved great accomplishments and greatly strengthened the defense strength, science strength, comprehensive national strength and national cohesion of China. Through thirty years' history, every accomplishment acquired in the national defense science industry was related with the exact leads of Party Central Committee and State Council and the supports from various aspects.

#### 1. The probe and reform: the adjustment and transition

After the Third Plenary Session of the Eleventh Central Committee in 1978, the international environment of China became loose, and new cognition and judgment for the international environment came into being in the decision layer. So the new strategic directional idea of national defense construction, i.e. from the state of readiness to the construction in the peaceful term was put forward, and it established the base for the national defense science industry to comprehensively implement strategic transformation. To adapt the requirement of the social development, China established the national strategic objective focusing on the central task of economic construction. Obeying and serving for the national strategy, the national defense science industry should implement the development guideline combining army with civilian from single serving for national defense construction to serving for four modernizations. Especially in the transition process from the planned economy system to the socialism market economy system, the Central Military Commission put forward the guideline of "shortening the battle line, emphasizing the focus, stressing the creation of scientific research and accelerating the renewal", and reduced the production ability of the national defense science industry and centralized advantages to do scientific research well.

At the late of 1970s and the beginning of 1980s, according to gradually assuasive international situation, Deng Xiaoping put forward that the domestic works should be retransferred to economic construction, and the development of Chinese national defense science industry also entered into a new stage. In January of 1982, after Deng Xiaoping summarized development experiences of domestic and foreign national defense science industries, he put forward the guideline of "combining army and civilian, combining peace and war, giving priority to military products, letting the civilian support the army". The military industry was required not only to accomplish the stated scientific research and production task of weapon equipment, but also to develop scientific research and production of civilian product in full sail, and new breakthrough occurred in the cognition for the combination of army and civilian. In July of 1986, the adjustment of military industry corporation which combined the former Ministry of Nuclear Industry, Ministry of Aviation Industry of PRC, Ministry of Space Industry of PRC, and Ministry of Ordnance Industry of PRC to the army directly lead by the State Council created good conditions for conquering the abuse of separation between military and civil. What the military industry enterprises faced are not the highly concentrated system and relatively closed circumstance, but an opener system and a daedal exterior world. Since the reform and opening-up, especially the Third Plenary Session of the

Fourteenth Central Committee, the military industry corporation accelerated the course joining with national economy and the socialism market economic system, and made sizable changes about product mix, industrial structure, organization structure and the run mechanism of military products studying and producing. The military industry corporation of China has changed the single structure and made great achievements. The volume of trade for national defense science fruit increased more than 60 percent by degrees annually and created almost one million economic benefit and tremendous social benefit. It not only supported the construction of national economy, but also boosted up the national defense strength and comprehensive national strength of China.

According to the Marx's capital theory about "the first driving force" and "the continual driving force", finance and science are also the first driving force of economic development. The combination of finance and science released gigantic energy. Through the course of the variance of the financing system of China and the economic gain, we can see that each reform of the financing system dredged the channel which social saving turned into social investment, improved the capacity of social capital shaping, and effectively supported the economic growth from capital. In 1979, China has carried out the reform of economic system which taken "laying down right and yielding benefit" as the main line. This reform resulted in the crashing changes of the background of financing system of China and formed banks dominating corporation which fit with the changes. The finances funds style of the corporation financing structure has been replaced by the capital within national budget, bank loan, foreign capital utilizing, self-financing and other multiple styles, such as stocks, bonds, note and so on. The forming channel and mechanism of national defense funds are multiform, it is not limited the channel of the reallocation of national income and the planned mechanism. The primary allocation of national income was also the important channel of the national defense funds forming. The essential of this change is to transfer part rights of national defense investment to enterprises in order to fully exert the function of market mechanism and better enhance the benefit of national defense investment. Many aspects such as the continual development of Chinese economic system reform, the national investment to the military industry, universal strengthening of the viability for the military industry and the strong increase of the macro economy further enhance the reform endurance of the whole industry, and the national defense science industry strengthened the research and production for the weapon and equipment with high technology to further develop the research and production of the weapon equipment and the national defense science, which made the economic situation of the military industry straighten up.

## **2. The reform: the defense science industry in the new century**

In 1997, under the condition that China had actualized the first objective and the socialism market economy system frame had been established primarily, the 15th National Congress of CPC put forward taking Deng Xiaoping Theory as the guidance idea, establishing many important strategies such as invigorating the country through science, technology and education, the sustainable development, and strengthening the army through science and technology, taking the national defense science industry as the national strategic industry to promote the further development in the new century. In this stage, the military industry of China had comprehensively carried through the strategic idea that "national defense construction and economic construction are both important and they are coordinated to develop together", and entered into the new development phase which taken establishing the new system and new mechanism of national defense science industry to adapt the requirement of the socialism market economy system and the demand of equipment modernization construction as the objective. Since 1980s, to strengthen the centralized and uniform management, introduce the competition mechanism and actualize the separation of political power and enterprise, the management system of the military industry had been reformed. Through the adjustments, the industrial organization adjustment made important progress. The relationship of equipment order and organized production and the relationship of demand and supply were established between the military equipment use department managed by the Chief Ministry of Equipment and the research production department managed by the Technology and Industry for National Defense. According to the principle of "labor division, taking advantage, emphasizing particularly on different fields, and orderly competition" confirmed by the country, the Military industry Group adjusted and recomposed various military industry production enterprises to develop the national defense science industry together. According to the total deployment for the science research production ability adjustment of the national military products and the reforms of enterprise and scientific research academies, the military industry enterprises are implemented adjustment and recombination according to three types including "keeping important military enterprises, opening up and enlivening the economy, and closure and bankruptcy", and various research academies begun to implement adjustment and reform with different forms, and some academies entered into the corporate group to become the scientific development center, and some academies were transformed into scientific enterprises, and some academies were transformed into non-profitable institutions. The adjustment to the military industry enterprises would make some enterprises become the backbone enterprises, and make some enterprises implement closure and bankruptcy, and make some enterprises adopt various forms to open up and enliven the economy based on the total number of present enterprise. Accordingly, for the economic structure of national science industry, especially for the ownership structure, except that some backbone enterprises were continually solely funded by the state, other enterprises would realize the diversification of investment main bodies possibly. The military industry corporation should strive for the direction to establishing the modern enterprise institution and accomplish the goal that they could coordinate with national economy and enter into the

virtuous cycle. Since 1920s, with the development of capital market, the financing styles of China's enterprises has been multiform. Many enterprises began to utilize the direct financing to get the fund what they needed, and the direct financing has become one of the principal styles by which the China's enterprises got the long-term fund which they needed. The financing system has changed from bank-dominated to modern market-dominated, and the multiform financing styles has been the main character of the marketable financing, and the rate of the securities financing raised constantly in the permanent assets of social permanent assets.

The securities financing was propitious to the property reform of military enterprises. China's military enterprises adopted the single state-owned property style chronically, which resulted in no distinction between the duties of the governments and that of the enterprises and the administration monopoly extremely. The securities financing could change the property structure of military enterprises, and create the favorable condition to eliminate the no distinction between the duties of the governments and that of the enterprises and the administration monopoly. Up to May of 2005, there has been 43 military enterprises which been listed in Hong Kong, especially up to 2006, every military group and military enterprises taken some measures, such as the joint stock system rebuilding, recombination and coming into the market, to accelerate the development of deep reform obviously. In 2007, there are 18 enterprises which applied for additional stock issue and 10 enterprises which applied for the first public coming into the market and the total of the planned raising fund has exceeded the sum of past years.

The reconstruction and marketing of military industry enterprises in 2007 had several obvious characters. First, the assets involved had large size and excellent quality and the quantity of raising fund was large. For example, the Shipbuilding Industry Corporation utilized the increasing issuance of Hudong Heavy Machinery Co., Ltd, the recombination of Wai Gao Qiao New Shipyard, Chengxi Shipyard and Mamao Shipyard to infuse net assets of about nine billion Yuan, and many IPO items such as China Shipbuilding Industry Corporation and China South Industries Motor respectively achieved seven billion Yuan and five billion Yuan. Second, the marketing assets gradually transformed from the former civilian products to the combination of the army and civilian and paying equal attention to the army and civilian. The raising funds were mainly used to enhance the research and development ability for the dual purpose products such as the dual purpose plane, the dual purpose engine, the dual purpose ship equipment, the dual purpose micro-motor, and the dual purpose socket connector, and when they enhanced the profitable ability of the listed companies, they also promoted the form of the positive interaction between the army and the civilian. Third, the capital was taken as the means to drive the primary formation of the professional recombination through the operation of the marketization. For example, the rocket industry was recombined into seven enterprises, and the spaceflight electric appliance was recombined into four civilian micro-motor enterprises, which changed the former administrative recombination mode of "the shotgun marriage". All above aspects indicated that the cognition that group corporation and military industry enterprises quickened the sharing reconstruction, recombination and marketing had been fully enhanced.

### **3. The reform and development: the road and objective of the advance**

The first aspect is to persist in the scientific development view and push the transformation and update of national defense science industry. The strategic core problem of high technology development for one country is the selection of development emphasis. Exact selection of development emphasize can fully utilize limited resources, manpower and financial force to promote the development in the most important domains. That requires the military industry construction must "strengthen the use and management of the outlay, really make scientific decision and comprehensive arrangement, calculate carefully and budget strictly, and guarantee for major sites" under the national macro-guidance, and establish the guidance idea to exert largest benefits for the construction of military industry. First, the advanced equipment manufacturing technology should been developed more quickly. Second, the high technology should be kept to reconstruct traditional national defense science industry. Third, the proportion of national defense scientific research outlay and the weapon stock outlay should be increased to greatly promote the structure adjustment of scientific research and production ability for military products.

The second aspect is to persist in the system innovation and ensure the transition and update of national defense science industry. At present, the system innovation has become into the essential requirement to deepen the reform. Therefore, first, according to the requirements of "economic adjustment, market supervision, social management and public service", the governmental function should be further transformed. For the development of national economy and society, the governmental functions of the macro-control advantage and the market mechanism should be exerted, and the enter and exit mechanism of national defense science industry should be established and perfected more quickly according to the principle of "extracting and condensing the main body of the military industry". Second, the investment and financing system of the military industry should be reformed. Combining with national investment and financing system reform, taking the diversification of investment body as the breakthrough, we should fully promote the system reform of enterprise property right, optimize the recombination of assets, explore the effective implementation form of public military industry enterprises, establish modern military industry enterprise system, establish the micro-bodies of the military industry, and actualize the transformation from quasi-administration to real economy entity for the military industry enterprises. Third, the stock right financing market with multiple poles should be formed. There



are four approaches to push the sharing reform of the military industry enterprise. The first approach is to take the system innovation as the guidance. We should actively encourage and lead enterprises to finance through the issuance of stock, and gradually break the limits of department, industry, army and civilian, and ownership, and reform and optimize the property right structure of the military industry through the ligament of the capital market. According to the actual situation of China, except for few enterprises about national strategic security and core secret, other military industry enterprises can adjust and optimize the property right structure, implement sharing reform through many approaches such as standardizing market, sharing each other, merger and purchase to make most military industry enterprises finance in the capital market, and the assets of reorganization and marketing for the military industry enterprises are not only limited in civilian products after the separation of main and assistant and the separation and military product and civilian product, but encourage the assets and operation combined army and civilian to enter into the capital market, and encourage the total marketing, and enhance the profitable ability and solve the problem that the military assets are in the system “solitary island” for a long term. We should really actualize that the military industry enterprises become into the market competition main body with clear property right, definite responsibility and scientific management. The second approach is the form of innovation reorganization. According as the influencing degrees of enterprise to national security, the reorganization should be implemented through four types including wholly stated fund, stated absolute controlling share, stated relative controlling share and stated sharing. Except that the wholly stated funded enterprises implement the reorganization of the corporation system, other military industry enterprises should implement sharing reorganization. And through the sharing reorganization, the military industry economy gradually develops to the mixed ownership economy which gives priority to the public ownership and many economic forms develop together, and we should actualize the transformation from quasi-administrative type to the real economic entity for the military industry enterprises. The third approach is to encourage the private economy to participate. We should actively encourage and attract multiple economic components to participate in the national defense construction in order to promote the diversification of investment main body and fully exert the functions of various resources in the whole society, push the quick development of the integration system of army and civilian and establish the big national defense. The fourth approach is to implement effective supervision. Because the reorganization of military industry enterprise is relative to national security and it is different to the reorganization of common enterprises, we require the controlling stoker and actual controller of reorganized enterprises should timely and periodically report important items about military products to the Technology and Industry for National Defense, and the organized enterprises still should establish special articles in the constitution of the company to ensure the accomplishment of national task and the security of national secrete.

The third aspect is to persist in technical innovation and promote the transition and update of national defense science industry.

The fourth aspect is to persist in people-orientation and lead the transition and update of national defense science industry.

#### 4. Conclusions

For the development of future national defense science industry, Hu Jintao definitely put forward “adjusting and reforming the system of national defense science industry and the stock system of weapon equipment, and enhancing the independent innovation ability and quality benefit for the research of weapon equipment” in report of the 17th National Congress. Surrounding the core idea, the national defense science industry must develop and reform as a whole, and more emphasize strengthening the military industry group and push the mechanism innovation of the military industry system, and form a new national defense science industry system adapting the new situation, and push the system and mechanism to actualize the transition. The year of 2007 was the year that important change occurred in Chinese military industry policies, and China issued seven documents early or late, and actively push the step of the marketization reform of the national defense military industry, and three routes such as the sharing reorganization, the introduction of private economy and the development of civilian products are basically confirmed. We believe future several years would be the period that the important reform occurs in Chinese national defense military industry which would meet the big reform time with sharing reorganization and assets securitization.

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## Theoretical Consideration on Designing the Index System for Evaluation on Good and Fast Development of Jiangsu's Economy and Society

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### Abstract

Evaluation on good and fast development of Jiangsu's economy and society is one of the most important problems in the research area of Jiangsu's sustainable development. This paper having researched the function of the indexes for evaluation on good and fast development of Jiangsu's economy and society, designs the integrated indexes and index system for evaluation on good and fast development of Jiangsu's economy and society, on the basis of the comparison and analysis on various evaluation indexes.

**Keywords:** Good and fast development of Jiangsu's economy and society, Index system, Design

Jiangsu has achieved great success in the process of developing economy and society, but never got rid of extensive growth mode that is high input, high consumption, high emission, disharmony, hard circulation and low efficiency. Such grim situation of resources requires people in Jiangsu to establish and carry out scientific concept of development when they design the town planning. People should give full consideration to environmental sustainability rather than only focus on the GDP growth, and firmly regard resource conservation and energy reduction as a rule, to propel the economic and social development of Jiangsu.

### 1. The indexes for evaluation on good and fast development of Jiangsu's economy and society and their functions

Indexes can generally be divided into two categories. One is descriptive indexes, and another is normative ones. The former mainly reflects the reality, such as resource or environment situation, while the latter is used to measure the gap between the real and reference situation, or compare the real with the reference situation.

The indexes for evaluation on good and fast development of Jiangsu's economy and society comprehensively show the information about the development of Jiangsu's society-economy-and-nature compound ecosystem in a concise way. Through this information, people can clearly understand the situation and process of good and fast development of Jiangsu's economy and society, exchange opinions with each other and take measures to solve problems in the purpose of making Jiangsu's economy and society not deviate from the track of good and fast development.

Jiangsu's society-economy-and-nature compound ecosystem is a rather complicated system. Therefore, it is difficult to evaluate the compound ecosystem by one or several indexes, as the evaluation process involves many aspects like ecology, environment, economy and society. Under this circumstance, the index system for evaluation is born. It follows the principle of sustainable development and shows the quality and level of the compound ecosystem development.

### 2. The integrated indexes and index system for evaluation on good and fast development of Jiangsu's economy and society

The index system for evaluation on good and fast development of Jiangsu's economy and society is an index collection which meets some principles, including purpose and scientific principles (the index system should reflex scientific connotation of sustainable development, and the index choice, index weight factor determination, data selection, calculation and synthesis should be based on the generally accepted science theory, statistics theory as well as the administration and decision theory. Besides, people should comprehensively consider such various aspects as population, resource, environment, economy, society and the coordination between them, making the index system not only meet the demand of sustainable development, but also avoid the overlap among the indexes), convenience and

feasibility principles (the indexes should have features that can be measured and compared, and their calculation method should not be too complex. Moreover, the data involved in the index system can be found or calculated in the Chinese statistics system, so it is easy for people to operate), independence and objectivity principles (the indexes should remain independent to keep the index system concise. Besides, the data for designing indexes should be based on the reality), completeness and importance principles (the index system is a whole to reflex the main feature of the compound ecosystem), simplicity and correlation principles (the indexes should be as simple as possible on the basis of completeness to make the index system easier for people to understand and use), character of level and comparability principles (the index system should have more reasonable and clear level and structure. In addition, the consistent access should be applied in the selection and calculation of the index data for the convenience of comparison with similar regions), acceptance and innovation principles (the indexes should be understood and accepted by majorities).

For the sake of convenience, according to the framework of the research system of the construction of good and fast development of Jiangsu's economy and society and the general research methods of science, ecology, economy and sociology, with the operational features of Jiangsu's society, economy and industrial parks, the index system can be divided into three subsystems, that is society index subsystems, economy index subsystems and nature index subsystems. Supposing  $n$  items index in this system, we consider they are made up of macroeconomics evaluation indexes and conservation-of-resource economy indexes. The conservation-of-resource economy indexes mainly consist output indexes, resource consumption indexes, comprehension utilization of resources indexes, reuse of renewable resources indexes and waste disposal reduction indexes. Among them, output indexes mainly refer to gross product produced by resources consumption, the ratio of which is the higher the better, because it means that the efficiency of resource utilization is high.

The indexes reflex "3R" principles in the recycling process of production from resource exploitation and utilization to waste emission. Waste disposal reduction indexes are used to describe the extent of the reduction of the ultimate emission of industrial solid waste and wastewater. The indexes help to reduce resource consumption and waste production from the source, aiming at reducing the ultimate emission of waste and alleviating the environmental pollution.

The indexes reflex the situation of the emission and disposal of main wastes in the process of consumption. Resource consumption indexes indicate the amount of resources consumed due to producing per product or GDP.

The indexes reflex the situation of the utilization of main energy and raw materials and the waste emission, showing the situation of recycling six traditional wastes. Resource productivity, recovery of resource, and the rate of circular utilization, adoption of clean production technology, ultimate disposal of wastes, environmental protection as well as the index for evaluation on the ecological detection system meet the demand of conservation and circular utilization of resources.

The indexes reflex the quality of resource and environment development, which mainly reveal the extent of transferring such wastes as industrial solid waste, industrial wastewater, municipal solid waste and agricultural straw to resources. The index of social resource utilization, the rate of green coverage, wastewater disposal, safe disposal of solid waste and the air quality rating belong to this kind of indexes.

All these indexes above are designed for the construction of good and fast development of Jiangsu's economy and society, which are comprehensive, concise and easy to be operated. What's more, when these indexes are applied in the regions with different features and functions in Jiangsu, people can added some other indexes according to their demands.

### 3. Closing remarks

Building good and fast development of Jiangsu's economy and society, and developing circular economy become the ideal goal of development and environmental administration. While many questions are raised, one of which is how to evaluate sustainable development. Good and fast development of Jiangsu's economy and society has much connection with every people and area. However, people with different backgrounds often have different understandings about it. Therefore, it is difficult and complex to design integrated evaluation indexes and an index system accepted by most people. Obviously it needs a long time, but it is badly needed in the practice. Consequently, people have to balance or compromise between scientific criteria and the demand of social and economic practice, in order to design and improve the index system for evaluation on good and fast development of Jiangsu's economy and society. The existing indexes still can't meet the demand of practice, though the research area of designing the index system for evaluation on good and fast development of Jiangsu's economy and society has achieved great success. So it will be an important research task in a quite long time of the future. The index system for evaluation on good and fast development of Jiangsu's economy and society should be based on the province situation of Jiangsu, reflecting whether the economy and society achieve coordinated development, resources are utilized efficiently and the problems appeared in the economic construction of Jiangsu. During the process of designing the index system, people should build and improve the

operational and monitoring mechanism of good and fast development of Jiangsu's economy and society, meanwhile making a good plan and balance of the process of good and fast development of Jiangsu's economy and society, to serve the implementation of the eleventh five year plan and the policies of Jiangsu's social and economic development.

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## Sanitising and Satanising Malaysia's Cityscapes: Cultural Power from Malay Decolonialism to Islamic Occidentalism and beyond

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### Abstract

When difference is seen as conflict, battle for cultural superiority emerged. Agenda of *Ketuanan Melayu-Islam* (Malay-Islam Supremacy) in Malaysia did not allow pluralism parity or even the existence of it but solitary cultural power. As the cities in Malaysia are the focal point of Western colonial's capitalism and potpourri of multiculturalism, they resemble the colonisation identities and pluralism, therefore the focus of de-colonisation and "cleansing" un-Islamic elements. The processes of cleansing un-Islamic elements in the city so as to transform colonial Occidental cities to Islamic cities involve sanitisation of Hinduism (and also Chinese) elements and satanisation of Occidental identities. Sanitisation can be categorised into few aspects, namely destroying temples or deities in places of worship, renaming streets or places names, imposing unfair Malay and Islam dominance, and controlling religion freedom. Meanwhile, Western elements are labeled as "Satan". Specific targeted satanic Western elements ingrained in the city are "money capitalism", "Western modernity" and "godlessness civilisation".

**Keywords:** Cultural power, Malaysia, Islamic Occidentalism, Malay decolonialism, Sanitisation, Satanisation

### 1. Introduction

In contemporary globalisation era, physical colonisation may have been history but identity colonisation is a new concern. Discourses regarding identity colonisation like "Westernisation", "Americanisation" and "Western hegemony" are ample, be it in Western countries or the Eastern world. Western physical colonisation is the results of Mercantilist School of Thought that flourished from 1500 to 1776 and gave greater emphasis on trade and capitalism interest. This thought, couple with the successful navigation around the world by Ferdinand Magellan between 1519 and 1521 established early connections of the West with the entire world. As a result, confrontation of cultures emerged, in which the Western colonial masters triumph over the helpless indigenous colonies. The colonies were ruled and shaped by the Western masters' systems, culture and ideologies. The effects can be seen until today, years after de-colonisation. The city, as the focal point of Western colonial's capitalism, is therefore the best site to resemble the colonisation identities. For the same reason, the city is also the focus of de-colonisation of Western's identities imperialism. Independent nation-states are eager to "clean" their city of any foreign influences, to be replaced with indigenous identities that stamped their cultural power. Cities with Western's influences including planning, architecture and city's name that relates to Western colonisation, cultural and religion identities are branded as "Occidental city", a term popularised by Ian Buruma and Avishai Margalit in their book, *Occidentalism: The West in the Eyes of Its Enemies* (2004; published by The Penguin Press). They defined "Occidentalism" as "the dehumanizing picture of the West painted by its enemies" (2004: 5) and occidental city is one of the elements of Occidentalism.

*USA Today* (October 26, 2006) reported the phenomena of India changing their cities' name to some more localised flavors. "Bangalore" is to be changed to "Bengaluru", the city's name in Kannada, the local language. Other cities that have changed their name include "Bombay" to "Mumbai" in 1995, "Madras" to "Chennai" in 1996, "Calcutta" to "Kolkata" in 2001 and various smaller cities. Tejaswini Niranjana, director of the Center for the Study of Culture and Society in Bangalore claimed that changing city's name in India is part of a general trend in post-independence India (Note 1). In Malaysia, similar trend can be observed, for examples "Port Swettenham" was changed to "Port Klang", "Teluk Anson" to "Teluk Intan", "Victoria Town" to "Labuan" and "Jesselton" to "Kota Kinabalu". Both "Swettenham" and "Anson" are the name of British officers governing the respective cities.

The sentiments to imposed cultural power against Occidental city are also embedded with dire consequences. The attack on World Trade Center (WTC) twin towers in New York City on September 11, 2001 was the deadliest consequences happened thus far. The attack, dubbed "911 Tragedy" not only woke up the whole world, but also arouses the perception that the city itself is a potent cultural symbol. In that case, New York City is connected to the idea of the city of Babylon, the sinful "City of Man". Thus, we enter the debate of the "City of Man" that is built on human ego and material-based society that deem not Islamic versus the "City of God" that is built on moral and cultural-based civilisation. In the Malay World (including Malaysia), a "City of God" is synonymous with an "Islamic City", which in turn embeds the concept of "Malay City" because in the Malay archipelagos, especially in countries like Malaysia and Brunei, and also a large majority of Indonesians, Malays are also Muslims. Hence, a Malay city may also be synonymous with Islamic city and share common Islamic characteristics. In contrast, the "City of Man" is synonymous with colonial Occidental city that is based on non-Islamic elements like secular laws and flourished in un-Islamic capitalism.

Despite Islam is the national religion, Malaysia is a multicultural country. Its urbanisation ethos is shaped by the composite of Hinduism, Buddhism, Islam, Christianity religions, as well as Eastern and Western cultures. Multiculturalism is seen as un-Islamic, thus it needs cleansing. Furthermore, Farish A. Noor (2007b) warned that the most worrying things of all is the evident intolerance that has become so dangerously normalised in this country: The Youth Wing of UMNO (Note 2) have no worries about putting up banners warning others 'Not to try our patience'. Malaysians have been told not to keep dogs as pets, not to play music too loud, not to serve pork in public restaurants, not to dress provocatively, not to question or demand – by those whose comfort zone is inviolable and for whom the agenda of *Ketuanan Melayu-Islam* is sacrosanct. The processes of cleansing un-Islamic elements in the city so as to transform colonial Occidental cities that also embedded multiculturalism to Islamic cities involves sanitisation of Hinduism and Chinese elements and satanisation of Occidental and pluralism identities.

## 2. Sanitisation of the City from Hinduism and Buddhism Elements

Hundreds years of colonisation, especially by the British and the exposure of the wave of global modernisation have left cultural vestiges to Malaysian cities. Perhaps, the euphoria of golden jubilee Independence Day celebration has triggered the long embedded urge to sanitise un-Islamic elements, which were deemed as unwanted colonisation vestiges and forbidden cultural pluralism. In Malaysia, communities of different cultural, social and religion do mix in social aspects like in sports, education and even cultural activities and celebration. On one hand, Malays view this pluralism as "*muhibah* (Note 3) group" which promotes unity and harmony. On the other hand, pluralism is not encouraged and viewed as un-Islamic. The later view may result in mutually exclusive situation between Islam and non-Islam, hence battle for cultural power where non-Islamic elements, especially the Hinduism and Buddhism (Note 4), should be sanitised from Islam domain. Nevertheless, applying power to control mass media by the government through the ownership of media entities, rule and regulation (include publishing licensing), media censor and threat of Internal Security Act (which enable immediate detention without juridical process) appear to be successfully suppressed sanitisation cases from appearing on the major mass media. Reports, if any, in "official" mass media, like newspapers and television news could have been toned down. Therefore, sources from the Internet, particularly through blogs and personal websites, and foreign media reporting seemed to be the only exception. Sanitisation of the city from Hinduism and Buddhism elements can be categorised into few aspects, namely destroying temples or deities in places of worship, renaming streets or places names, imposing unfair Malay and Islam dominance, and controlling religion freedom.

An example of the first aspect of sanitisation, destroying temples of worship is on Amerdeep's blog. Amerdeep highlighted the temple cleansing in Malaysia and Pakistan mostly based on Sharanya Manivannan's (Note 5) open letter to Indian Prime Minister. According to Amerdeep (2006), Sharanya claimed Malaysian authorities have demolished a number of Hindu temples in different parts of the country, stating that they were built without a proper permit. However, local Hindus have complained that they had applied for permits, sometimes waiting as long as 30 years for a response. Sharanya further claimed that churches and other religious structures have also been demolished along the same lines and those demolitions are clearly part of an organised campaign in a country (Malaysia) that is growing increasingly intolerant of religious minorities. Besides, in May 2006, BBC News (2006) wrote on Islamisation issue in Malaysia, quoting Fong Po Kuan, a Member of Parliament from an opposition party claiming a creeping Islamicisation (sic) in

Malaysia society. She felt that such a move isn't appropriate because Malaysia is a multi-religious, multi-racial country. The BBC News's also reported a crowd of Muslims interrupting a meeting that called for defending the rights of religious minorities and stopping the demolishing of a 107-year-old Hindu temple. Three other cases were also highlighted by BBC News. One of them is the demolition of another 19<sup>th</sup>-century temple, located just few kilometers away from Kuala Lumpur, in April 2006. The other two precedents are the demolition of the Sky Kingdom's compound, where the cultists are put on trial and the leveling a newly completed church of an indigenous community near Skudai in Johor state, where the demolition was closely monitored by Islamic department officials (Note 6) and the police. Illegally built structures was the reason given by the Muslim-dominated authorities but BBC News explained that many such buildings are deemed to be illegal because those buildings pre-dated land records. In some cases, worshippers build them after local authorities reluctant to grant permission for temples and churches. In contrast, the issue of illegally built mosques rarely arises because many local governments are generous with both land and money for their construction (BBC News 2006). On 18 December 2006, P. Uthayakumar, a lawyer claimed to be representing the non-governmental organisation of Hindu Right Action Force (Hindraf) filed notice at the High Court based on Article 11 Federal Constitution to obtain court order to prevent all the respondents (state governments and local authorities) from destroying or giving instruction to destroy Hindu temples or breaking deities in any Hindu temples (Utusan Malaysia Online 2006) (Note 7).

Farish A. Noor (2006) highlighted the case of attempt to level the Sri Mariamman Muniswaran temple, located near Seremban town (in the state of Negeri Sembilan) for road expansion development reasons. Historical records indicate that the temple was between 110 to 130 years old. The Human Rights Commission (Suhakam) commissioner claimed that in between 2003 and 2006, Suhakam received 11 complaints pertaining to the demolition of places of worship – Hindu temples (6), Mosques (3), Church (1) and a Buddhist temple (Malaysiakini 2007). Hindraf chairperson P. Waytha Moorthy in a media statement however challenged the figures that only six Hindu temples and three mosques have been demolished by the authorities. According to him, it should be eighty six temples as of January 2006 and not only six as mentioned. With the mosques, he said, they "have been demolished but even so those mosques were relocated to suitable land with government funds" (Palaniappan 2007).

Besides temples, sanitisation processes are also targeted at pigs (Note 8) and dogs. Generally, rearing, consuming and even touching those animals are prohibited by Islam. In this case, two recent happenings worth mentioned. Firstly, in early September 2007, the Melaka state government ordered destruction of pig livestock in the state from 100,000 to 48,000 despite various protests. Official reasons given are the problems of environmental pollution and bad smell from the pig rearing farms. Yet, according to a blogger by the name "KTEMOC", unofficial "perceptions" included "the stench of pigs and their waste is utterly outrageous to Muslims", and "maybe the Malays are jealous about the Chinese economic capability". KTEMOC believed that if only the government could invest in the modern pig farming, the problems against pig farming would disappear. But aiding pig farmers with government grants and training in animal husbandry may be just too impossible for the UMNO-led government to do (KTEMOC 2007). Secondly, in mid September 2007, the Selayang (Note 9) Municipal Council (MPS) called off its controversial (stray) dog-catching competition that was launched on September 3, 2007. The competition offered prize money up to RM15,000. Animal rights organisations submitted a memorandum to MPS president on September 11. The memorandum was signed by Society for the Prevention of Cruelty to Animals (SPCA) chairman, Malaysian Animal Rights and Welfare Association president, Petpositive president, and Malaysian Association for Responsible Pet Ownership president. Prior to the cancellation of this competition, the Chief Minister of Selangor was quoted saying the state government has no objection to the competition but want the prize money to be reduced (*The Star*, 15 September 2007: N16).

The second aspect, replacing the name of roads or places is another common sanitisation process in Malaysia. For example, Zulkifli Abdul Rahman in December 2001 wrote to Utusan Malaysia newspaper expressing his disappointment regarding the change of a street name, *Jalan* (Note 10) *Koo Chong Kong* to *Jalan Tabung Haji* by the Ipoh City Council. Using the value of historical event and appreciation, he stressed that Koo Chong Kong was the most sought high rank police officer by the communist due to his ability, courage and successfulness in fighting against the communists in Sarawak before taking up the Chief Police post in Perak state with full commitment. Therefore, Zulkifli questioned the Ipoh City Council's knowledge (and insensitivity) on Koo Chong Kong background and his role in national security history and claimed that changing the mentioned street name could cause racial prejudice, as the Ipoh City Council's reason for that action is unknown (Zulkifli Abdul Rahman 2001). Another example of Islamisation of road names is seen in the state of Selangor. On June 2001, Utusan Malaysia Online (2001) reported that the state government exempted the annual advertisement tax on notice board that use *jawi* writing as an effort to enhance the prestige of *jawi* writing.

On unfairly imposing Malays and Islam dominance, the Hindu American Foundation's (HAF) claimed that minorities in Malaysia struggle to maintain and practice their religions. The right to religious freedom has been eroding. Ethnic Malays are required to be Muslims, as they are born into Islam and do not have the freedom to convert. The Hindu population faces increased discrimination and intimidation, including the destruction of their temples and places of

worship. The government continues to treat pre-independence era Hindu temples differently than mosques from the same era, and gives preference to mosques in the allocation of public funds and lands (Note 11). Several disturbing cases have come to light over Hindus not being allowed to be cremated after their death in accordance with Hindu custom, and instead being forced to have an Islamic burial despite family members insisting that the individual was a Hindu (HAF 2006). In another BBC write-up, their Islamic affairs analyst, Roger Hardy questioned the fairness of the twin guiding principles (goals) of Malaysia's modernisation. The first is giving Islam a new pre-eminence in public life, which meant stressing Muslim values and identity, building up Islamic institutions and forging new links with the wider Muslim world. Second, Malaysia "affirmative action" policies that begins in the 1970s, which gave the ethnic Malays privileged position in government, education and bureaucracy. Hence, Hardy (2005) added, "Where do these twin goals leave the Chinese, Indians and others who form the non-Muslim minority? Can a society based on these two principles also be genuinely democratic?" Besides Hardy, Farish A. Noor (2007a) also questioned, "Who, one might ask, is running Malaysia? Is it the office of the Prime Minister, the religious authorities or worse still, the increasing vocal and demanding hard-right conservative religious lobby?" Farish (2007a) cited the banning of books on Islam by authors like Karen Armstrong and the last minute called off of an international conference on Building Bridges between Muslim and Christians. Meanwhile, Dhume (2007) observed that Malaysia boasts of a robust commercial infrastructure, replete with the now-familiar symbols and markers of capital-driven modernity and development but yet at the same time, inter-religious relations in Malaysia have plummeted to an all-time low. Therefore, based on these situations, one might think that while European nations have developed when they went away from religion (the Church) ruled to capitalistic secularism, Malaysia may go the other way, backward from capitalistic secularism to religion domination in economic, social and political life.

Regarding control of religious freedom in Malaysia, Dhume (2007) cited three cases to be pondered. The first case involves Revathi Masoosai, a 29-year-old ethnic Indian woman born to Muslim parents but raised by a Hindu grandmother. In April 2007, Malaysian religious authorities forcibly separated Revathi from her Hindu husband and handed their 15-month-old daughter to Revathi's mother. Dhume highlighted that under Malaysian law, anyone who born to Muslim parents is automatically considered Muslim, and converting to another religion is illegal. No such injunction bars non-Muslims from embracing Islam. Since Muslims come under the purview of *sharia*, non-Muslims cannot seek redress from secular courts (for case on Islam religion). Noor Azam Shairi (2006) mentioned that Prime Minister of Malaysia, Abdullah Badawi giving order to four states, namely Federal Territories, Penang, Sabah and Sarawak to quickly take steps to use the power given by Article 11(4) Federal Constitution to legislate laws to control and block the spread of non-Islam religions among the Muslim. Also highlighted is that Article 11(4) clearly shows that the right of religion freedom under Article 11(1) is not absolute, thus implying that the "freedom" (in Malaysia) is still subjected to other factors including the Article 11(4). The second case mentioned by Dhume happened in year 2005 where Islamic authorities deemed that M. Moorthy, a celebrated mountaineer and a devoted Hindu, had secretly converted to Islam before his death. Over his wife's protests, Moorthy's body was taken from his family and given a Muslim burial. The third case cited is that Lina Joy, a computer saleswoman in her 40s, has spent nearly 10 years unsuccessfully seeking official recognition of her conversion from Islam to Christianity.

### 3. Satanisation of the City from the Western Elements

Both Malay and Islamic worldview did not go against City itself, but the Western elements and cultural pluralism ingrained in the city. Malays construct Western elements behind some phenomena in City that deem negative and un-Islamic, which include radically mixed cosmopolitan society, clubbing, gambling, computer gaming, alcoholic drinking, illegal racing, "one-night-stand" sex and loitering culture (popularly known as *lepak* in Malay language). Thus, Western elements are labeled as "Satan" while various measures were implemented to curb those Western satanic elements, including "moral policing" and purposeful community segregation with the intention to consecrate the satanic City of Man to become the holy City of God. In the eye of the Malays, "Satanisation" involves identifying "money capitalism", "modernity" and "godlessness civilisation" as "Satan". Money capitalism is contrasted with "holy capitalism" while modernity is seen as violating the "Islamic identity". Godlessness civilisation is condemned and compared against the "God-centric civilisation".

#### 3.1 Money capitalism as Satan

This paper refers "money capitalism" to the capitalism that thrives on the power of money. In the eye of the Malays, modern capitalism involves money capitalism and thus it is evil, while Islamic way of capitalism, which is based on the mandate of God, is considered "holy capitalism". The prime targets are power of money and capitalism system. In Occidental City, money is the most powerful object, not God. Commerce and everyday life activities are subjected to the power of money. Simply, with money in the city, everything can be bought. Therefore, the Malays see money as the devilish root of all sinful activities and moral degradation, thus it needs to be combated at all cost. Hence, sinful activities in the city are getting (overly) serious attention from the religion authorities in Malaysia. Farish A. Noor (2007a) highlighted that Malaysia's state-appointed religious authorities have begun to behave like a law unto



themselves, raiding the homes of Malaysians at night in the name of 'moral policing', splitting up Malaysian families in cases where the spouses are not of the same religion and taking children away from their parents. Meanwhile, Meo (2007) reported that every state in Malaysia has a religious department with Saudi-style moral enforcers that targeted unmarried (Muslim) couples sharing hotel rooms and couples sitting too close together on park benches.

Besides money, the Malays' world is believed to be colonised by Western-engineered capitalism system that flourishes in secular platform. This colonisation process is accelerated through globalisation and the fall of competing economics system like socialist system. Perhaps due to strong urge for economic growth, cultural power suppression on this aspect is not wide-spread and limited to prohibition of selling liquor and gambling. Indeed, Mustafa Akyol (2006) claimed that the Koran "looks with favor upon commercial activity, confining itself to condemning fraudulent practices and requiring abstention from trade during certain religious festivals." Observation on the city of Kota Bharu in the state of Kelantan reflects that view. Kota Bharu was declared as Islamic City on 1 October 2005 (Wikipedia 2007a). Thereafter, the selling of liquor and gambling are prohibited but other social and business activities that do not contradict with the Islamic norm are allowed. Even though government offices and many stores are closed on Fridays and Saturdays, the vibrant markets remain open except for Islamic prayer times. Kelantan also has commercial shopping destinations, for examples the Pasar Siti Khadijah (Kota Bharu Central Market), Kota Bharu Trade Center, KB Mall, Pelangi Mall and Kota Seri Mutiara. However, these shopping destinations are not as grandeur as those in Kuala Lumpur city.

### 3.2 Western Modernity as Satan

Modernity manifests itself physically and ideologically. Empire buildings, sexy attires and Western merchandises are physical representation of un-Islamic Occidental modernity, thus becomes the main physical targets for satanisation process. Empire building symbolism is reflected in skyscrapers or big majestic structures, but in wider context, it could also refer to modern infrastructures and architectures. A popular example of Islamic city in Malaysia is Putrajaya, the new administrative center for the federal government of Malaysia, replacing the Occidental city of Kuala Lumpur. Writing by Astora Jabat in the *Utusan Malaysia* newspaper highlighted the Islamic architecture characteristics of Putrajaya, which came from a combination of characteristics of Madinah city (Note 12), other Islamic city and the concept of heaven as spelt out in the Koran. The city is built with river flowing through it, reflecting the concept of heaven while the first building is a mosque (named Masjid Putra) is deemed similar to the way Prophet Muhammad build the Madinah city fourteen century ago. The surrounding environment of Masjid Putra is similar with Abu-Lughod's description of Islamic city. There is a market that is claimed to be similar to those in West Asia cities. Astora Jabat also claimed that the other construction planning concepts in Putrajaya, including architecture philosophy and environment reflecting the (Islamic) cities in West Asia like Kaherah, Istanbul, Mrakesh and Isfahan (Astora Jabat 2003).

Sexy attire, the second representation of Occidental city, is ever a hot debate topic in Malaysia. The Malay social critic Za'ba, writing in 1936, identified the birth of the modern, the usage of the new word *moden* in Malay from the 1920s, as a sarcastic reaction to 'Malay girl guides and brownies going about with exposed legs' (Harper 1997: 510 – 511). Sexy attires deemed inappropriate and blamed for the satanic inclination behind sex crimes. Such attires are seen as Western, rarely pose problem in Occidental cities but not tolerable in Islamic cities. Therefore, revealing and tight fitting clothes (body hugging outfits, blouses that show navel, see-through blouses, miniskirts and tight pants) are prohibited by law to Muslim and non-Muslim women in Islamic cities such as Kota Bahru (Note 13) in the Kelantan state. Offenders of such acts will be fined five hundred Ringgit Malaysia. Kota Bahru Municipal Council spokesman, Mohammed Azman Daham was quoted claiming those outfits smears the reputation of Kota Bahru and affects its status as an Islamic City. He also cited justification for the ruling as response to "mounting complaints from the public" (International Herald Tribune 2006). Besides that, Muslim women are also bound by law to wear ankle-length dress and cover their hair and forehead. This modernity aspect of fashion wear is heavily criticised in PAS's newspaper, *Harakah*. Some examples from the online version include blaming artist in sexy attires as the cause of moral breakdown. For example, Gwen Stefani, who held concert in Malaysia on 21<sup>st</sup> August 2007, is branded as "American sex symbol" due to her usually sexy dressing and concerts by artists such as her are associated with increasing sex related crimes (Nasruddin Hassan Tantawi 2007). Nevertheless, the satanisation of sexy attires is not totally championed by all Malaysian. Some Muslims and non-Muslims are against the use of Islamic laws to clean Occidental elements as they are concerned on the spread of such law throughout the country. The non-Muslims may see such Islamic law as impinging on their human right and freedom. Some Muslims are concerned that such laws may polarise Malaysian Muslim between those who believe Islam should regulate all societal life, and those who believe that practice of their religion should remain in as private matter (Note 14).

Western merchandises are satanised through the claim of culture colonisation. Western merchandises embedded in Occidental culture and un-Islamic are perceived to erode or pollute the purity of Malays culture. Perhaps Occidentalism may be an influential force for identifying fast food, mostly dominated by Western franchises, as one of the major factor for Malaysian obesity. Western merchandises are satanised by juxtaposing them with *halal* products. *Halal*, in a

narrower context is used to describe Moslem dietary laws, where it identifies items and methods permissible to eat or consume under Islamic law. Countering Western merchandizing, various *halal* products are introduced in Malaysian market, branded in either Malay or Islamic name and certified by religion authority. Indirectly, the Western merchandises are not *halal*, hence it is a sin for the Muslims to sell, consume or use them.

Besides the physical aspect of commodities, modernity is also seen as an idea, thus satanisation targets three main Occidental ideologies, which are individualism, democracy and plural society. At the Just World Conference in Kuala Lumpur, 6 December 1999, Dr. Mahathir Mohamad, then Prime Minister of Malaysia lamented the West. He criticised the West as a scarred landscape of drugs, single mothers, AIDS and incest. Western history is an experience of industrialisation that led to social evil, moral weakness and rampant individualism (Harper 1997: 509). Besides, a renown Malay poet, Baha Zain's critical tone on ideological imperialism can be found in his poem entitled *Dari Sarajevo ke jalan lain ke neraka* (From Sarajevo to other road to hell). He wrote: humanity is not a universal right anymore but the right of America, English, French and Russia (Baha Zain 1994: 39).

On individualism, this ideology is the results of economic liberalism and Western value system, which both are the characteristics of urban modernity. Economic liberalism increases competition or rivalry between individuals, thus enriching individualism thinking in the "survival of the fittest" environment. In contrast to Malay *kampung* lifestyle, cooperation is essential in agricultural activities like planting and harvesting while the *gotong-royong* (volunteer cooperation) spirit is strongly cherished in other communal activities like organizing a *kenduri* (Note 15) and cleaning the *kampung*. On democracy, the Malaysian government appears not to subscribe to "Western democracy", viewing it as evil effort to re-colonise the country. Mahathir Mohamad had accused the West of "ramming an arbitrary version of democracy" down Malaysian's throat (Thompson 2000: 664). Anti-Western value of democracy, free trade, human rights and globalisation are seen as anti satanic influences of United States of America and its Western partners. Therefore, the call for open politics, full freedom of speech and scrapping of the Internal Security Act that allowed immediate detention without trial are seen as evil intentions influenced by Western thought. Instead, a hybrid form of democracy is preferred, which this paper has coined as "developmentalism democracy". There may be other referential terms, for example, Thompson's (2000: 660) notion of "semi-democratic" or 'quasi-authoritarian', claiming Malaysian regime has obvious authoritarian features alongside formally democratic institutions. Democratic elements (such as free elections, limited rule of law, and the toleration of opposition parties) were undermined by authoritarian ones (such as open-ended security "laws" that allowed anyone who said to endanger national interests is to be arrested, intimidation of individual oppositionists, a cowed judiciary, and press censorship). However, developmentalism democracy is distinguished by its characteristic feature of focusing on economic development as the justification of imposing soft authoritarianism for the sake of economic growth and political stability. Hence, any form of democracy that may obstruct Malaysian economic development and political stability are seen as evil while any suppression of freedom for the sake of economic development deems as holy scarification.

Another satanic feature of Western modernity is a radically mixed plural society, which is deemed un-Islamic and the evil root to social problem like prostitution. Islamic religious groups and the PAS-led state government embarked on moral policing in the city as mentioned earlier. Sentiment against radically mixed society also resulted in the incident of Prime Minister Abdullah Ahmad Badawi's friendly greeting with Michelle Yeoh (Note 16) and "touching" her shoulder was criticised as being against the Islamic *fatwa* (Nasruddin Hassan Tantawi 2007). Another hot bed for criticism was targeted at the "Sure Heboh Carnival", an annual carnival organised by TV3, a leading television company in Malaysia. The Council of Muftis has declared it as *haram* (forbidden by Islam). The reasons cited are that both sexes who are not related (non-*muhrim*) could mix freely, exposing their *aurat* (including performers not wearing veil and scantily dressed) and neglecting prayers. Countering that antagonism and criticisms, the Sure Heboh Carnival was given a "religious touchup" that included a Jejak Rasul (tracing the Prophet) exhibition, live telecast of Kuliah program, recorded Hidayah program, motivation program, preparing prayer facilities and intermittent pauses for all entertainment programs during prayer times (Astora Jabat 2005). Thus, this supposing a city-style carnival has been fine tuned into a *perkampungan hadhari* (literally means moderate Islamic village) to appease the ultra religious-sensitive groups. Other outright direct solution for this radically mixed societal issue is by way of societal segregation, where activities between sexes or between Islam with non-Islam groups are segregated. In Malaysia, selling of non-*halal* products is isolated from mass public view. Therefore, wet market that sells non-*halal* items are displaced or has segregated entrance. Malays hardly dine at Chinese eateries, regardless that these eateries only sell vegetarian or other *halal* foods. Hotels in Malaysia are erasure of pork.

### 3.3 Godlessness civilisation as Satan

Western urbanisation is synonyms with godlessness civilisation. Administration, law and regulation are not religion based while daily activities in urban context are soulless. God and religion are relegated, secondary to secularism. In the Malay context, Ahmad Razali (1994: 17) in his poem entitled "A flower on fire," highlighted the decline of faith as: "indecent souls resurrect, without prophet, without god ... within independence iron-clad, dogmas, god doesn't exist

anymore in this yellow morning for faith has left and you who talk about harmony, bourgeoisie will fall into fire and burn my whole world.” In another of his poem entitled “Distant”, he wrote: “the mosque was left at the foot of the hill, the preacher is preaching about parliamentary sessions” (Ahmad Razali 1994: 21). Two elements distinguish these godlessness civilisation features. They are features of idolatory and soulless of city life.

The first element, idolisation is prohibited by Islam. This includes worshiping of deity (usually associated with Hinduism and Taoism in Malaysian context), paying respect to any statue or symbol and idolisation of human (usually popular artist). Talent search programs like the popular *Akademi Fantasia* and *Malaysian Idol* are seen as excess of idolisation on human. Ustaz (Note 17) Ahmad Awang, the Deputy President of PAS claimed that putting flowers at the National Monument by the Prime Minister, Abdullah Badawi and his Deputy during the *Hari Pahlawan* (Warrior Day) on 31 July 2007 was deemed Western’s secular practice and against Islamic religion ruling (*fatwa*). Putting flowers, giving respect by observing 20 seconds silence in front of the Monument was also deemed as praying to *berhala*, a Satanic practice, therefore un-Islamic (Azamin Amin 2007). They also support their claim by quoting the subsection 39(6) Islamic Laws Administration Enactment 1991 and the *Surah al Maidah* verse-90. PAS also placed controversial strict restrictions or outright bans on the traditional performance of syncretic Malay theatrical forms, such as *Wayang Kulit*, *Makyong*, *Dikir Barat*, and *Main Puteri*. New fangled versions without the traditional references to Hindu *dewa-dewi* and traditional Malay *hantu* (spirits or ghosts) are tolerated in certain cases. Aside from Quranic recitals, public performances by women are completely banned if men are present in the audience (Wikipedia 2007b). Besides, in conjunction with Malaysia golden jubilee independent celebration, godlessness patriotism is being criticised. For example, LanH (2007) (Note 18) claimed that everyone is not patriotic and live in vain except those who hold to the teaching of Allah. This implies that Malaysia’s Western-type civilisation stance is not worth celebrating unless god is placed at the center its development and urbanisation discourse.

#### 4. Conclusion

The Malays share some Occidentalism view regarding the West and cultural pluralism. Perhaps, the combination of the “911 Tragedy”, debates and issues of Malaysia as an Islamic state and the political battles between PAS and UMNO may have triggered this view. Subsequently, cultural power through Islamisation of the City resulted in sanitisation and satanisation of the un-Islamic Occidental cities in Malaysia. So, what lies ahead and beyond this nation-state of the so-called “Malaysia Truly Asia” in the future? The overzealousness of sanitizing the cityscape from the Hindu elements and the Satanizing of the West under the rubric of decolonialism are gearing towards a worrying stage that needs to be pondered so that the heritage can be preserved and the multiculturalism and plurality will remain as an asset and not a burden.

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## Notes

Note 1. India gained independence from Britain in 1947.

Note 2. United Malays National Organisation (UMNO) is the leading political party of the *Barisan Nasional* (National Front) coalition that rules Malaysia since its independence.

Note 3. *Muhibah* literally means goodwill or friendly feeling. In Malaysian context, it is commonly referred to friendly mixed society comprising of various ethnics, especially the Malay, Chinese and Indian.

Note 4. There are four major religions in Malaysia (particularly referred to Peninsular Malaysia), which are Islam, Christianity, Hinduism and Buddhism. In Malaysian context, almost all Malays are Muslim, thus, popular (mis)conception tend to equal Islam with Malay, Islamic practices with Malay culture, or Islamic city with Malay city.

Note 5. Sharanya Manivannan is an Indian citizen staying in Malaysia. She claimed in her returned comment to Amardeep that she does not have other citizenship or permanent resident ties but feel strongly about the issues of temple demolition in India and Malaysia, and issues regarding Indian Malaysians.

Note 6. One may wonder why demolition of illegal building needs to be monitored by Islamic department officials? What is their role in this situation?

Note 7. is the online version of a local newspaper, *Utusan Malaysia*.

Note 8. Pig in Malay language is called “babi” or “khinzir”. However, the former word is very sensitive to the Malay, thus “khinzir” is deemed to be a “more appropriate” replacement.

Note 9. Selayang is a district in the state of Selangor.

Note 10. Malay word of *Jalan* means “Road” in English while *Tabung Haji* means “Pilgrimage Fund”.

Note 11. These findings have lead to the HAF (2006) recommended that the United States, United Nations, the international community, and human rights groups should pressure the Malaysian government to protect Hindu temples from desecration and destruction. Hindu places of worship that existed prior to independence should be designated as temple property and title to the land should be handed to the respective temple trustees/committees as has been done for pre-independence era mosques.

Note 12. Madinah city is the first Islamic capital city, established by Prophet Muhammad.

Note 13. Kota Bahru is the capital city for the state of Kelantan.

Note 14. For example, referred to blog like [http://www.theswanker.com/macammacam/2006/12/kota\\_baru\\_no\\_mi.html](http://www.theswanker.com/macammacam/2006/12/kota_baru_no_mi.html).

Note 15. *Kenduri* means feast (usually religious and preceded by prayers).

Note 16. Michelle Yeoh is a Malaysian born international actress.

Note 17. *Ustaz* means religious teacher.

Note 18. “LanH” is most likely a pen name.



## Difficulties in Pressing Forward Advance Pricing Agreement (APA) in China

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### Abstract

With the promulgation of the new Corporation Income Tax (CIT), the APA concept has been enacted into the tax laws. The detailed implementation rules to the CIT supports this APA framework and the proposed transfer pricing requirements to be released soon likely will exempt taxpayers with APAS from certain transfer pricing documentation requirements. But there are still some difficulties which hold back APA from pressing forward in China. This paper analyzes the difficulties and brings forward some measures to solve the difficulties.

**Keywords:** Advance Pricing Agreement, Critical Assumption, Tracing Management

### Background

Transfer pricing has been a significant concern for multinational companies in China. In recent years, the Chinese tax authorities have increasingly strengthened their transfer pricing enforcement efforts, as evidenced by more frequent transfer pricing audits and enquiries, and larger amounts of transfer pricing adjustments. A number of alternatives are potentially available for multinational companies to manage their transfer pricing risks and to deal with transfer pricing disputes with the Chinese tax authorities. These include the preparation and maintenance of transfer pricing documentation and defense files, defense or negotiation with the in-charge tax bureaus to settle transfer pricing audits, domestic appeals, competent authority assistance, and unilateral or bilateral / multilateral advance pricing agreements (APAS).

An APA provides the taxpayer with an opportunity to achieve certainty on its transfer pricing before controversies arise with one (in a unilateral APA) or more (in a bilateral or multilateral APA) tax authorities. An APA is also an alternative to the traditional dispute resolution process involving transfer pricing audits and tax audit defense. An APA may take the form of unilateral, bilateral or multilateral. A unilateral APA involves only agreement between the taxpayer and the Chinese tax authority. A bilateral or multilateral APA involves an APA between the taxpayer and the Chinese tax authorities that is concurred by a mutual agreement between China and one or more relevant foreign competent authorities. Managed properly, the APA can be an invaluable tool for taxpayers to manage their transfer pricing issues in China.

### 1. Implementation of advance pricing agreement in China

In China, an APA is an arrangement that determines in advance, an appropriate set of criteria to ascertain the transfer prices of specified related parties transactions over a fixed period of time. The concept of an APA was first introduced into the Chinese transfer pricing regulations in 1998. In 2004, the State Administration of taxation (SAT) issued detailed rules on the application, evaluation, examination, negotiation and conclusion of APAS. Under the Chinese APA rules, a taxpayer must first apply for and obtain approval from the tax authorities before it can submit an APA application. The term of an APA may range from two to four years starting from the year in which the application is submitted, and may be extended backward to cover the application year. Rollback to years prior to the application year, however, is not permitted under the current APA rules. So far, there have been more than 180 APAS concluded in China, most of which are unilateral. In addition to the new bilateral APA with Korea in November, 2007, China has concluded two other bilateral APAS with Japan and the US respectively. (Spencer Chong, 2008) Many APA applications are currently being processed, including a number of bilateral APA ones.

The implementation of the new Corporate Income Tax ("CIT") in 2008 Law is expected to result in wider use of the APA by taxpayers. The CIT Law contains a provision on APAS which enhances the legal status of APA. Therefore, the taxpayer may find it more attractive to use an APA due to the increased certainty resulting from this. (Mike Godfrey, 2007) On the other hand, under the CIT Law and its proposed detailed implementation rules, where a taxpayer intends to implement a cost sharing arrangement ("CSA") in China, the SAT may require the taxpayer to apply for an APA to cover the CSA, or to go through an APA type of application procedure in order for the CSA to be recognized by the

Chinese tax authorities. However, the wider use of the APA in China is restricted by some factors.

## 2. Difficulties in pressing forward the APA in China

SAT has asked all levels of state and local tax authorities to press forward APA, but the effect is not very obvious on account of some difficulties. They can be illustrated as follows.

### 2.1 High cost of obtaining an APA leads to a narrow application

#### 2.1.1 The process of APA negotiation is very complicated and springy

The six major phases in the APA process are: profiling conference; formal application; evaluation; negotiating and drafting; signing of the APA; and execution. Firstly, the taxpayer must evaluate their own situations and weigh the pros and cons before applying for the APA. To substantiate the APA case, taxpayers must adequately build up their business case, background, and commercial and economic analysis of the APA. Secondly, they submit the memorandum of pre-application including all methods of transfer pricing to the involved tax authority. Thirdly, checked and approved by the tax authority, taxpayers submit the application. The following procedures needs taxpayers and tax authorities to sit together to evaluate and negotiate; (During the course of negotiating the APA, taxpayers must ensure good communication with all levels of state and local tax authorities, taking a collaborative approach to quickly and accurately respond to and clarify any queries raised); then comes the signing. It needs huge manpower and material resources and financial resources.

The length of the process creates inefficiencies and substantially increases the cost of obtaining an APA. It presently takes approximately three to four years to resolve an APA case, so APA can not be applied in all cases. What's more, the APA can't be achieved sometimes. We can take America as an example. According to American APA procedure, every taxpayer signing an APA costs 20 thousand dollars. If the cap of operational fee is 4%, then the transaction amount between connected enterprises must be at least 5 billion dollars. Otherwise, the taxpayer will sustain losses from cost-efficiency perspective. For this reason, the American APA is mainly applied to the connected enterprises whose annual trading volumes are over 500 billion dollars. As for china, only large-sized multinational corporations have the desire and the ability to sign an APA.

#### 2.1.2 Short period of validity

Both the taxpayer and tax authority sign the APA in accordance with the economic environment at that moment and mutually acceptable critical assumptions. But the economic environment may change greatly within a short period (three years or so) or the assumptions will not be tenable any longer. Then it's difficult for APA to carry out. That means the APA is not available for the new economic environment. The both sides of the taxpayer and tax collectors need to renegotiate and APA needs to renewal. Renewal APA will take the same amount of time to complete as a new APA takes.

### 2.2 Only bilateral or multilateral APA can really achieve the goal of signing an APA

The goal of signing an APA is to resolve the potential double taxation disputes and solute the problems that occur during the investigation of transfer pricing. But only bilateral or multilateral APA can really achieve the goal. To minimize taxpayer and governmental uncertainty and administrative cost, bilateral of multilateral APAS generally are preferable to unilateral APAS when competent authority procedures are available with respect to the foreign country or countries involved. (Donald L. Korb, 2005) Because an unilateral APA can provide only a partial resolution of cross-border transfer pricing issues because, although it confirms the tax treatment in China, it does not determine how the issues are to be resolved in the other country involved. Consequently, it does not eliminate the risk of double taxation in relation to the transfer pricing issues it addresses.

As introduced above, most of the APAS in China are unilateral ones. Up to now, there are only three bilateral APAS. Only a few countries adopt APA in their transfer pricing tax systems, and bilateral APAS take a substantially longer time to process than unilateral APAS, so it is difficult to sign more bilateral APAS. The unilateral APA remains a valuable, important component of Chinese APA system.

### 2.3 Limitations in implementing and administering APA

#### 2.3.1 Great difficulties in figuring out critical assumptions and normal transaction price to get the ultimate profit ratio

In order to get the ultimate profit ratio of the taxpayer, critical assumptions which are accepted by both taxpayers and tax authorities must be figured out. These critical assumptions must be expressed in forms of objective business and economic standards. They can be expressed as a situation or results of taxpayers or an industry. In OECD's transfer pricing rules, there are seven critical assumptions which must be taken into consideration when signing an APA. They are: internal tax law and treaty clauses; custom duty, import limitation and rules made by government; taxpayers' economic situation, market share, market condition, ultimate sales price and sales amount; transaction risks for enterprises; exchange rate, interest rate and capital structure; categories of income and expenditure; enterprises'

organization form. It's difficult to decide which ones can be chosen to sign an APA among these factors.

On the other hand, during the evaluation period, it's difficult to figure out a uniform standard for methods of transfer pricing. The standard for the department in charge to evaluate the APA is also not easy to figure out, especially the transaction price in practice. If the principle of arm's length is still adopted in judging the connected enterprises' transactions, the APA will still have the fundamental defect of the traditional methodology which is used to adjust transfer pricing. What's more, because the quality of the goods, the produce and business time, the place and condition, environment of the normal transactions are different, the prices are different too; it is very hard to figure out a normal transaction price accepted by both taxpayers and different tax authorities.

All of these increase the difficulties for the APA to press forward in china, and make the pace of promoting APA very slowly.

### 2.3.2 Limitation in administering the APA

It is of great difficulty in administering APA system that APA is not sure to be effective. The efficiency of any system depends on its implementation and administration. As for the APA, tax authority must supervise and inspect the taxpayer in order to know if taxpayer obey the rules and keep the agreement after the sign of APA. Thus, it needs high levels of administrative methods and standards of the tax authority. Most of the countries in the world –especially those developing countries--can't meet these needs. In china, the administrative standards also need to improve greatly.

As to the establishment of organization and structure, the structure and the staff and their functions which administer the transfer pricing must be classified very clearly according to the international convention. (Yi Zhou, 2005) The tax officials who deal with transfer pricing and those who go in for APA fulfill their function separately. That means full-time tax officials are engaged in APA. Compared with the developed countries, there's no effective organization for tax administering on transfer pricing in china. Whatever in SAT, or in tax bureaus at basic level, fewer tax officials are engaged in tax administering on transfer pricing than those in developed countries. Let alone to disposing a rational separate distribution of tax staffs who deal with transfer pricing and APA. With the development of economy, mutual consulting and the bilateral APA negotiation will be on the rise. The limited structure and professional tax official will greatly hamper the promotion of APA in China. This problem will be more protruding in those developed regions where many foreign-funded enterprises lay their administrative organs.

On the other hand, a great number of professionals are needed to be competent at working on APA on account of the complexity and unknown risk during the whole process APA. For example, in America, a coordinative group consisting of professionals from different fields is responsible for examining and approving the APA. The members of the groups include: (1) A leader who is in charge of negotiating with the enterprises, coordinating the different governments, and make draft of APA; (2) Full-time legal adviser who resolves the legal issues during the negotiation; (3) Acting manager and program manage who check up the issues of transfer pricing; (4) Experts on economics who foresee the economic development and analyze the financial situation; (5) A specialist who is proficient in analyzing the clauses of common tax treaties. This shows that in order to ensure the science and authority of the analysis and expectation, the countries which press forward the APA earlier attach great importance to sharing out the work and help one another among the experts from different fields. But we Chinese do research on APA later than other countries. And the qualified professionals on taxation, accounting and negotiation are so rare in China now. So the dispose of involved structure and staff which deal with APA plays a vital role in pressing APA forward smoothly.

### 2.4 Information disclosure

As part of the APA process, the taxpayer must apply prior year's data and future year's projections, including projected tax impact, and economic analyses of the transactions to be covered the APA. Taxpayers are, in effect, laying their cards on the table. That's to say, they have voluntarily disclosed extensive (and sensitive) information about their operations and methods, to educate the SAT about their businesses. Once those data are given away, the taxpayers will suffer an irreparable loss. Although the tax authority has the responsibility to keep the information from giving away, the expansion of sphere of information disclosure increases the probability of being revealed especially when the APA isn't signed. In addition, the court also asks the taxpayers to disclose their sensitive information if there is a conflict between taxpayers and tax authorities. Thus, the risk that confidential and sensitive information might be given away will hamper taxpayers from signing a APA.

## 3. Countermoves and suggestions to overcome the difficulties

### 3.1 Simplify the procedure of APA.

First shorten the time period of signing an APA. By doing so, the flexibility and the successful rate of APA can be improved and the taxpayer's predictive revenue can be increased as well. At the same time, we can reduce the cost of obtaining an APA. Secondly, we should make up different procedure in accordance with different situations of different enterprises so that the labor and material resources can be deposited reasonably and then the working efficiency can be promoted.



### 3.2 *Perfect the critical assumption*

When the economic environment and the taxpayers' business activity changes greatly and the critical assumption doesn't change with that, the APA will be modified or even be concealed. Thus we must attach much importance to set up flexible critical assumption. Four aspects should be paid more attention to

#### 3.2.1 Make the assumptions objective as possible as we can

Condition permitting, we must make the assumptions objective as possible as we can in case dispute between the two parties happens in the future. In practice, we can adopt the approach of deducing progressively. First make a lap presume on the factors which exert great influences on profit rate, then deduce the profit rate progressively. If there are some important factors or not successive factors, multi-scheme assumptions can be adopted. For example, when we presume the profit rate of an enterprise, first we can forecast its sale income by the status of its products in the international markets, the market share of its products, and its purchase orders. On account of the changes of the assumption conditions, the sale income may be high, medium and low. Then we can forecast its fixed cost and variable cost of product. Put the forecast results together, we can deduce the lap of gross profit rate of the given year. (He Jun) An APA with this kind of critical assumptions is very flexible so as to avoid accidents when it is carried out

#### 3.2.2 The assumption must be distinguished from the applicable scope

The type of new products which the enterprise will produce must not be included in the applicable scope of APA, but belongs to the assumptions. In other words, when the professionals design the assumptions, they must take account of the new products.

#### 3.2.3 The assumption must be distinguished from the taxpayer's obligation

The obligations that taxpayers must fulfill should be prescribed in APA. If a taxpayer doesn't execute according to the requirement, he violates the regulations of the APA, then the involved tax authority can ask him to fulfill his obligations in accordance with APA or conceal the APA. But they are only the obligations which the taxpayer must fulfill according to the clause of APA. They are not the assumptions, so they mustn't be prescribed in assumptions. Generally speaking, the assumptions can be designed in two sides. One is macro side, including economic environment, legal environment, etc; the other is micro side, including enterprises' business situation, accounting methods and so on. When we design the assumption, we must take a comprehensive account of taxpayers' specific circumstances, given operating environment, operating strategy and the concerned transactions.

### 3.3 *Tighten up the administration on APA*

#### 3.3.1 Establish a simple and easy method of APA

In order to improve the management efficiency and successful rate of APA, we can adopt simple and easy method of APA at present and then transit to formal and normal APA. What matters is that this suit of simple and easy APA method must be scientific and reasonable determined by the nature of anti-tax avoidance. To establish a simple and easy method of APA, we should press forward the method of "tracing management" at first. Tracing management means that tax authorities should report the pricing strategies and business situations of those enterprises in the following years whose transfer pricing have been investigated and adjusted and supervise their behaviors. In order to let the enterprises keep the profit level, tax authorities should also present an interrogation over the enterprises' transfer pricing and the changes of enterprises' business situation regularly and on time. The local tax authorities in Shen Zhen city are the earliest tax authorities who have explored actively and carried out tracing management boldly. And then they attempted to adopt the advanced profit rate in tracing management which resulted in good efficiency. So now we should press forward it. But there is one thing we should pay attention to. Use the APA and the existed method for adjustment together. After adjusting the enterprises' transfer pricings which happened in the previous years, tax authorities must ask the enterprises to present their future development trend and market expectation and then decide the gross lap of profit rate for the following three years. On the basis of that, tax authorities and taxpayer can agree to sign a simplified APA. During the following three years, tax authorities must tighten up the tracing management in order to supervise the implement the APA.

#### 3.3.2 Establish a concentration management mode of APA

Under the concentration management mode, SAT organize a special group to manage the affairs of advance pricing agreement in all overall manners, and set up structures which are posted in a number of chosen cities. The main task of the special group includes negotiating and signing APA, coordinating, supervising and releasing reports. Negotiating and signing means checking the date of APA, negotiating with the tax payers and other tax authorities from different countries and then signing APAS. Coordination includes transmitting the tax information which is exchange mutually between the concerned countries, transmitting the domestic information of APA and connecting concerned information with the aid of tax collection bureaus on the local level as well. Supervising includes inspecting the implementation of APAS and traced managing the taxpayers' implementation of APAS together with the local authorities. Releasing

reports includes explaining the development of that year's APA and transmitting the new trend of APA abroad. SAT makes a unified management on all-China APA on the basis of grass rooted tax authorities' territorial management.

This mode has some advantages. First, it helps to carry out the APA policy throughout the country and avoid the tax loss when local governments pursue their local interest. Thus, the efficiency of APA administration can be improved. Secondly, at present, not many tax officials are competent at managing affairs of APA in China. Under such circumstances, we can make full and concentration use of professional labor source to ensure the successive of APA by establishing a concentration management mode of APA. Thirdly, it helps to push forward the bilateral or multilateral APA. Bilateral or multilateral APAS involve the tax interest of concerned countries where the connected transactions take place, so they are the agreements between nations in the first place. They involve international harmonization inevitably. Such kinds of issues can only be solved by consulting between the general tax authorities of different countries.

### 3.3.2 Add the responsibility of taxpayers' producing evidence

When tax authorities and taxpayers have different opinions on the foundation of transfer pricing adjustment and the adjustment amount, which will have the responsibility to produce evidence? In practice, our tax authorities gain little resources about the international corporations' business situation. What makes the things worse is that there is no regulation to force the taxpayers to present the concerned data. Thus, tax authorities have no sufficient accordance to negotiate and adjust. The signed APA is only the result of testing the psychologies and negotiating technique of both sides. Under such kind of APA tax authorities' resources can be saved, but the government's tax revenue can't be protected from being eroded. Neither can the tax authorities in china get the data of the taxpayer' business activities abroad nor can go abroad to make an on-the-spot investigation. What's more, there are some obstacles in information exchange between countries. Now it's necessary to let the taxpayer take the responsibility to produce evidence which helps tax authorities supervise taxpayer's trend. A clear regulation should be made in the implementation rules that taxpayers have the obligation to present their management information abroad. If they can't produce reverse evidence to tax authorities' handling opinion, they must carry out the tax authorities' resolution; if they don't present the relevant management information in accordance with the law, they will be punished legally. By doing this, we can strengthen the tax control on international corporations.

### 3.3.3 Add a procedure of resolving controversy

It is inevitable that the controversy happens between tax authorities and taxpayer when tax authorities carry out the APA. Now there is no regulation on the ways of resolving the controversy in implementation rule. Some enterprises are afraid that their own rights and benefits may not be protected when the controversy happens, and then have misgivings on applying APA. We must dispel their misgivings and make them apply APA actively. Then a procedure of resolving controversy must be added in implementation rules. When the two sides have different opinions on the regulations in the agreement, they must discuss with each other first; if they can't agree with each other, then they can resolve the problem by administrative and judicial pronounce. This additional regulation can not only be favorable to tax connection and administration normally and defend the tax law from being violated, but also be favorable to protect the taxpayers' benefits.

### 3.4 Respect the taxpayers' desire and protect their business secrets

APA must be gained on a voluntary basis of taxpayers. If a taxpayer doesn't apply for an APA, the tax authority mustn't force the enterprise to sign APA. And when an enterprise quit during the course of negotiation of the APA for some reasons, the tax authority must respect the enterprise's desire. Only by doing this can we guarantee an APA 'S reasonable rule and simplified procedure to sign.

On the other hand, tax authorities have the obligation to protect taxpayer's business secrets. In the *implementation rules*, both the tax authorities and taxpayers are required to protect all the information which is collected during the whole course of the APA. But what kind of legal responsibilities should the tax authorities hold when they violate the obligation and make loss to the taxpayers? It is not clearly regulated in *implementation rules*. Then it is necessary to specifically regulate the tax authorities' obligations to protect the taxpayers' business secrets which are explored to them in the five phases of the APA and regulate the legal responsibilities of tax authorities when they violate this obligation.

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## Dialectal Movies and Heterogeneity of Contemporary Culture

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### Abstract

To start a research on the application of dialect in movies and their formation causes and social functions, we must place the questions into specific social and cultural background and examine the relations between dialect, mainstream language and the cultural views of audiences. This paper attempts to take Chinese movies as a starting point to discuss heterogeneity issues in filmic culture by tracing back the history of dialect development and its contemporary cultural conditions. Such thought roots in two aspects. One is “verfremdungs effect of cultural heterogeneity” of dialects and the second is “the multiple natures of cultural heterogeneity”.

**Keywords:** Dialect, Cultural heterogeneity, Postmodernity, Beijing opera

### 1. The cultural connotation under dialect context

“Dialectal movie” is a concept formed due to the monopole position of mandarin in China. Hence, it is a relative concept rather than a type of movies. What is more, in history, the concept of dialect is also relative. For example, compared to Zhongyuan culture in core areas (Jianghuai area and Yellow river area) at that time, Lyric Song of Yuan Dynasty, a typical literature pattern of Yuan Dynasty, could be counted as a dialect song. It is not until the time Ming Cheng Zu moved the capital to Beijing, the position of northern dialect was constantly consolidated and became the communication model that has political core influence. From then on, the commonly used pronunciation habits, through the cultural patterns that are suitable for the artistic tastes of common people, such as Ming and Qing novels, dramas and songs, folk melodies and arts, and Pingshu (a monologue discussing historical events), gradually evolved to be the mandarin in modern literature. Therefore, as a commonly used pronunciation standard, mandarin originally developed from northern dialect. Seeing from the modern cultural equilibrium and diversity, when one commonly used language develops, in cultural art, towards one “pole” or “end” to certain extent, the other end of the cultural scale will certainly react. In postmodernist literature, such reaction shows itself in a deep mode of interlaced two poles; while in the globalization of culture (that is certain type of postmodernist culture), it shows itself as an extensive, diversified, easy and exoteric literature deconstruction tendency (Note 1). If so, in developing countries where tradition and modern phenomenon co-exist and which are deeply influenced by cultural colonialism (Note 2) and globalization, it is no wonder that dialect, as an important element that has rich sound images, becomes a focus in topics of the diversity of Chinese movies.

The fuse for the upsurge of dialectal movies is *Crazy Stone* directed by Ning Hao in 2006. This movie arouses the interests of various comment fields due to its explosive box office, many of whom pay special attention to the application of dialect in this movie. After the success of this movie, a lot of ideas with dialects as the main selling points were put forward for domestic movies. Even, some articles took other characteristic Chinese dialect movies as examples to emphasize the ticket rallying point of dialect, based on which this paper transfers the discussion of dialect in movies to the vision of cultural comment and tries to combine the diversified application of dialect in movies with the contemporary cultural development mode to make a basic analysis.

Now that we see “dialect” as a relative concept, to discuss dialect in movie culture, we must first explore the relationship between dialect and main stream speech model. As a matter of fact, in contemporary movie art, the relationship between mandarin and dialect is not two confronting poles that are tit for tat and are not of crossing-complementary relationship where one grows and the other eliminates, either. Their co-existence is determined by the demands of movies and hearings on the differences of the two. The demands come from two aspects. One is that movie makers choose the description language differences to express images and the other is audiences’ preference on their hearing experience related to “the heterogeneity of languages”. However, generally speaking, the images of movie makers and the preference of audiences will ultimately (necessarily) become consistent with each other. Otherwise, misunderstanding will be generated. The consistency of the images and preference should also focus on the analysis on “heterogeneity”. The heterogeneity by languages has long been applied in performance art. In the late Qian Long period

of Qing Dynasty, Hui Ban drama entered the capital city, which brought the flourishing of Beijing Opera. At the beginning of Min Guo, Beijing Opera had become a common entertaining art in northern China and gradually extended to southern cities, such as Shanghai and Guangzhou. At present, the “Hui Aria”, originated from Anqing, Anhui province, still exerts significant influence on Beijing Opera aria, which could be considered as a typical example to show the long-living-and-flourishing of dialect in performance art. Although Beijing opera originated from Hui aria, why, after hundreds of years of evolution, could this dialect aria be retained by a strange melody and be promoted? A major reason for it is that the heterogeneity of dialect brings audience with “verfremdungs effect lure in hearing feelings”. The majority melodies of Beijing opera are about the ancient historical stories with Zhongyuan culture as the background. For the Man people levels of Qing dynasty, these stories are foreign culture. Then, when accepting foreign stories, these audiences at the earlier stage needed a different aria from northern dialect to meet their demands on the imagination of foreign culture, which is also the first level effect of verfremdungs effect lure. At the late stage of Qing dynasty, the Man and Han culture were gradually combined. The offspring of Beijing opera were influenced by capital city culture and the status of Hui aria was challenged. However, because the audience groups gradually become common, Hui aria, as a stage art language higher than common people’s life, continued to be favoured and loved by audiences, which is the second level of verfremdungs effect. After Min Guo period, when the influence of Beijing opera extended to the entire nation and when Beijing opera was introduced to foreign countries as the quintessence of China, the aria of Beijing opera was regarded as a pure and mature stage art tradition and was retained. On one hand, it catered for common people’s entertainment and on the other hand, as the “heterogeneity object” of 4<sup>th</sup> May New Culture, the tradition of Beijing opera was also for people to criticize and to recall, which is the third level of verfremdungs concept. It is not hard to see that to do research on the application of dialect in performance and film arts, we must place the specific problems into material social and cultural background and analyze the Game relationship among dialect, mainstream discourse, and the cultural tastes of audiences.

Just as stated before, in modern Chinese society where tradition, modernity and region nature and globalization coexist, the culture game of dialect seems to be extremely complicated (Wang, 2001). At the present stage, it will not conform with the contemporary social and cultural requirements if we put all “dialect movies” into one category and to see it as a whole (Byron, Allen Harold and Linn, Michael D., 1986). Therefore, I have to divide the discussion on the “heterogeneity” of dialect into two parts: one is, based on the transfer from tradition to modernity, the “verfremdungs effect of heterogeneity” formed by the deeply interlacing between dialect and commonly used language and the other is, based on the exceeding development of certain modernity under the influence of globalization process and cultural colonialism, the “the multiple natures of heterogeneity” formed by bricolage and putting-together among dialects.

## 2. The verfremdungs effect of heterogeneity

“Verfremdungs sense”, among the language qualities caused by dialect, is conducive to audiences to form in their minds the special imagination images on heterogeneity life (Dai, 2007). Compared with real life experience, the interest of audiences usually tends to focus on the imagination images of heterogeneity. For example, when we watching foreign movies, we prefer to listen to the original dialogues and read the captions and then gradually discard the demand on dubs, which indicates that the imagination images caused by the heterogeneity are more attractive to us. There are many kinds of imagination images, such as the aforementioned “Hui Aria”, which offers people with difference heterogeneity imagination images at different historic periods (such as the imagination images on foreign lands, the imagination images on stages which are beyond life, and the imagination images on the criticism of traditional culture or on memory type); For another example, in movies on significant historic subjects produced after the reform and opening up (such as *Da Jue Zhan* and *Kai Guo Da Dian*), the political characters (Mao Zedong, Zhou Enlai, and Jiang Jieshi) spoke their dialects, which offers audiences with true historic imagination images; through the dialect of Fenyang, Shanxi province, the movies directed by Jia Zhangke at his earlier period (such as *Xiao Wu* and *Ren Xiao Yao*, and etc) offers typical regional cultural imagination images. However, no matter how complicated it is, in post traditional or modern literature, its “heterogeneity” mod could hardly deviate from a kind of deep verfremdungs effect, which is the pursuit for deep realistic imagination. It has to be made clear that the concepts of “heterogeneity”, “Verfremdungs” and “imagination images” do not conflict with the modernism thought advocated by realistic films. The modernism in movies must keep itself from the actual life at a distance or separation level so that the “beauty” and “meaning” could be generated. Therefore, for modern reality, the only way to maintain the depth of reality is to construct and keep a deep difference and verfremdungs (Wang, 2001). For example, at the beginning of the movie *Mobile Phone (Shou Ji)*, the protagonist, Yan Shouyi in his early young, was presented as nostalgia on the screen. The deepest impression on it should be the asking sound in Henan dialect, “Niu Sanjin, Niu Sanjin, your wife is Lv Guihua. Lv Guihua let me ask you whether you will get back home recently.” The application of dialect deepens the reality recognition degree of audiences on old imagination images, which also provides a comparison and reference imago for the description on the superiority and convenience of modern information spreading in movies (Lu, 2007). Therefore, although this period has passed by, because of verfremdungs sense brought by the sound element (the dialect from the loudspeaker), it is very realistic. There are other similar examples. In *Peacock*, the Henan Anyang dialect is used throughout the film, and in *Mei Shi Tou*

*Zhe Le*, Tianjin dialect is used. In modernism frame, the application of dialect in movie products always following the principle of “being close to realistic imagination images” and constantly meet the demands of audiences on modern aesthetics, “from but beyond life”.

### 3. The multiple natures of heterogeneity

However, beyond modern reality, the disequilibrium of the development of Chinese contemporary culture forces us to consider the exceeding elements of cultures that are connected with international level and are influenced by globalization (Chen, 2004), which is also another element of dialect in contemporary movie culture comparison, “the multiple natures of heterogeneity”. Although we are reluctant to admit that Chinese culture shows certain post modern features, we, incorporated into global culture system, could not deny the possibility to make use of this global culture theory to explain contemporary Chinese culture. Because post modernism does not belong to the types of culture, but is the comprehensive representation of global culture interaction. In areas where culture awareness develops ahead of time, people could not just follow strictly modernism economy basis and could not ignore the western “post theory” that comes like storms. On the contrary, the awareness of the consumption, aesthetics and life of post modernism has already penetrated into the life of the public in China through modern economy and media means. The concept of “the multiple nature of heterogeneity” originates from the pilot of post modernism thought, Foucault (Foucault, Michel, 1969). Foucault pointed out that items do not have nature or their natures are formed by its accumulation of the heterogeneity with items. From Foucault’s words, we could deduce the following features of post modern culture; firstly, in post modern literature, people tend to discard the deep thinking pattern based on two dimensional opposition and choose to the anti-deep, shallow and complation of idea awareness (Black, 2002); secondly, because of the losing of trust on nature, the direction of literature is not that important and could not be found anywhere. Therefore, the “polarity” of “duality” does not exist anymore and is replaced by the filling, mixing and patching up of multi-culture (Dennison, Stephanie and Son, Hwee Lim, 2006); thirdly, in post industrial society, as the main body of society, human beings are dissimilated and the freedom of spirit fade out in the free bodies (Kieslowski, 1999) and gradually becomes of the “machines” of consumption.

Therefore, when we choose a post-modernism view point and put the sound imago “dialect” under contemporary trend, the meanings represented by the heterogeneity of dialects is not just the “Verfremdungs effect” of modernism, which is shown in the “disappearance of nature”. Just as we described, in post modern cultural awareness, the deep nature thoughts disappear. The dialect that originally exists in realistic context and represents realistic Verfremdungs sense (realistic effect) suddenly loses its aim and direction nature (in movie works, dialect loses its dependent body, then lose its objective positions, and the necessity of existence disappears); what has gained is the interest on its appearance. Therefore, dialect re-starts its road and as an independent object, it replaces the inherent nature (or we could directly say, it replaces the essence of nature) and appears in modern Chinese movies. In post modern movie culture, one example that could be used to compare with the main body of “dialect movies” is Visual spectacles produced by Hollywood. We call the movies produced by the western producers with large investment and large design the “big films”. The reason is not that the stories of those movies are better than domestic movies and it also does not mean that the art appreciation value or tastes are higher than the movies produced in China. The real reason is that those “big movies” has huge investment in scenes and visual special effect. These effects are more attractive than common movies. However, the auxiliary visual feature that originally is used to describe the main body of the movies becomes the pronoun of this type of movies, which indicates the spirit personality of post modernism, that is to give prominence to visual idea, to neglect the inherent nature of narration depth, to put the attached as the main and to extract full weight from a small part. To put it in other words, in post-modern culture, what attracts audiences in a film is no longer (or not only) the stories, deep images and the impressive ending. As the movie art idea, “visual spectacle” also shoulders the task of main body to attract and impress audiences. Similarly, dialect could also become the main body mark for movies and become a main element to attract Chinese audiences to go to the cinema and consume. When we watch Hollywood grand movies, we neglect the rallying point of stories, plot, stars, and suspense because it brings audiences with visual feelings. We like dialect movies because it brings audiences with language and hearing enjoy to audiences. The hot discussion on dialect movies is also generated under the guide of this kind of thought. Its strategy lies in that the nature of movies is shown through the heterogeneity of dialect. Of course, the superficiality of the idea of post modern culture does not mean it completely discards the problems and depth. In the following part, we will also mention the sense of responsibility and worrying mode of dialect in post modern culture.

After the discussion on relationship between heterogeneity and nature, let us discuss “multiple” nature or the pluralism. For dialects and movies, multi-nature has two concepts. For one aspect, it refers to the representation of nature by the “multi-pattern and patching up” of heterogeneity; for another aspect, it advocates a type of “multi-view point” to treat culture nature. For the first aspect, multi-pattern and patching up is the mark for post modern literature. In recent years, we could see that more and more movies of dialects, such as *Gui Zi Lai Le*, *Not One less*, *Xun Qiang*, *Beautiful Big Feet*, *Mei Ren Cao*, and *Huan Die*. However, compared to *Crazy Stone*, the biggest difference lies in that the former are regional movies with only single dialect and the latter is the region edge movie with diversified dialect patching up.

"Regional" does not mean that it has limitation and just means that the space of the stories and the application effect of dialects suit each other; "Regional edge" (Marginalization) concept actually comes from the "geological political aesthetics" by F. Jameson. It mainly discusses the communication, context and conflicts beyond geographical concepts and different regional culture. Therefore, regional edge movie tend to the mixture of certain spaces and regions and provides the chance of creation for the application of dialect. Although *Crazy Stone*, the main scene place is Chongqing, we found that the application of dialect in the movie is not only the Chuanyu dialect. We could hear the dialects of Baoding, Qingdao, Jinan and Tianjin, even Cantonese. No doubt, the diversified dialect patching up and the regional feature shown by multi elements do not fit each other. However, due to the existence of multiple nature, the space imagination of audiences exceed the geography limit is extended unlimitedly and finally, the accumulation and mixture of dialect result in that the relevant multiple element space conflicts and shocks in the minds of audiences. In addition, the patching up of dialects obliterates the rationality of the fitness itself and regional concept, which is also the exiling nature of contemporary culture and the representation that floats on idea. Even, we could call this phenomenon "regional edge dialect aesthetics". If we consider at a wider range, the application of languages in *Journey to the West* could also be compared. In this move, although there is not much application of dialects, it uses English, Japanese and many unrelated words, which reflects the thinking of Hong Kong movies on globalization and cultural colonialism. In the dialect movies of China whether the accumulation of many dialects indicates that the entire Chinese culture tends to have certain trend or the expediting crossing and combination among Chinese regional culture? For another aspect, the languages in *Journey to the West* not only reflect the distrust of post modern literature on the logic of languages and their rationality degree. At the same time, it shows that in post industrial society, human beings, originally as the main body of languages, experience heterogeneity crisis, which is that human beings gradually lose their spiritual main body position in post modern society. In this society full of imagination and desire, human beings unconsciously change from the main body of consumption to the consumption machine. Therefore, from spirit to behaviour, all of the human beings could be incorporated into the unconscious "consumption" actions. So do languages. If we explain "Wu li tou" as our consumption on languages, then whether the dialect mixture that "has lost the rationality fitness of regional feature" could be considered as a feast of dialect for audiences to consume? Similar large-scaled consumption on dialects is frequently seen in movies, such as *The Stories of Cooking Team* (*Chui Shi Ban De Gu Shi*) and *My Own Swordsman* (*Wu Lin Wai Zhuan*). Of Course, to use consumption mode to explain the irrationality expression of language in texts is just a wide method for culture criticizing. For particular problems, we need to make specific analysis. For example, in *Ni Qiu Ye Shi Yu*, the mixture of dialects also appears. However the mixture of dialects in this movie has reasons. It mainly represents the life of labour workers from other areas working in Beijing. Therefore, we could not think that this movie represents the post modern culture miss position and mixture between dialects and regions just because the character performed by Ni Ping speaks Jiaodong dialects and the story occurs in Beijing. As a matter of fact, most of the application of dialects in movies still remains at the realistic level of modern literature (Lin, 2005).

Let us turn back and see the other aspect of "multiple nature". We will treat the culture character of dialect phenomenon from multiple view points. As a matter, it is not a cultural strategy but it advocates a kind of multi-elements and open culture criticism. For example, in contemporary movie art dialect game, there exists cultural theory of "difference" and "sameness". For one aspect, according to the multi-element post modern literature thought, we could explain the existence of dialect in certain movies as follows. It is the explanation on the recognition of audiences on language because the heterogeneity of dialect does place the challenge against the single polarity of languages. Hence, it is regarded as the cultural representation of searching for heterogeneity; for another aspect, if we could uncover the idea of "the diversified nature of languages" and careful probe into the connotation of context, we could surprisingly find out that all of use are sharing the same meaning. Audiences of different regions might have similar cultural tastes, attitude, and concept. The difference of culture is just nominal, and dialect is just a camouflage. It may raise a question for us. Is the hot trend of dialects in movies the last memory on heterogeneity left by multi-culture? Whether it is true that what the multi-culture value ideas depend on in dialect movies is not the rich and diversified literature connotation but reflects the culture and identifies recognition of Chinese audiences which is tending to be the same? Seeing from a macro-perspective, the contemporary movie hot rend also reflects the self anxiety of post modernism and is the anxiety on globalization culture colonialism and sameness. Therefore, it could be concluded that although they are all the movie culture criticism on dialects and they all apply multi-element culture view point, the conclusions are opposite, which is also where the "multiple nature" of dialect in culture field lies in. Actually, the key difference of the opposite theory lies in that: one part thinks that dialect is helpful for the movie art develops towards multi-culture direction and is pursuing difference; However, the other party thinks that under the disguise of multi-culture, dialect pursues the even nature of language meanings and puts the application of languages under single polar awareness mode with multi-element shape but with no true common flourishing. Although it is the best reflection of sameness trend of culture, it is not good for stopping the nibbling of globalization culture colonialism tend on Chinese region culture diversities. Facing with this dilemma, objectively, we think that dialect is experiencing an independent game in movie culture; subjectively, we wish it develops towards "discarding sameness and pursuing peace. The opposite word of sameness is peace rather than difference. For globalization and national culture, the win-win ending is not sameness but is peace, that is having

difference in sameness and pursuing peace in difference and being win-win. The game of dialect in contemporary culture is also the same reason.

*Note: This paper is translated by Lixue.*

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### Notes

Note 1. Deconstruction tendency refers to the afore mentioned the evolution from modern literature to post modern culture, which is the turning from the clear and two element deep and complicated structure system to the two polar melting, multi-element combination and deep complanation deconstruction strategy.

Note 2. Tao Dongfeng sees cultural colonialism the same as post colonialism. Please refer to *Post Colonialism, Post Colonialism Theory and Post Colonial Nature*, and *Culture Research*, 2003-4.





## On the Construction of “Sunny Finance” Frame in China

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### Abstract

“Sunny finance” is an inevitable requirement of public finance. Its essence is lawful financing, scientific financing, and democratic financing. China has already gained lots of valuable experiences in the construction of “sunny finance”. However, it deserves deepening researches on how to construct the frame of “sunny finance” and make it be systematic and institutional. In this paper, the author discusses this issue.

**Keywords:** Public finance, Sunny finance, Thoughts

### 1. Necessity of the construction of “sunny finance”

The essence of “sunny finance” is lawful financing, scientific financing, and democratic financing. It needs perfect legal system, scientific management, and democratic supervision. In the theoretical aspect, “sunny finance” is a precondition for actualizing the public finance, carrying out the scientific development view, and constructing the harmonious society. In the technical aspect, “sunny finance” can help to make finance performance evaluation.

#### 1.1 “Sunny finance” is a precondition for actualizing the public finance

Public finance is the financial operation mode under the market economy condition. In order to satisfy social public needs and supply public goods and services, the financial revenue collected by political power will be used to pay for government’s public activities. Public finance aims at guaranteeing the normal operation of state apparatuses, insure the safety of the state, maintaining social orders, and actualizing the coordinative development of society and economy. In other words, the primary function of public finance is to satisfy social public needs, legal regulation, and macro control. To make up the market malfunction by supplying public goods and services embodies the value of public finance. These public goods and services are non-profitable and not supplied by market. All individuals can benefit from public goods and services equally, namely “equalization of public services”. The public benefits embodied by public goods and services are based on the common benefits of individual ones, being supervised by electorates. Here “sunny finance” becomes a must. Therefore, “sunny finance” is a precondition for actualizing public finance.

#### 1.2 “Sunny finance” is a precondition for carrying out the scientific development view

Scientific development view is a human-oriented, comprehensive, coordinative, and sustainable development view. To be human-oriented is the core and essence of scientific development view. “To be human-oriented is to give absolute priority to people’s benefits in all works, meeting people’s diversified needs continuously, and driving people’s all-round development.” Without public and transparent finance, the public has no chance to know government’s financial allocation activities and can not advance suggestions, advices, and supervisions. To be human-oriented becomes an empty word. Therefore, “sunny finance” is a precondition for carrying out scientific development view.

#### 1.3 “Sunny finance” is a precondition for constructing the harmonious society

The essential connotation of harmonious society is civilization, fairness, justness, common prosperity, share, stability, orders, and solidarity. The core is social fairness and justness. Harmonious benefits are the most primary issue of harmonious society, which are firstly embodied in benefits balance. “Sunny finance” is to promulgate the allocation process of government’s public resources. The public’s participation and supervision can reduce “black box operation”. Meanwhile, it is a benefit balancing process among different social classes, groups, and departments, as well as a process of harmonizing benefits. Therefore, “sunny finance” is a precondition for constructing the harmonious society.

#### 1.4 “Sunny finance” is a precondition for evaluating financial performance

Recently, many countries began to reform public services based on market standards and make performance evaluation

on government finance, what must depend on the scientific classification of government expenses and transparent expenses, namely “sunny finance”. China’s budget income and expenditure in 2007 is arranged by new subjects, taking government’s expenses as the core and making classification, including class, amount, and item, which serves as the base for evaluating the government efficiency.

## **2. Principles, key, and breakthrough of constructing “sunny finance” frame**

### *2.1 Principles of constructing “sunny finance” frame*

#### **(1) Law**

The precondition for constructing “sunny finance” is to build “sunny government”. Finance is merely one of department of government’s all departments. The publicity of government finance must be legal. It includes two aspects: firstly, “sunny finance” does not mean to make government’s all resource allocation activities open to the public. Contents concerning state safety and national defense are not allowed to be promulgated. In fact, many countries constitute the law of keeping secret that regulates the contents allowed to be open to the public. China is not an exception. As we promulgate government’s financial expenditure, we must obey the rules of law. Secondly, there are still no unified legal regulations for norms, orders, principles, contents, and procedures in actualizing “sunny finance” in China. Concerning how to construct “sunny finance”, local governments have different understandings considering their different development levels. Some local governments make lots of exploration. Take Liaoning province for example. In recent years, Liaoning provincial government promulgates many regulations on management, concerning scientific and democratic decision, budgeting, centralized state treasury receipt and payment, government procurement, non-taxation income management, and government debt management. In Liaoning at the provincial level, except directly-controlled departments, transportation, education, prison and re-education systems, all departments in budgeting actualize centralized state treasury receipt and payment. Fourteen cities also actualize centralized state treasury receipt and payment. Seventeen counties are in the process of turning centralized accounting into centralized state treasury receipt and payment. Liaoning government actualizes the separation of government procurement’s management departments and centralized procurement departments, empowering them with different functions. In July, 2007, the provincial procurement center founded the “Liaoning Government Procurement Association” and set up an expert base for government procurement evaluation. The central government should summarize the practices of “sunny finance” in different regions, absorb foreign advanced experiences in this field, and constitute “directive outline suggestions for actualizing ‘sunny finance’ in China” as soon as possible according to China’s real conditions, making up principles for norms, orders, procedures, and contents in actualizing “sunny finance” in China, driving the progress of “sunny finance” by law.

#### **(2) Efficiency**

“Sunny finance” must emphasize efficiency, namely the input-output ratio. In the input aspect, we should notice three problems: firstly, “sunny finance” is costly in many fields. It needs to collect, process, and promulgate amounts of data. Secondly, the publicity of information has to depend on relevant platform, which needs more inputs. Thirdly, the allocation process of government resources is usually based on specialized knowledge and techniques that are hard to understand by common people. Therefore, it may cause a “zero profit” issue. In the output aspect, the initial effect of “sunny finance” may be visible: saving how much money. However, more effects are invisible. “Sunny finance” reflects the idea of democratic financing, legal financing, and scientific financing. It can improve people’s trust in government, what is necessary to construct the harmonious society.

### *2.2 Key and breakthrough of constructing “sunny finance” frame*

#### **(1) The key is to promulgate the standards of government budgeting**

Government allocates social resources chiefly by state budgeting. China’s budgeting is in such a condition that “both laymen and makers do not understand or know it clearly”. As the National People’s Congress is examining the budget, they usually can not grasp the budgeting standards exactly due to the principles of “keeping secret” and “returning back after examination”. If not promulgate budgeting standards, the budgeting result is hard to be judged. Therefore, the key of constructing “sunny finance” frame at present is to promulgate the budgeting standards.

#### **(2) The breakthrough is to apply “sunny finance” to “people’s livelihood finance” firstly**

Since 1949, China has reformed its finance system many times. Generally speaking, the reform before 2000 chiefly focuses on the income system, including tax federalism, income tax sharing, and rural taxation. The reform after 2000 mainly concerns the expenditure aspect, including departmental budget, centralized state treasury receipt and payment, government procurement, income and expense. In China the finance system should follow this order in development: “construction finance” ----- “public finance” ----- “people’s livelihood finance”. In 2007 China increases its expenses in social security, employment, education, medical treatment and many other fields concerning people’s livelihood greatly, exceeding the growth rate of GDP during the same period. What the public cares about mostly is people’s

livelihood. Therefore, the breakthrough of “sunny finance” should be people’s livelihood finance naturally. People’s extensive participation completely embodies the advantages of socialism.

### 3. Thoughts of constructing “sunny finance” frame

#### 3.1 Enhance the fiscal transparency

According to the Manual on Fiscal Transparency (Kopits & Craig, 1998) issued by the International Monetary Fund (IMF), fiscal transparency is to make information concerning government structure and functions, trends of fiscal policies, accounts of public departments, and fiscal prediction open to the public to a great degree. The information should be reliable, detailed, timely, understandable, and comparable. Electorates and financial market can exactly evaluate the condition of government finance and the real cost and income of government activities according to the information. The Manual explains the meanings of fiscal transparency in detail from three aspects: institutional transparency, accounting transparency, and indexes and prediction transparency. D. D. Lassen (2003) thinks that the transparent budgeting procedure has four characteristics: firstly, fewer budgeting files can release more information, which make it easy for the public obtaining and supervising the information; secondly, experiences prove that in the convincing and reliable connections, the possibility of being the key and independent proof can improve its transparency; thirdly, in the budget words are exact and classification is scientific, clear, and definite; fourthly, reduce blind items in budget and stop government’s random interference.

In June, 1999, the “audit report for the implementation of central budget and other financial income and expenses in 1998” issued by the National Audit Office is regarded as the a start that arouses the fiscal transparency issue in China. This report factually releases the severe problems in the implementation of central government budget, such as the serious economic losses caused by false decisions and ineffective management in key national investment projects, wide and severe appropriation of social security capitals, special funds, and materials and funds for disaster relief. For another instance, some enterprises, especially non-banking finance institutions conceal incomes, escape from legal taxes, keep double accounts, found small private coffers, and devour and waste corporate assets as will. Problems are still very serious (Guangshun Li, 2007).

China’ fiscal transparency is low. In 2001, Price Waterhouse Coopers finishes a report for “opacity index”. It investigates 35 countries and regions, grade and rank them according to the opacity indexes in five aspects: corruption, law, financial policy, accounting principle, and government regulation. The score of China’s opacity index is 87, higher than that of Singapore (29) and America (36), whose ranks the lowest class. China is listed as a country with lowest transparency.

In western countries, people generally think that human being is selfish in nature. They must be restrained by something, such as religious belief and institutional constraint (transparency constraint). For a long time, Chinese emphasizes on human being’s subjective initiative too much, what leads to such a result that rule of man surpasses rule of law. Under the market economic condition, China should use institutions to restrict government behaviors. A must for actualizing “sunny finance” is to enhance fiscal transparency.

#### 3.2 Set up the information network platform for “sunny finance”

First of all, promulgate the budgeting information and construct “sunny finance” by “monetary and financial project”, making government financing be scientific, standard, and transparent. We can learn experiences from OECD (Organization of Economic Cooperation and Development) countries, reporting before the budget (three months), yearly, in the middle of the year, in the end of the year, and for the long run. Then, release important information timely, such as GDP growth rate, employment rate, inflation rate, changes and adjustments of budget, government liabilities, financial and non-financial assets, and possible liabilities.

#### 3.3 Perfect the “four in one” fiscal supervision system

The “four in one” fiscal supervision system includes: National People’s Congress (NPC) supervision, financial department supervision, external audit supervision, and social supervision. Firstly, enhance the supervision of NPC’s special budget censorship. The budget censorship includes people from fiscal departments (non-temporary), specialized experts and scholars, and NPC’s internal trained persons. Especially, specialized experts are necessary in the budget censorship, who can improve the power of NPC supervision. Secondly, enhance the independent supervision of audit institutions. Absorb audit departments into NPC field and perfect the audit mechanism of NPC to fiscal budgeting conditions. Thirdly, enhance the supervision of social medium agencies. Employ accounting firms to audit the fiscal capitals. Fourthly, enhance social public supervision. “Sunny finance” needs the extensive participation of the public because: corruption = monopoly + black box operation – participation of the public. Whether the public participates is an important sign for whether the finance is sunny or not.

#### 3.4 Probe into the reform of budget accounting regulations based on the income and expenses classification reform

China’s present budget accounting regulations were issued in 1997 and put into practice in 1998. The regulations are

based on cash basis. However, the cash basis can not reflect the government liabilities that happen currently but still not in cash, what leads to the distortion of government liability information. Meanwhile, the cash basis can cause the distortion of account statements information because the cash basis regards the time of receiving cashes or paying cashes as the accounting document. It is easy to cause the mismatch of rights and duties and lead false government decision. Therefore, for some assets and debts businesses, we can adopt the accrual basis. For the budget paying business, we can still focus on the cash basis. By this way, we can solve the mismatch of duties and effects and avoid the abnormal phenomenon that the former borrows money for projects and the later pays for the debts.

### 3.5 Explore the payment form of “sunny finance”

We can enlarge the pilot range of official card payment. Official card is a kind of credit card used by workers in budget departments, chiefly for daily official payments and financial reimbursing operations. As a modern tool for payment and settlement, official card is convenient and has high transparency. However, official card can not draw cashes directly. It is only used for daily official payments and financial reimbursing operations. Using official card can effectively help to stop corruptions in official consumption. It has positive effects on improving the transparency of fiscal expenditure. Official card is an effective carrier for extending “sunny finance”.

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## Forecasting Movement of Stock Index – Use Of Spread between E/P Ratio and Interest Rate

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### Abstract

The earnings-price ratio (E/P ratio) of the NSE Nifty index and the spreads between the E/P ratio and interest rates are widely used by market practitioners to forecast the stock market outlook. The present paper employs several statistical and econometric tools (viz., correlation analysis, regression analysis, Granger's causality test and measures of out-of-sample forecast performance) for rigorously assessing the usefulness of spread in explaining stock market return in India. The database includes the weekly and monthly closing values of NSE Nifty index over the period January 5, 1997 to December 31, 2007 (11 years). The two measures of interest rate considered are Bank rate and call money rate. Empirical results reveal that spread seems to have reasonably strong causal influence on return and the causal model helps achieving forecasts slightly better than the random walk model.

**Keywords:** Stock market, Granger's Causality, E/P ratio, NSE Nifty, Cross-correlation, Regression, Efficient Market Hypothesis, Random Walk

### 1. Introduction

Trading in stock market indices has gained popularity in major financial markets around the world. Accurate predictions of stock market indexes are important for many reasons. Chief among these are the need for the investors to hedge against potential market risks, and opportunities for speculators and arbitrageurs to make profit by trading in stock index. Clearly, being able to accurately forecast the stock market index has profound implications and significance for both researchers and practitioners. There exist vast literatures which concentrate on the predictability of stock market return. In almost all cases, the performance metrics and the acceptability of the proposed models are measured by the deviations of forecast value from the actual values. Different dealers, investors, and other market players adopt different trading strategies, so the forecasting models which rank first in terms minimization of forecast error may not be suitable to meet the expectation of the dealers or investors. It is because the trading driven by a particular forecasting model with a minimal forecast error may not be profitable as trading guided by an accurate prediction of the direction of movement of stock index. Therefore it is very important to forecast the direction of movement of stock index for developing effective market trading strategies.

There exists vast research articles which predict the stock market as well pricing of stock index financial instruments but most of the proposed models focus on the accurate forecasting of the levels (i.e. value) of the underlying stock index. There is a lack of studies examining the predictability of the direction/sign of stock index movement. Given the notion that a prediction with little forecast error does not necessarily translate into capital gain, an attempt is made to assess the usefulness of spread between E/P ratio and interest rate in the context of Indian stock market. For this the has taken a

case of S&P CNX NIFTY Market Index of the National Stock Exchange, one of the fastest growing financial exchanges in developing Asian countries.

Empirical evidence for the developed economies suggests that the information on the spread between E/P ratio at the stock market and a measure of interest rate is sometimes useful in predicting stock market movements. In case of emerging markets like India, the issue has, however, not received adequate attention. The earnings-price ratio (E/P ratio) of an individual stock is widely used by market practitioners to forecast the movement of the stock. Similarly, the E/P ratio of a stock market index is used to forecast the overall stock market outlook. The spreads between the E/P ratio and interest rates are other indicators used to monitor the stock market. These spreads are used for “market timing” such that, based on the signals generated from the spreads, a decision is made to invest in the stock market index or in bonds. The reason behind such use is that theoretically the E/P ratio and long-term interest rates should have an equilibrium relationship, as investors will arbitrage between stocks and bonds. Whenever there is a deviation from the equilibrium, stock prices will move the E/P ratio and long-term interest rates to the direction of the equilibrium. It is also noted that some central banks’ financial stability reports include measures of whether stock markets are overvalued by looking at E/P ratios. This paper studies their usefulness as indicators of future Indian stock market conditions.

For analyzing the relationship between spread and return, a number of analytical tools, viz., correlation analysis, regression analysis, Granger’s causality test and measures of out-of-sample forecast performance have been employed. The paper is organized into six sections. In Section 2, a brief review of literature is presented. The basic premises of considering the spread as containing advance information about stock market movement are also discussed therein. The methodology and analytical tools used in the study are presented in Section 3. Section 4 deals with describing the basic database and the derivation of measures for return and spread series in the study. In Section 5, empirical results on the relationship between spread and return are presented and interpreted. Finally, Section 6 summarizes the main findings with concluding observations.

## 2. A Brief Review of Literature

The issue of whether the spread between Earning/Price (E/P) ratio (also known as earnings yield) and interest rate contains useful information about the movement of stock market is a matter of empirical investigation in recent years (Rolph and Shen, 1999). There exists considerable evidence showing that stock returns are to some extent predictable. Most of the research is conducted using data from well established stock markets such as the US, Western Europe, and Japan. It is, thus, of interest to study the extent of stock market predictability using data from less well established stock markets such as that of India. Along with different indicators, market practitioners often use different measures of spread to analyze and predict market movements. A number of business publications in developed countries also give importance to spread in their discussions of overall market conditions and outlooks. Though a number of research papers attempted to explain/predict future stock return by considering some of the regressors among E/P ratio, yields, interest rate, earnings per share, etc., (Cutler et al, 1991; Lander et al, 1997; Mohanty, 1997; Pesaran and Timmermann, 1995; Qi, 1999; Qi and Maddala, 1999; Samanta and Rajpathak, 2001; Shiller and Campbell, 1993), the literature on direct evaluation of the usefulness of spread between E/P ratio and interest rate as an indicator for overall market outlook is at a nascent state.

An intuitive explanation on why spread may contain information about future stock market return is discussed by Rolph and Shen (1999). The information content follows from the notion that relative to the interest rate (say,  $i_t$ ) there is an equilibrium level of spread. Under the assumption that expected future growth rate of P/E ratio is positively related to the current spread  $[(E/P)_t - i_t]$ , a higher spread leads to higher expected growth for the P/E ratio, which in turn gives higher expected market return. In other words, when the spread is higher than its equilibrium level, the P/E ratio is more likely to grow faster, thus reducing the E/P ratio and spread towards its equilibrium levels and vice-versa. Basu (1977) examined the performance of various portfolios on the basis of their P/E ratios for 1957-71 and found that return on company stocks with low P/E ratios was significantly higher than the return on companies with relatively high P/E ratios (Keith, 1998, Page 209). Pesaran and Timmermann (1995) also used both E/P ratio and interest rates along with several other influential variables for explaining stock market movements. Lander et al (1997) also documented strong evidence that both earnings yield and interest rates matter for short-run stock market performance. They used linear combination of E/P ratio and bond yields to predict returns on S & P 500 index in a regression framework.

Fuller et al. (1993) study the usefulness of E/P ratios of individual stocks in forecasting their returns. They find that stocks with high E/P ratios generate above-normal returns and those with low E/P ratios generate below-normal returns over the eighteen year period from the fourth quarter of 1973 to the third quarter of 1991, based on the US stock market data. Campbell and Shiller (1998) investigate the relationship between the E/P ratio of the S&P 500 index and the general stock market outlook, and find that the E/P ratio at the beginning of a 10-year period is positively correlated with the return of the S&P 500 index over that 10-year period using data from 1872 to 1997. Lander et al. (1997) find that a market-timing trading strategy based on a simple error-correction model using the expected E/P ratio of the S&P500 index and long-term interest rates yields a higher average return with smaller volatility than that generated by

simply buying and holding the S&P 500 index. Rolph and Shen (1999) find that the historical extreme values of the spreads between the E/P ratio of the CRSP index in the US and the long-term and short-term interest rates contain information on the direction of the stock market. A trading rule based on the 10th percentile of the historical values of the spreads produces a higher average return (not statistically significant) and a lower variance (statistically significant) than that produced by simply buying and holding the stock market index.

In another study, Qi (1999) outlined a recursive modeling procedure to examine the predictability of S & P 500 index returns using linear regression (LR) framework and neural network (NN), a nonlinear framework. The explanatory variables considered by him are dividend yield, E/P ratio, 1-month Treasury Bills rate, 12-month Treasury bond rate, inflation rate, growth rate in industrial output and money growth. He found that the NN model outperforms LR-framework in terms of both within-sample fit as well as out-of-sample forecast accuracy. In the Indian context, Mohanty (1997) examined the relationship of P/E ratio and earnings per share (EPS) with stock price. Using annual data he concluded that one could make excess return by forecasting the directions of movement of EPS based on publicly available information. Use of spread variable in explaining Indian stock market return is available in Samanta and Rajpathak (2001). Though, they have not investigated detail relationship between spread and return, they constructed a composite indicator by combining partial information contents of spread in addition to E/P ratio, yields and a few other economic and financial variables, for forecasting/tracking future stock market returns.

### 3. Methodologies and Analytical Tools

For assessing the information content of spread about future stock market return, following analytical tools and methodologies are employed in the present study.

*Correlation/Cross-Correlation Analysis:* A preliminary assessment of the strength in relationship between return and past values of 'spread' may be assessed through appropriate correlation analysis. For this purpose, one can calculate cross-correlation coefficients between spread and returns for different orders/lags (i.e. correlation coefficient between spread and future return) and can test for their statistical significance. The cross-correlation of order  $k$  between spread and return (denoted by  $\rho_k$ ) is simply the correlation coefficient between  $S_{t-k}$  and  $R_t$ ,  $k$  being any integer. If  $\rho_k$ 's for some positive  $k$ , are significantly different from zero, one may expect that past values of spread would have some impact on present/future return.

*Regression Analysis:* The explanatory power of 'spread' in capturing the movement of stock price return could also be assessed in a regression framework. For this purpose, return series could be regressed on past information on 'spread' variable. Following Rolph and Shen (1999), the form of the regression equation may be kept simple as below.

$$R_t = \alpha_0 + \sum_{j=1}^p \alpha_j SP_{t-j} + e_t \quad \dots\dots\dots (1)$$

where  $p$  is a suitably chosen positive integer;  $R_t$  and  $SP_t$  are as defined above,  $e_j$ ,  $j=0,1,2, \dots, p$  are unknown parameters and  $e_t$  is the usual disturbance term. Some of the widely used statistics, like  $R^2$  (i.e. adjusted- $R^2$ ), Durbin-Watson (D-W) statistics and Ljung-Box Q-Statistics (denoted by Q-Statistics) will be used for assessing the strength of the relationship presented in equation (1).

*Granger's Causality Test:* For a formal assessment of the influence/usefulness of 'spread', Granger's causality test may be performed using an extended regression equation.

$$R_t = \alpha_0 + \sum_{j=1}^p \alpha_j SP_{t-j} + \sum_{k=1}^q b_k R_{t-k} + e_t \quad \dots\dots\dots (2)$$

As in case of equation (1), relationship presented in equation (2) may also be assessed in terms of  $R^2$  D-W statistics and Q-Statistics. In addition, if all  $\rho_j$ 's in equation (2) are statistically zero, the null hypothesis of no causality from spread to return is accepted. Usual F-statistics may be used for performing the causality test.

*Assessing Forecast Performance:* The regression diagnostics discussed above pertain to the within-sample characteristics of the data. The usefulness of 'spread' may also be assessed in terms of improvement in degree of accuracy in out-of-sample forecast of return by using spread. Therefore, it would be interesting to exploit the relationship between 'spread' and stock market return for forecasting return out-of-sample.

For this purpose, through recursive/rolling regression, forecasting exercise will be repeated several times and based on the forecast accuracy (or error in out-of-sample forecasts) in every repetition, an overall measure of forecast accuracy, say the widely used Mean Error (ME), Mean Absolute Error (MAE) and Root-Mean-Square-Error (RMSE), will be derived for different competing forecasting models, viz., (i) random walk (RW) model; (ii) regression model as in equation (1); (iii) and causal model as in equation (2). Here RW model is considered as a benchmark model to represent

the behaviour of the stock market/prices under the weak-form of efficient market hypothesis (EMH). If the magnitude of forecast errors in cases of (ii) and (iii) are lower than that of case (i), one can conclude that spread helps in improving accuracy of out-of-sample forecast of stock price return.

#### 4. Database and Research Design

In the present study, both weekly and monthly data are used. The basic variable covered in weekly database pertain to weekly average stock price index, E/P ratio of the index portfolio and a representative interest rate from the week ended January 5, 1997 to the week ended December 31, 2007 (eleven years). The monthly database also covers these basic variables for the months from January 1996 to December 2002. The data on return and spread are derived from these basic variables.

As regards stock price index, it is preferable to choose a market representative index. In India, a number of stock price indices are available. Notable among them are BSE 30 share price index (Sensitive Index or Sensex), Economic Times 30 Index, Financial Express 30 Index, S&P CNX NIFTY Market Index, BSE national index consisting of 100 shares (BSE-100), Economic Times 100, Financial Express 100, BSE- 200, Business Line 250, CRISIL 500 index and several other regional exchange indexes. In an interesting study, Balasubramanian and Narasimhan (1999) made an attempt to assess to what extent various indices reflect the market performance. Accordingly, they analysed in detail, various aspects of BSE Sensex, BSE-100 and BSE-200. Their empirical results suggest that there is no significant difference between these three indices.

In this study, closing value of S&P CNX NIFTY Market Index (hereafter referred to as NSE Nifty) is considered for calculating stock market return. The data on E/P ratio pertain to NSE Nifty index portfolio. The National Stock Exchange (NSE) in India provides a fully automated screen based trading system for futures and spot market transactions, on a nationwide basis and an online monitoring and surveillance mechanism. It supports an order driven market which provides complete transparency of trading operations and operates on strict price-time priority. NSE Nifty is a well diversified 50 stock index accounting for 24 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. NSE Nifty is owned and managed by India Index Services and Products Ltd. (IISL), which is a joint venture between NSE and CRISIL. IISL is India's first specialised company focussed upon the index as a core product. IISL have a consulting and licensing agreement with Standard & Poor's (S&P), who are world leaders in index services. The base period selected for NSE Nifty index is the closing price on November 3, 1995. NSE Nifty index stocks represent about 59.49% of the total market capitalization as on May 31st, 2007.

The selection of an appropriate interest rate plays a vital role; so far as the usefulness of the spread is concerned in this paper, we have used short-term rates for deriving spread. In the Indian context, possible proxies for short-term interest rate would be 'call money rate', 'yields on certain Treasury Bills', 'Deposit Rate', 'Bank Rate', etc. Among these, two rates, viz., the Bank Rate and the call money rate are generally used (Roy et al, 2000). The present study also has used the call money rate and the Bank Rate as indicators of short-term interest rate. In this study, one-period stock market return (i.e. return is weekly for weekly data, monthly for monthly data, and so on) at time point  $t$ , say  $R_t$ , is simply defined as  $R_t = \log(P_t) - \log(P_{t-1})$ ; where  $P_t$  is a stock price index.

In Indian context, many studies (Madhusoodanan, 1998; Mohanty and Kamaiah, 2000; Samanta and Rajpathak, 2001) have used equation (3) for compilation of return series. In case of equation (3),  $K$ -period return is simply the addition of  $k$  consecutive one- period returns. Moreover, log-transformation also may reduce a bit of volatility/heteroscedasticity and/or may help to get normal distribution.

The information on 'spread' variable is derived by subtracting interest rate from E/P ratio associated with BSE-100 stock price index. Depending upon the proxy of interest rate, following two measures of spread are used in this study;

$$SP\_B_t = Eb_y P_t - BR_t \dots\dots\dots (4)$$

$$SP\_C_t = Eb_y P_t - Call_t \dots\dots\dots (5)$$

Where  $SP\_B_t$  and  $SP\_C_t$  are measures of spread at time  $t$ ;  $Eb_y P_t$ ,  $BR_t$  and  $Call_t$  are E/P ratio, bank rate and call money rate respectively at time point  $t$ .

#### 5. Empirical Results

To start with, in Table 1, we present the estimated  $\rho_k$  for  $k=1,2, \dots, 20$  (5 months) using weekly data. From Table 1, it appears that the magnitude of correlation coefficient between  $SP\_B_{t-k}$  and  $R_t$  (i.e.,  $\rho_k$ ) is low for  $k=1$  to 6. The maximum correlation coefficient (in magnitude) is observed for  $k=16$  followed by  $k=10, 9$  and 3. In case of  $SP\_C_{t-k}$ , estimated  $\rho_k$  is low for all  $k = 1$  to 13 and the highest is evidenced for  $k = 19$ , followed by  $k=17, 18$  and 20. Estimates of  $\rho_k$ 's,  $k=1,2, \dots, 14$ , using monthly data (Table 2) show that the relationship between  $SP\_B_{t-k}$  and  $R_t$  is reasonably strong for  $k$  above 4, particularly for  $k = 5, 9, 12$  and 14. In case of  $SP\_C_{t-k}$ , however, corresponding relationship is likely to be



important only for lags  $k=6, 9$  and  $14$ . It is interesting to note that the results based on monthly data are more or less consistent with the same based on weekly data, i.e., as  $k$  increases, the cross correlation ( $s_k$ ) also tends to increase.

Thus from correlation analysis, it is seen that the relationship between past values of spread and present value of stock market return is possibly strong only in longer lag, say for about 2-months or above (i.e. corresponding to 9 to 14 weeks or more). For exploring the strength in relationship between return and spread, a number of simple regression and causal-regression models are estimated and the empirical findings are interpreted. In this context, it may be noted that for estimating different regression equations (simple or causal models), lag selection is an important task.

For this purpose, we first fix an upper limit/ceiling to the maximum lag and select only the important lags within the chosen limit. In all subsequent regression/causal models, upper ceiling for maximum lag was fixed at 20-weeks for weekly data and 14 for monthly data.

### 5.1 Regression Analysis

Initially return series was regressed on constant and own past values. Relevant empirical results (presented in Table 3) show that the underlying relationship in case of weekly data is similar (in terms of  $R^2$ , D-W statistics and cl statistics) with that for monthly data, though in former case  $R^2$  is relatively low. In both cases, D-W statistics is very close to 2 (being 1.95 or more) and the Q-statistics is also insignificant at 5 % level of significance (as corresponding p-value is much more than 0.05), indicating absence of any significant autocorrelation of the residual series.

Now, we proceed to check the robustness of the results obtained from correlation analysis. For this purpose,  $R_t$  series is regressed on constant and past values of spread. Different fitted equations and associated estimates of  $R^2$ , D-W statistics and Q-statistics for weekly data are given in Table 4. Similar results for monthly data are presented in Table 5. In case of weekly data, as can be seen from Table 4,  $SP\_B_t$  has relatively stronger relationship with future return than that associated with  $SP\_C_t$ . Empirical results indicate higher  $R^2$  and better D-W statistics when  $R_t$  is regressed on constant and past values of  $SP\_B_t$  instead of regressing  $R_t$  on constant and past values of  $SP\_C_t$ . The Q-statistics in later case is also worse than that in former case. As a matter of fact, Q-statistics in case of  $SP\_C_t$  is statistically significant at 5 % level of significance (as corresponding p-value does not exceed 0.05), indicating presence of residual autocorrelation. In case of monthly data, the empirical results (Table 5) are almost same qualitatively as that of weekly data, though  $R^2$ , D-W statistics and Q-statistics are better for monthly data. Interestingly, Q-statistics in case of  $SP\_C_t$  for monthly data turns out to be statistically insignificant.

### 5.2 Results on Causality Tests

For exploring the possibility of causal influence of spread on return, we fitted a causal model like equation (2), where lag values of both dependent variable (i.e.  $R_t$ ) and independent variable (i.e.  $SP\_B_t$  or  $SP\_C_t$ ) are used as regressors. Different causal models are estimated by employing 'general-to-specific-type' strategy again. The estimated equations for weekly data and corresponding empirical results on causality tests are given in Table 6 and Table 7 respectively. Similar results for monthly data are presented in Table 8 and Table 9. It may be seen from Table 6 that the causal models for weekly data are generally better than the regression equations using only past values of return (as given in Table 3) or only past values of spread (given in Table 4) in terms of  $R^2$ , D-W statistics and Q-statistics.

Empirical results on causality tests using weekly data reveal that the widely used F-statistics (Table 7) is significant at 5 per cent level (as corresponding p-values are lower than 0.05) for both  $SP\_B_t$  and  $SP\_C_t$ , indicating that weekly information on both  $SP\_B_t$  and  $SP\_C_t$  has causal influence on weekly return. For monthly data also, causal models are better (Table 8) than simple regression models (presented in Table 3 and Table 5). The causality tests also detected causal influence of spread on return (see Table 9), though the influence in case of  $SP\_C_t$  is likely to be mild (as the corresponding F-statistics is insignificant at 5 % level, but significant at 6 % level).

### 5.3 Empirical Assessment of Forecast Performance

For assessing the forecast performance, out-of-sample forecasts of return series were generated for (i) last 20 observations in case of weekly data and (ii) last 14 observations for monthly data through rolling regression technique as discussed below. For weekly data, initially each regression/causal model (Table 4 and Table 6) was re-estimated using first 282 observations and out-of-sample forecast was generated for the return series at time point 283. Thereafter, the coefficients of the underlying models were re-estimated using first 283 observations and out-of-sample forecast was generated for time point 284. This way the forecasting exercise was repeated 20 times, each repetition generating a one-week ahead forecast of return series. Now comparing the forecasts of return with actual, three measure of forecast error, namely 'Mean Error (ME)', 'Mean Absolute Error (MAE)' and 'Root-Mean-Square Error (RMSE)' were calculated. Similar error measures were also derived for the random walk model. The relevant results are reported in Table 10. In case of monthly data, one-month ahead forecasts of return were generated for last 14 observations (i.e. from 59-th to 72-nd observations) similarly. Then, like in case of weekly data, different measures of forecast accuracy, viz., ME, MAE and RMSE, associated with different models (i.e. random walk and regression/causal models) were estimated and presented in Table 11.

From Table 10 and Table 11, it is seen that generally causal models (using spread) outperform both random walk model and regression models (using only past values of spread as regressors as given in equation 1), in generating out-of-sample forecast of stock market return.

## 6. Conclusion Remarks

This paper studies the usefulness of the E/P ratio as an indicator of future stock market conditions. The present study employed various statistical and econometric tools for rigorously assessing the usefulness of spread in explaining stock market return. The studies finds that spread seems to have reasonably strong causal influence on return and the causal model helps achieving forecasts better than the random walk model. On theoretical plane, whether the spread between E/P ratio and interest rate is helpful for predicting future return/movement of stock price index is a debatable issue. However, in practice, spread is frequently used by market practitioners. So far empirical evidence for the developed economies suggests that the information on spread could be useful. In case of emerging markets including India, the issue has not received adequate attention.

The empirical results presented here are tentative and further research is needed to address the issue. Particularly, there is a need to put concerted efforts to construct alternative measures of 'spread' based on different interest rates and compare their usefulness empirically in explaining and predicting future movement of stock market return in India. Some central banks' financial stability reports include measures of whether stock markets are overvalued by looking at E/P ratios. However, the results in this paper show that the ratios are not useful in assessing the extent to which there is an overvaluation in the Indian stock market in the short run. There is also scope to assess the direction of stock market index, taking into account the set of potential macroeconomic input variables such as interest rates, consumer price index, industrial production etc.

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Table 1. Estimated Cross Correlation ( $\rho_K$ ) Using Weekly Data

(Time Period: Week Ending 5<sup>th</sup> Jan. 1997 to 31<sup>st</sup> Dec. 2007)

K (in weeks)	Estimated $\rho_K$ Associated with *		K (in weeks)	Estimated $\rho_K$ Associated with *	
	SP_B	SP_C		SP_B	SP_C
1.	0.0172	0.0127	11.	0.1121	0.0417
2.	0.0412	0.0210	12.	0.1259	0.0111
3.	0.0112	0.0161	13.	0.1322	0.0271
4.	0.0310	-0.0211	14.	0.1147	0.0312
5.	0.0512	-0.0172	15.	0.1227	0.0411
6.	0.0671	-0.0141	16.	0.1521	0.816
7.	0.1214	-0.0217	17.	0.1127	0.1072
8.	0.1011	-0.0307	18.	0.1090	0.0911
9.	0.1351	0.0211	19.	0.1071	0.1217
10.	0.1421	0.0341	20.	0.1122	0.0907

Note : \*  $\rho_K$  Indicates correlation coefficient between  $SP_{t-k}$  and  $R_t$  where  $SP_t = SP\_B_t$  or  $SP\_C_t$

Table 2. Estimated Cross Correlation ( $\rho_K$ ) Using Monthly Data

(Data Period: 5th Jan. 1997 to 31st Dec. 2007)

K (in months)	Estimated $\rho_K$ Associated with *		K (in months)	Estimated $\rho_K$ Associated with*	
	SP_B	SP_C		SP_B	SP_C
1.	0.0922	0.0317	8.	0.1327	0.1698
2.	0.0377	-0.0219	9.	0.2143	0.2513
3.	0.0691	-0.0524	10.	0.1127	0.1784
4.	0.1517	-0.0632	11.	0.1281	0.1217
5.	0.1789	-0.1129	12.	0.2291	0.1634
6.	0.1192	0.2427	13.	0.1389	0.1729
7.	0.1244	0.1572	14.	0.1472	0.2432

Note : \*  $\rho_K$  Indicates correlation coefficient between  $SP_{t-k}$  and  $R_t$  where  $SP_t = SP\_B_t$  or  $SP\_C_t$

Table 3. Regression of  $R_t$  on Own Past Values

Dependent Variable	Explanatory Variable	Lags	Coefficients	t-ratio	$-2$	D-W Statistics	Q-Statistics
R							
Using Weekly Data							
$R_t$	Constant	0	-0.0001	0.09	.082	1.96	27.42
	$R_t$	1	0.1476	2.170			
		5	0.1654	2.72			
		9	-0.1651	2.21			p-value
		12	0.1469	-1.99			= 0.9571
		17	0.1387	2.49			
		20	0.1479	5.58			
Using Monthly Data							
$R_t$	Constant	0	0.0107	0.71	0.105	1.99	14.22
	$R_t$	1	0.2917	1.72			
		4	0.2712	2.43			p-value
		9	-0.3192	-1.97			= 0.9213

Table 4. Regression of  $R_t$  on Spread – Using Weekly Data

Dependent Variable	Explanatory Variable	Lags	Coefficients	t-ratio	$-2$ R	D-W Statistics	Q-Statistics
Using SP_B as Proxy for Spread							
$R_t$	Constant	0	0.0049	1.39	0.05	1.82	49.2
	SP_B <sub>t</sub>	1	-0.0031	-1.07			
		6	-0.0143	-1.42			
		10	0.0130	1.43			p-value
		14	0.0123	2.18			=0.1241
		17	-0.0086	2.25			
		20	0.0026	1.32			
Using SP_C as Proxy for Spread							
$R_t$	Constant	0	0.0041	0.90	0.03	1.71	55.7
	SP_C <sub>t</sub>	11	0.0009	1.94			p-value
		20	0.0005	1.00			= 0.0297

Table 5. Regression of  $R_t$  on Spread – Using Monthly Data

Dependent Variable	Explanatory Variable	Lags	Coefficients	t-ratio	$-_2$ R	D-W Statistics	Q-Statistics
Using SP_B as Proxy for Spread							
R <sub>t</sub>	Constant	0	0.01792	1.10	0.14	1.87	15.79
	SP_B <sub>t</sub>	1	-0.0253	-2.44			
		4	0.0532	2.59			
		7	-0.0345	-1.51			
							p-value = 0.8512
Using SP_C as Proxy for Spread							
R <sub>t</sub>	Constant	0	0.0217	1.06	0.09	1.69	18.27
	SP_C <sub>t</sub>	6	0.0019	2.07			
							p-value = 0.5317

Table 6. Estimated Causal Models – Using Weekly Data

Dependent Variable	Explanatory Variable	Lags	Coefficients	t-ratio	$-_2$ R	D-W Statistics	Q-Statistics
Using SP_B as Proxy for Spread							
R <sub>t</sub>	Constant	0	0.0061	1.52	0.13	2.03	34.92
	R <sub>t</sub>	1	0.1328	2.03			
		2	0.1376	2.06			
		5	-0.1076	-1.59			
		8	-0.1928	2.92			
		15	0.1741	2.42			
		20	0.1366	2.11			
		3	-0.0068	2.47			
		10	0.0071	2.98			
Using SP_C as Proxy for Spread							
R <sub>t</sub>	Constant	0	0.0019	0.73	0.13	1.98	27.86
	R <sub>t</sub>	1	0.1278	2.00			
		2	0.1620	2.50			
		7	-0.1490	-2.32			
		13	0.1294	2.17			
		16	0.1789	2.58			
		20	0.1488	2.41			
		13	0.0010	2.07			
		20	0.5003	1.19			
						p-value	0.8972
						p-value	0.9817

Table 7. Results on Causality Tests – Using Weekly Data

Dependent Variable	Explanatory Variable	Lags *	Testing Hypothesis: Coefficients of SP_B/SP_C Care Collectively Zero	
			F-Statistics	P-Value
$R_t$	Constant		6.1927	0.0058
	$R_t$	1,2,5,12,17,20		
	SP_B <sub>t</sub>	3, 10		
Using SP_C as proxy for spread				
$R_t$	Constant	0	5.2978	
	$R_t$	1,2,5,12,17,20		0.0417
	SP_C <sub>t</sub>	11, 20		

Note: \* Estimated Coefficient and Corresponding t-ratios for different lags are given in Table 6.

Table 8. Estimated Causal Models – Using Monthly Data

Dependent Variable	Explanatory Variable	Lags	Coefficients	t-ratio	$-2$ R	D-W Statistics	Q-Statistics
Using SP_B as Proxy for Spread							
R <sub>t</sub>	Constant	0	00.392	1.41	0.23	1.96	11.52
	R <sub>t</sub>	3	-0.3818	-2.59			
		9	-0.3154	-1.60			
	SP_B <sub>t</sub>	1	-0.0245	-2.38			p-value
		4	0.0187	1.72			= 0.9247
		10	0.0092	1.25			
Using SP_C as Proxy for Spread							
R <sub>t</sub>	Constant	0	0.0247	1.42	0.15	1.98	13.79
	R <sub>t</sub>	1	0.1730	1.31			
		4	-.4271	-2.34			p-value
	SP_C <sub>t</sub>	8	0.0057	1.97			= 0.8763

Table 9. Results on Causality Tests – Using Monthly Data

Dependent Variable	Explanatory Variable	Lags #	Testing Hypothesis: Coefficients of SP_B/SP_C are Collectively Zero	
			F-Statistics	P-Value
<i>Using SP_B as proxy for spread</i>				
R <sub>t</sub>	Constant	0	4.9721	0.0312
	R <sub>t</sub>	4, 8		
	SP_B <sub>t</sub>	1, 4, 9		
<i>Using SP-C as Proxy for Spread</i>				
R <sub>t</sub>	Constant	0	3.9243	0.0579
	R <sub>t</sub>	2, 5		
	SP_C <sub>t</sub>	8		

Note: “#” Estimated Coefficients and corresponding t-ratio for different lags are given in Table 8.

Table 10. Out-of-Sample Forecast Errors - Using Weekly Data

Model	Measure of Forecast Error		
	ME	MAE	RMSE
<b>Random Walk</b>	-0.0089	0.0419	0.0472
<b>Regression Model (As in Equation 1)</b>			
Using SP_B as Proxy for Spread	-0.0079	0.0472	0.0449
Using SP_C as Proxy for Spread	-0.0031	0.0491	0.0417
<b>Casual Model (As in Equation 2)</b>			
Using SP_B as Proxy for Spread	-0.0047	0.0321	0.0279
Using SP_C as Proxy for Spread	0.0021	0.0312	0.0307

Table 11. Out-of-Sample Forecast Errors - Using Monthly Data

Model	Measure of Forecast Error		
	ME	MAE	RMSE
<b>Random Walk</b>	-0.0212	0.1121	0.1391
<b>Regression Model (As in Equation 1)</b>			
Using SP_B as Proxy for Spread	-0.0150	0.1017	0.1267
Using SP_C as Proxy for Spread	-0.0009	0.1082	0.1357
<b>Casual Model (As in Equation 2)</b>			
Using SP_B as Proxy for Spread	-0.0112	0.0815	0.0965
Using SP_C as Proxy for Spread	-0.0027	0.0917	0.0889



## The Development Status and Problems of Current Digital Artistic Design

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### Abstract

The entrance of digital technique into design field brings about tremendous changes, which are mainly shown in the view style of the mixture of objects and viewers. From this perspective, the formation of virtual images depends on computer calculation without any technique difficulties. The support of digital techniques pushes the development of online design mutual actions where culture holds its ground. Designers should shoulder their social responsibilities for loss of home land language design languages and its design context. We need to face all of the problems in the development process of digital artistic design need and to reflect on ourselves.

**Keywords:** Digital image technique, Design, Vision

Digital technique and digital image technique have been widely applied in the entire design field. Computers are replacing traditional pens and paper. The convenience of digital technique and the newness of digital image technique make every designer feel excited. However, the perplexity faced by digital artistic design also worries designers. Starting from this consideration, this paper makes deep analysis on the current status and problems in digital artistic design from the four aspects and tries to develop full discussion.

### 1. Virtual idol

Digital image technique could endless overthrow daily visual experience because digital graphics are not to materialize objects as we commonly mean. The formation of images depends on the permutation and combination in digital arithmetic and the desired images are shown instantly on the screen when you operate a keyboard and mouse. Digital technique could make images in two dimension plan generate multi-dimensional and constantly changing novel visual images and could also break down three dimension shapes into two dimension plane. Also, there are a lot of other similar surprising graphics view, which could not be realized with traditional painting experience. Such technique also provides forceful technique support for us to deviate from daily visual experience.

In the one hundred years history of modernism painting, although there have been various schools, all visual judgment of each art talent depends on overthrowing daily visual experience. Artistic images are no longer the imitation and under of normal world but are to part from the world and make the world strange. Daily reality and artistic representation are no longer of mirror-and-image relationship as of classic art. In these artistic works, we could not see real life and could only feel the joys and sorrows of life in the works full of imagination. Therefore, modernism paintings focus on the difference between real normality and artistic shapes so as to keep the distance of view and at the same time to inspire the visual intellect and imagination of viewing and the viewed.

The reason why digital image technique could deviate from daily visual experience is the great differences in view styles. In the virtual space where human beings and computers mutual act, the quality sense, quantity sense, light, and shadows of the imitation images created by computers are quite the same as reality. Therefore, the psychological driving at scene when the mutual actions take place gives people illusion of sense organs. The border between virtual scene and real scene disappear in the process of mutual action so that people could not keep the distance of view. Bernheim expounds the interposition of digital technique from the perspective of aesthetics and the view styles change accordingly. "The deep artistic meaning of computers lies in that it forces us to doubt the artistic view and reality view of classic art." (Bernheim, 2002) Through the platform where human beings and computers act mutually, computers "mix up the learners and the learning objects, mix up internal and external concepts, and deny the imagination that requires absolute objectivity. Human beings have realized that daily world is showing the sameness with artistic conditions." (Bernheim, 2002) Actually, the body and heart in the formation of virtual images are separate. Objects of different forms are combined together to form a picture. However, the body could not enter the virtual materialization circumstance to touch them and could only feel them with hearts. Hence, object-and-viewer mixing up of virtual imitation in digital technique is different from the real representation in classic realistic painting art and is different from



image alienation in modernism painting. Compared with the deviation of modernism painting from daily visual experience, the view styles are different. One keeps certain distance and the other mixes up objects and viewers and put viewers into the circumstances. Although in virtual pictures and scenes, viewers could not enter into the circumstances, the view distance has already disappeared. Compared with classic painting, the two are both realistic. However, one is the real representation of reality and the other is the virtual visual imagination. Because digital images are not free from the restriction of material objects, digital image technique could make normal graphics and could also create pictures beyond imagination. Through mutual means, the novel images generated instantly could constantly change and form new images. Those images could represent life reality and could also imagine future endlessly.

The significant meaning of visual reform brought about by digital image technique lies in that it changes former view style and brings about together various artistic representation styles. Although it is difficult to forecast the final development status of constantly changing digital graphics technique, it is sure that digital image technique provides abundant possibilities for our artistic changes.

## 2. Tool for the masses

When digital image technique encountered visual design for the first time, they became close sweetie for the masses. Those who could not express their meanings with pictures and are in corners become extremely excited in human being and computer love world. Computers eliminate people's fear in the former hand painting skills. The digital image tools save common people from the imperfectness of painting skills.

In the past, there is such a saying in this field, "from the level of painting skills, 'technique is thoughts'. Only techniques of high level could perfectly express thoughts". For common people, the perfection of techniques and the free expression is the afflictive life of creation because technique requires long term and hard practice. If some one, without special gift and practices, could have similar technique with masters, then digital technique is the magic weapon. In digital era, there is no gap between the techniques of masters and chelas. What the chelas lack is the taste and vision.

Because of digital image technique, the master craft which was too high for others to achieve in the past becomes the technique seasoning for common people. If some one is interested in it, in the process of human being and computer mutual action, she or he could manage to apply the super techniques of various masters. Hence, the pass for entering technique palace disappears. Therefore, we could see such a scene. In the past, the artistic palace usually only has several artistic master-hands, while in the artistic world, there lacks people with super crafts and people are practicing. However, at present, due to the appearance of digital technique, countless heroes step onto the stages. With digital tools, people could achieve craft paradise. At present, digital technique gradually becomes the technique suitable for the masses. However, the feelings between human beings and computers could not eliminate the track of machines. In hand-painting era where people believe "technique is thoughts", because people advocate the experience in the hand-making process, all to be presented could be fully demonstrated in the process. However, in digital era, the images do not have the amorous feelings in hand-making era and computers replace the aesthetic experiences where hands operate.

In the book designs, all designs could not avoid the stark digital masks. The reasons are that they apply similar computer graphics, they put all together in format and they use sudden sense stimulation. The taste of culture could not be represented by the pictures formed by computers. Obviously, it is the result of simply applying digital techniques. The design for books where computers replace human brains make the expression and meanings more and more plane in the rational restraint of tools. If feelings could be calculated, be forecasted and be controlled in computer codes, the spirit happiness will degrade to Macdonald fast food. The Macdonald phenomenon of designs is the urgent issue to be resolved. The core of Macdonald mode is, within certain standard, to pursue the maximum efficiency. All individual and abnormal behaviors are excluded from being resolved. All need to pass the quantity standard. Therefore, all hamburgers of Macdonald in the world have the same taste, which means that culture is excluded. Designs without different cultures could not represent the richness of feelings. Although computer solves the difficulties in design technique, the technique of digital imitation could not show the deep insight of sensibility. Oliver Grau commented in his book *Virtual Art* that, "computers might become the best storage from-only if the operation system or storage media are not out of date-however, they could not record or copy the materialized art feelings. (Grau, 2007) Although the images from the screen could be materialized, the feeling expression of images created by computers is not so good as those created by hand.

In hand-painting era, craft is the print of soul. The style expression of craft could represent feelings and the craft operation process is the process for heart image and object image to combine, which maybe the connotations of "technique is thoughts". The digital imitation craft seems to be real, however, it is not the representation where heart and object matches and it is just the calculation of digital and saw tooth feelings. Although at present computers start to have the possibilities of random changes, its intellect is just the arithmetic under fixed programs and it just has intelligence quotient but has no affection quotient. Computer is just a type of tool. Therefore, the love between human beings and computers are still experiencing torment in the purgatory of love.

### 3. Mutual Share

Up to present, the broad band media with sound and vision and other feeling styles together promotes internet entire framework development. Real time mutual action network platform provides great convenience to home land design communication and also provides new ways and methods for the globalization cooperation of design field. Although there is spatial distance, online design could reach places thousands miles away in instance. In mutual action platform, mutual share and real time communication are completed at the same time. The two parties at the platform could together penetrate into the problems, and could inspire innovation in the debate of different concepts. Obviously, on line design international cooperation, with mutual actions of different cognition styles, could enlarge the possibilities of eliminating the design perplexities.

For online design, its convenient spatial change and active dialogue style impress all participants on line. Therefore, the on line cooperation of network platform has its special advantages. The first one is that on mutual action platform, through the mutual functions of external design experience and through borrowing others' view point to examine the current common design concepts, we could find home land design blind points with wider vision. The second is that in economic globalization era, through on line design to learn the consumption demand and cognition attitude under different cultural background, within professional information scale, there is no need to filter motley information so as to rapidly fix new design orientation, which is the basic premise for home land design to walk from region to the world.

When digital design master-hands are searching for the inspiration of creation on line, they are facing a problem: the two parties in network spaces have deviated from real life circumstances. Their mutual communication is culture experience and on the scene description. Even on line design is just the mutual actions of professional experience. On the network, there is no materialized experience in person and the comprehensive life feelings are replaced by language description. However, experience description could not completely and truly reflect the existence of objects. Therefore, facing the screen, the culture experiences of the two parties could not replace the deep insight felt in real life.

The current domestic design, who is trying to escape from the influence of western design languages, has not formed complete home land design language system while advocating Chinese design resources. In on line mutual design, under the circumstance where the communication is unilateral and the information is not symmetrical, there is no lasting and deep treatment and independent judgment. The home land design awareness, held originally, gradually disappear in the aggressive western design context through network mutual action. At this time, the part on the line where is a receiver unconsciously becomes the target audience of western design language. They are not parallel mutual participants. Ester Harjitai mentioned when he made analysis on the reasons for the generation of number gap, "the strength of the U.S. users exceeds the strength of any other culture. therefore, the rules and beliefs of the U.S. culture is quite popular on the internet. Therefore, with dazzling network design resources, instant mutual actions thousands of miles away, and the diversified design experience description, if on the line we do not hold on to home land design language, the western design languages will further invade the base of home land culture. Obviously, only through focusing on home land national design, accumulating design language resources and constructing self design language system could the mutual action on the network has its true design culture status.

### 4. Design context

In era where thoughts are emancipated, we did not stay for a long time and hurried to transfer scattered thoughts into eternal dribs and drabs. When the economy change era came, the consumption tide also came, which drives people to drift in the material desire river. To return to the spirit land and live there happily has become the hope of spirit watcher. Culture steps down from holy palace to common places and culture condition changes accordingly. Cultural context changes from traditional feeling expression to instance sense organ stimulation. From the perspective of design, design context is formed through the accumulation of design activities under practice. In these activities, the methods, ways and technique that are usually applied are the representation of design language. Therefore, design language is the composing element in design context. For current common designs, book design wonders between profit and fashion. The pursuit of commercial profit makes all become consumption, which forces book designs to search for new methods in order to occupy market.

To attract readers' attention within several seconds becomes an important index to judge whether the design is successful. Visual bomb is popular design fashion. "The direct reflecting image apperception is faster than language thinking in receiving time – imagination" (You, 2008). Based on the aforementioned, the emphasis on image functions is actually following the road of popular culture. it uses visual happiness and stimulating images to hide history and thought depth and eliminate the multi-thought apperception so as to force the cultural spirit function of design to loss its meaning and to change the inner spirit demand into external fashionable packing. The wide application of digital graphics technique provides great convenience to wide application of images. Hence, the images on the cover is not the extension and expression of contents in the book. Only if it simulates sense organs to convert it into visual sense of happiness, any visual elements could not be related to the contents in the book. Under such circumstances, the visual expression of all contents in design naturally becomes dialogues of cartoon. Actually, to stimulate sense organs to

acquire some happiness is not a bad thing. What is terrible is that digital image technique mixes up the border becomes real existence and digital images. Through various medias, it convinces people that the virtual illusive scene is daily life and transfers the view distance into experience in person. The uncontrollable desire and abreaction comes quietly. The beautiful girls on the magazine covers accidentally become the readers' lovers in dream. Even some people are addicted to the beautiful girls. Therefore, the visual happiness under contemporary cultural context should not be the only design language.

Actually, various value tropism in contemporary design context all start from the demands of human beings. However, it is for the designers to think what kind of design demands and design tropism of which level should be taken. With the involvement of digital graphics technique, the openness of design forms the basic tone of contemporary design context. The multi-tropism in design languages becomes common demand. However, design should shoulder the responsibility to promote social progress. In multi-tropism design languages, human beings' basic value judgment could not be lost. The humanism care in design works should be represented in the harmonious relationship between human beings and nature and in the full exhibition of human demands. However, such demand should be common public demand. The ways to resolve problems in current design context are to face the openness of digital technique and to fix home land national culture status so as to shoulder social responsibilities and to construct self language resources.

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## Thoughts on Management Reform in China's State-Owned Enterprises

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### Abstract

In order to improve the management level of China's state-owned enterprises, we should consider the management environment of state-owned enterprises and construct a suitable management mode, instead of copying the management experiences in western countries. Based on an in-depth analysis, this paper puts forward suggestions for the management reform in state-owned enterprises from three aspects. How to properly deal with the relationship between management reform and experience inheritance in state-owned enterprises, how to integrate China's local cultures, and how to reflect the theme of the times are the key points to construct the suitable management mode for state-owned enterprises.

**Keywords:** State-owned enterprises, Enterprise management, Sustainable development, Harmonious management

### 1. Introduction

Any effective enterprise management mode is a product combining management idea and management environment together. To copy the successful management experiences and methods in developed countries does not mean the success of management reform in China's state-owned enterprises. In order to improve the enterprise management level in China, we should grasp the chance of management reform in enterprises today, learning and consuming the advanced management theories in other countries, and making innovations based on conditions of China's state-owned enterprises. Only by considering the management environment of China's state-owned enterprises, can we create the proper, advanced, and special management mode for China's state-owned enterprises.

### 2. Three key points of management reform in state-owned enterprises

The management environment in China's state-owned enterprises, the management experiences of state-owned enterprises, and the requirements of Chinese culture and the times are the three important factors. How to properly deal with the relationship between management reform and experience inheritance in state-owned enterprises, how to integrate China's local cultures, and how to reflect the theme of the times are the key points to construct the suitable management mode for state-owned enterprises.

#### *2.1 How to deal with the relationship between state-owned enterprise reform and experience inheritance*

For the management reform in state-owned enterprises, how do we resolve the relationship between state-owned enterprise reform and experience inheritance? Firstly, we should have a clear and overall understanding to state-owned enterprises' former management situations.

China's state-owned enterprises have experienced decades of years, contributing a lot to national economic development. Although many management errors have emerged in management practices, some excellent management ideas and experiences have come into being. Firstly, in state-owned enterprises, workers are regarded as the owners, aiming at realizing the liberty and comprehensive development of human being. It reflects the human-oriented nature of state-owned enterprises and it is a transcendence of "humanistic management" thought in western management. Secondly, state-owned enterprises are good at cultivating the staffs' sense of belongingness. The work union plays an inevitable role in the process. Staffs' sense of belongingness is extremely important for enterprises' development. Whether the enterprise can inspire its staffs to generate a sense of belongingness or not is the key for the enterprise winning employee loyalty, enhancing its cohesion and competitiveness.

Along with changes of management environment, the competitive advantages of state-owned enterprises are declining gradually. The reason lies in the low management level of state-owned enterprises in general. To sum up, the management of state-owned enterprises has these problems as follow:

Firstly, emphasize on process and neglect results. State-owned enterprises pay more attention to process instead of results. Concerning enterprises' business strategy and goal, most state-owned enterprises merely deliver the goal

predetermined by higher authorities to different departments and then report the results from different departments to higher authorities. In this process, state-owned enterprises do not turn the goal into performance indexes or form a specific responsibility system that is responsible for enterprises' performance indexes.

Secondly, decision-making procedures are unscientific and most are managers' short-term behaviors. The chief managers in state-owned enterprises are mostly appointed by higher authorities directly. Enterprises' power is totally centered in the top management level. As a result, top managers are buried in endless affairs, ignoring enterprises' strategic and directive issues.

Thirdly, be lack of competitive mechanism and employees do not face any competition. Due to influences of planned economy and restraint of managers' authorities, state-owned enterprises do not possess the consciousness of competitiveness. In the personnel appointment aspect, state-owned enterprises follow a potential rule of "no degradation", without a "survival of the fittest" selection mechanism. In this environment, Chinese tends to stay in a present comfortable state and never think about reform.

Fourthly, the management organization is backward. State-owned enterprises have unilateral management organization. Most still adopt the "linear function" organizational form that was popular before the reform and opening. Managers are in charge of a wider span of management. They can not pay attention to corporate strategy. Besides, the linear guiding system overlaps with the functional reference system in enterprises, causing conflicts and unsuccessful information transfer. As a result, managers can not make right decisions timely. Responsibilities and obligations fail to be defined clearly.

Fifthly, the efficiency of staff training is low and the brain drain problem is serious. In state-owned enterprises, the lower staff training efficiency, lower staff satisfaction degree, and serious brain drain are chiefly caused by such a fact that there are lack of a perfect staff training system in state-owned enterprises. Enterprises do not possess a scientific training idea. The staff training is blinded. Enterprises do not design an effective training system based on enterprise development and employee needs. The training effect is low.

Based on an overall understanding to the management situations in state-owned enterprises, we find out the definite answers for how to solve the problem between state-owned enterprise reform and experience inheritance: inherit the excellent tradition of state-owned enterprises and reform the enterprise management.

## *2.2 How to explore the management method with Chinese features based on Chinese culture*

In order to explore the management reform in state-owned enterprises, we should not only introduce foreign latest management theory but also stand on Chinese culture, developing the management theories and methods with Chinese features according to the main thinking ways and personalities of Chinese. Generally speaking, Chinese thinking mode is visual and comprehensive, emphasizing on mastering objectives from an overall aspect. In management, this thinking mode turns into the essence of contingency management thought and systematic management thought. Chinese culture emphasizes on harmony. Chinese emphasize on the harmonious interpersonal relationship. They cherish the harmony of people. Therefore, for Chinese, the humanistic management can exert the management effect better. Managers should pay attention to the relationship between employees, cultivating the staff's consciousness of collectiveness. In the aspect of reward system, manager should emphasize on both individual reward and collective reward. In executing the rational management, managers must be careful, emphasizing the harmony in enterprises.

## *2.3 How to embody the theme of the times*

Enterprises are the most important components of the society. Enterprise development should keep the same space with the social development. At present, to pursue a sustainable development and construct a harmonious society have already become the theme of the times. As the important components of the society, state-owned enterprises must advocate the sustainable development and emphasize on harmonious development in order to drive the social development and harmony. Enterprises' sustainable development focuses on enterprises' long-term development, using systematic theory to explore the origin and specific methods for enterprises' development strategy from the whole to the part, from the long-term to the short-term, and from the qualitative changes to the quantitative changes. Integrate the sustainable development thought into the enterprises' ideas, which will be used to guide the constitution of enterprise strategy, realizing a combination of the macro and the micro, and the short-term goal and the long-term goal. Enterprises' harmonious management is to plan, organize, lead, and control enterprises' resources according to the "harmony" idea, which can help to reach the predetermined organizational goals. The harmonious management aims at realizing a great unity of the harmony of people and enterprises, the harmony of people and people, and the harmony of people themselves, obtaining the integrated effects that include economic effects and social effects.

## **3. Suggestions for the management reform in state-owned enterprises**

To deal with the management reform and experience inheritance in state-owned enterprises properly, to integrate Chinese local cultures, and to embody the theme of the times serve as the base of constructing a suitable management

mode. Connecting with the exploration of management reform in state-owned enterprises, this paper advances suggestions for the management reform in state-owned enterprises from three angles.

### *3.1 Solve the relationship between state-owned enterprises' reform and experiences inheritance*

Firstly, state-owned enterprises' reform should absorb the valuable experiences in decades of years, insisting on employees' owner position, and enhancing the cultivation of employees' sense of belongingness. (1) Inherit the "employees are owners" idea and execute the human-oriented strategy. Enterprises should put staff development and enterprise development at the same important position, what reflects the strategy of regarding employees as owners of enterprises. Meanwhile, by constructing the learning organizations, enterprises can provide with a platform for employees' development, improving the capabilities of employees. By this way, enterprises will completely realize employees' comprehensive and free development and carry out the human-oriented strategy. (2) Emphasize on the construction of corporate culture. Positive corporate culture can help employees cultivate a sense of belongingness, collecting strengths for enterprise development. Besides, the positive corporate culture can inspire employees' work enthusiasm, helping them overcome the negative thoughts.

Secondly, considering some common problems in state-owned enterprises, this paper puts forward several schemes for improving the management in state-owned enterprises.

(1) Build up a performance management system and emphasize on the business results in state-owned enterprises. Use the performance indexes database to discompose the enterprise strategic points and goals and apply them to the management level and different departments, forming an effective goal- responsibility system, and making different responsibility subjects' performance behaviors consistent with the enterprise strategy.

(2) Emphasize on strategic management and long-term development. Make a set of scientific strategic decision-making process. With the base of understanding and mastering the external environment and self conditions, use all kinds of advanced analysis tools to make strategic analysis, directing the whole enterprise to organize effectively and make best use of enterprise's internal resources, and realizing an overall plan of enterprise's business goal. The enterprise can develop its advantages and avoid disadvantages by strategic study, meeting the changes of market environment, pursuing the long-term survival and development, and establishing its basic directions, goals, and fundamental measures.

(3) Execute the competitive employment mechanism and inspire employees' initiative. In order to overcome people's certain negative nature we should construct an employment mechanism that supports the enterprise-and-employee bilateral selection and internal competitive employment. This mechanism provides with an equal employment platform for excellent people, which can effectively enhance the staff's work initiative. By this mechanism, the staff can share the enterprise's pressure in competition by improving self quality.

(4) Construct process organizations. Make innovation for organizational form. Get rid of the narrow thought for certain operation or department and analyze the organization from the process angle. By executing the business process management and centering on the business process, break up the pyramid organizational structure and realize an effective communication and all employees' participation management, making the enterprise catch up with the high efficiency and fast rhythm of the information society and possess stronger emergency capability and flexibility.

(5) Emphasize on the improvement of employees' competence. To improve employees' competence should not merely rely on the designed staff training. It is necessary to construct a brand-new platform. Build up an incentive mechanism that serves as an internal motive for improving employees' competence. Aiming at the professional career plan, use the competence-quality model to evaluate employees' current competence, based on which develop an overall employees' competence construction by the staff training and the competitive employment mechanism, improving employee's qualities effectively in general.

### *3.2 Integrate Chinese culture*

Considering Chinese thinking habits, state-owned enterprises should construct a management system from a systematic and dynamic angle. Corporate strategy is to determine the enterprise's general goal and regulate its general action based on the enterprise's conditions. In the general business management, the enterprise takes corporate strategy as the goal and pays attention to the whole situations. Based on the strategic goal, use the strategic capability evaluation model to identify the distance between corporate capability and corporate vision at different strategic stage, which provides with proper evidence for capability construction.

Considering the characteristics of Chinese personalities, state-owned enterprise management should take the harmony as the key factor of management. Aiming at the construction of harmonious enterprise, using the harmonious culture to guide the enterprise's harmonious development, making the harmonious idea permeate into the corporate creed, system, and employees' behaviors, and executing an overall harmonious management can realize the harmonious development of the enterprise.

### 3.3 Embody the theme of the times

Firstly, advocate the sustainable development of enterprise. (1) State-owned enterprises should refine the corporate culture that supports enterprise's sustainable development. The enterprise should follow the human-oriented rule, taking all stakeholders' interests into consideration, and pursuing the harmony of the enterprise and even the society. (2) Construct an organizational ability structure that supports the enterprise's sustainable development by organizational ability construction. Build up the learning organization and guarantee the source of organizational progress. (3) State-owned enterprise should cultivate an excellent staff by employees' competence construction, which serves as an objective condition for sustainable development.

Secondly, emphasize on corporate harmonious management. The harmony of enterprise should include the harmony of corporate ideas, the harmony of systems, and the harmony of behaviors. In the aspect of ideas, the harmony is the directive thought and the rule of management. In the aspect of systems, the harmony is the mainstream of enterprise system construction and the incentive mechanism of enterprise. In the aspect of behaviors, the harmony is the work way and the interpersonal association rule of employees. Therefore, in the management reform process, state-owned enterprises should execute enterprises' harmonious management from the three aspects mentioned above.

### 4. Conclusion

Western advanced management thoughts and ideas come into being continuously. China's state-owned enterprise reform makes progresses during the process of introducing western management thoughts and the exploration. Many domestic experts and scholars devote themselves into the study of this issue and many latest management theories appear one after another. However, few studies concern an integrated research on the factors that should be emphasized in realizing the management innovation in China's state-owned enterprises. This paper suggests that the management reform in China's state-owned enterprises should take three issues into consideration. It develops an in-depth analysis and puts forward suggestions for state-owned enterprises' management reform, which has a practical and directive meaning for China's state-owned enterprise reform.

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## From Customer Satisfaction to Citizen Satisfaction: Rethinking Local Government Service Delivery in Malaysia

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### Abstract

The Producer-Customer Paradigm within which much of the service improvement efforts have been undertaken is a highly circumscribed and problematic paradigm for local government services. It views citizens as customers of local government services and seeks to be more efficient in its delivery through process improvements. While the Producer-Customer Paradigm has spotlighted the service delivery side of the local government, it leaves the policy making and political side of local government, so central to the nature and role of government largely beyond its scope. This artificial but politically convenient truncation or limitation has been soundly criticized in the west for distorting the role of the local citizen and the local government. Citizen satisfaction and not merely customer satisfaction is the key indicator of local government quality. An expanded service quality paradigm i.e. Government-Citizen Model is needed to place service quality within a framework of political and social values. The ultimate test of local government quality is a population which is satisfied as a user (personal satisfaction) and citizen (social satisfaction).

**Keywords:** Local government, Customer satisfaction, Citizen Satisfaction, Public service quality

### 1. Introduction

Within the national governance systems, the federal government is the centre of most discussion, followed by the 13 state governments and the 144 local authorities that make the local government. Fifty percent of the Gross Domestic Product is generated from areas under the charge of local authorities. Some 14.57 million (62% of total population) million people lived urban areas in 2005 and this figure is forecasted to reach 16.85 million (63.8% of total population) by 2010 (Ninth Malaysian Plan (NMP), 2006:360). Most, if not all, urban citizens live in local authority administered areas. As the population becomes urbanized, local government grows in direct importance to the welfare and the quality of life experienced by a majority of the citizens of this country. Local land use planning and control, hawking and business premise licensing, basic disposal services, environmental control, and social and recreational facilities are within the purview of local authorities. The local government has been since independence plagued by a multitude of problems arising from its financial, personnel and administrative shortcomings. The almost four decades old Dato Athi Nahappan Report (1970) catalogued the crises and administrative difficulties of local authorities in West Malaysia in the post-independence period. Although the local authorities in Malaysia have grown in numbers and stature since the Dato Athi Nahappan Report and the subsequent restructuring in 1974 (Hazman, 1992), they are the weakest link in national governance system. There are now 144 local authorities (LA) in the country. LAs play two key roles at the local level that impact the lives of the local citizen. The first role relates to provision of basic services aimed at the upkeep of the local community including businesses to be found within the administrative purview. The second role is to regulate land use and business activity within the administrative area.

As an unelected level of government, LAs avail itself the powers of government without direct accountability to the local population. Run by seconded federal administrative officers and co-managed by state officers, public participation and influence remains marginal but rising occasionally coinciding with serious outcries over important policies and decisions i.e. location of dump sites or raising of taxes. The larger authorities also play a significant role in development of the local community. Over the years, the local authorities have been soundly criticized for poor services. Due to the



importance of the local services that the LAs provide, they are subjected to daily barrage of questions and complaints directly in the press and through higher ups at the state and federal levels. LAs are allegedly bureaucratic, inefficient, wasteful, unresponsive and not citizen-friendly. A federal Deputy Minister of Local Government and Housing perhaps over dramatized his comments when he maintained that local authorities act as triads and have contributed mainly to the country's low ranking on the Corruption Index. Due either to lack of financial and human resources and often times, due to poor management and incompetence and not to mention sheer arrogance, services are fraught with problems (Lee, 2006a, 2006b; Ambrin, 2006). But LAs have traveled a long way since in improving the services. To be fair, many LAs due to normative pressure from state and federal administrations and in some cases, through enlightened leadership, have improved their service delivery. Through the efforts of the federal government and also the respective state governments, the LAs have taken a variety of measures to improve local services. Total Quality Management, Business Process Re-engineering, Service Recovery System, ISO 9000, privatization, Client Charters, online services etc. have had significant impact on the quality of services provided to the local citizen. There are exemplary local authorities that have won numerous accolades and awards for remarkable changes in the service. Some have made significant strides in realizing some of the objectives of Local Agenda 21.

## 2. The Paradigmatic Trap

The Market Paradigm advanced through a range of reform initiatives loosely strung together under the rubric of New Public Management (NPM) has even been recognized as promoting a new view of government and citizen. This paradigm has been subjected to critical evaluations in the land of its origin – US and Europe and has undergone substantial revisions, adjustments and in some cases, outright rejection (Vigoda, 2003; Aberbach & Christen, 2005). Are we as clear about the paradigm as we are about the practices? It is often argued that agencies must think outside the 'box' i.e. their paradigm, to achieve quantum leaps in effectiveness. As we break free of one box (Bureaucratic Paradigm) we must also beware of the new paradigm (Producer-Customer Paradigm) we are adopting sub-consciously. Every paradigm has its own values and assumptions and it is imperative that relevance and centrality of these attributes be examined and adopted or rejected. This paradigm must be tested against the notions of society, government and citizen as reflected in the basic statements of destiny – Vision 2020.

In the world of practice and implementation in the public sphere including the local authorities, it is often fashionable to jump onto the "bandwagon" and adopt the latest management fashions and fads. While the technical benefits are often explicit, the underlying assumptions and values are quite often not visible. As the normative values are abstract, invisible and mental devices, the practicality is not immediately observable. But besides delivering instrumental benefits, the NPM practices also individually and collectively promote new paradigms of government and governance which may or may not be desirable.

It is in the light of the foregoing argument and belief that the following discussions becomes important and insightful.

## 3. The Producer-Customer Paradigm

Malaysia, like all other Asian nations, has not been spared the pain and profit of globalisation on the governmental front (Cheung, 2005:258). As the conservative political ideology and its attendant market philosophy took root in Britain, Europe and in the US through the forces of normative (defining the standards of new (and progressive) public management approaches and practice), mimetic (copying) and coercive (conditionalities attached to aid and other support mechanisms) isomorphism (DiMaggio & Powell, 1991), a collection of practices and approaches that bemoaned the dysfunctions of the Weberian bureaucracy and extolled the superior features of the market were embraced in the public sector. Osborne and Gaebler (1992) through their influential 'Reinventing the Government' theme pushed forth the adoption of a wide range of private sector tools to reinvent public sector work and agencies. Central to their philosophy and underpinning much of the reform energy is the need to serve the customer just like the private sector. In contrast to William Sayre's Dictum that the public and private sectors were fundamentally alike in all unimportant respects (Allison, 1983:453), the NPM proponents ruled that government and private organisations were fundamentally the same. This call resonated well with the reformists within and also critics without the public sector who have long campaigned to have the public sector become more sensitive to the needs of the user. The bureaucratic management overplayed the need for control, accountability and probity and relegated the need for speedy decisions, flexible delivery and customer satisfaction as a key metric of performance. The pendulum swinging all the way in the opposite direction of market discipline also overplayed the role and relevance of the market reifying the customer and negating the citizen.

The public sector reforms in Malaysia since 1990's (see Figure 1) have been influenced by these aforesaid developments in the American and European public services (Cheung, 2005; Hazman, 2003). Total Quality Management, Malaysia Inc., Service Recovery Systems, Client Charters, ISO 9000 Quality Management Standard, Public-Private Partnership, Privatization, Outsourcing, and Online Public Services are some examples of the various practices and approaches introduced at all levels of government to re-engineer the public sector. Undoubtedly and in all honesty, these policies, strategies and practices have resulted in significant to huge improvements in public services.

Through strong political pressure and commitment the public services are more 'customer-oriented'. Although many of these change initiatives were launched and aggressively followed through at the federal level, these practices have the usual cascading effect from the federal, state and local. In the true spirit of providing high quality services to the local population, the many large and urban LAs have become more customer-oriented. They pay more attention to the users of the services than before. There is an attempt to obtain and use feedback from the public. There is also greater readiness to address local concerns. The Prime Minister Dato Abdullah A. Badawi set the tone when he expressed the need for rapid improvements in the quality of public services when took office and he has since continued to vigorously pursue the issue at every juncture.

Despite the variety of changes and the interest and commitment of the political masters at the federal, state and local levels, these changes have resulted a slight shift in the fulcrum balancing the agency interest vis-à-vis those of the users-cum-customers. Arguably, the changes have been a symbolic, tactical and mechanical embracement of the practices. For example, the Client Charters are in place but there is no public report of performance of the agency (public accountability, only internal reporting - Hazman, 2003), there is still no active consultation with users in designing processes especially if they are a diffused and non-vocal lot. There is no significant attempt to enable tracking of transactions including online arrangements, the laws that enable limited disclosure co-habits with practices that symbolize accountability and transparency, focus on productivity rather productive outcomes etc. Despite many important changes and improvements, the spirit and value of serving the public is still to become a significant part of the value system.

The whole repertoire of changes and initiatives ushered in the name of modernization and improvement of the public services are reflective of an important, though not always articulated paradigm - Producer-Customer Paradigm or also called the Market paradigm. The problem and hence the challenges are conceived as one that requires the services delivered by the LA to be fast, accurate, fair, professional and polite. The focus of the reform and improvement effort is on the delivery side of the service. In traditional public administration language, it is the implementation of policies that the present approach dwells on. The policy and policy making dimensions are not very in focus. Cheung (2003) opined that the agenda of change and reform in government has settled on an important but secondary issue of service efficiency of the authorities and pushed to the backseat the importance of policy making. The policy making was deemed to be unproblematic and the primary challenge was and still is the implementation and delivery of the services so determined by the relevant governments through its various policies. This paradigm was given intellectual muscle by the NPM proponents who proposed and argued for the private sector style approaches and practices including especially the treatment of the citizens as customers. From the public standpoint, the plethora of changes aimed at improving the quality of services was welcomed as service delivery was and still continues to be a major source of public dissatisfaction with governments including local governments. One only needs to look at the local dailies to obtain get a taste of the persistent and ubiquitous service failures.

In true NPM spirit, this paradigm has culminated in the development of public satisfaction index like US Customer Satisfaction Index to locate and tract the effect of the stream of changes introduced. Many LAs have developed or are in the process of developing similar local satisfaction index. The Ministry of Local Government and Housing has indicated many times the need for and the interest in developing one for the local government. As important as these indicators and the improvements in the services are to the local population, the nature of local government, the political and constitutional relationship between the public and LA and democratic ideology demands that the Producer-Customer Paradigm be transformed and expanded into a Government-Citizen Paradigm. The Government-Citizen Paradigm encapsulates the essence of the Producer-Customer Paradigm but offers more opportunities and scope for the improvement process. It focuses on the services as well as the policies, on the instrumental values as well as social and political values and it serves the customer but also highlights their role as citizens.

In the following sections of the paper, I would articulate the limitations and perils of this Producer-Customer Paradigm in developing a politically vibrant and active local population consistent with the national vision of the future Malaysian society.

#### **4. The Government-Citizen Paradigm**

The conceptualisation (and relegation) of the citizen to a customer is often portrayed as beneficial development within the Producer-Customer Paradigm (Gore, 1993). The need to serve the sovereign customer coheres well with the democratic political ideology where the citizen is the ultimate repository of power (Self, 2000). Customer satisfaction is the main mantra of this paradigm. It defines the role and challenge of the producer i.e. agencies or authorities as seeking to satisfy their customers (Pierre, 1998). This paradigm redefines the role of the authorities to one of production and that of the local citizens as one of consumption. Producer's i.e. LA's primary challenge is to improve delivery of services so as to make the consumption satisfactory or pleasurable. The objective of the customer is to seek greater satiation of his/her needs. It promotes a consumerist and individualist value and mindset on the part of the citizens (Aberbach & Christensen, 2005:226).

What is worrisome about this picture? The conceptualisation of the role of local government as a producer akin to a private entity is simplistic, naïve and manifestly, inaccurate. The private sector does not seek to regulate but supply and satisfy. Governments including LAs do not always seek to produce, supply and provide but also seek to prevent, limit or shape consumption (Alford & Speed, 2006). A large part of the LA functions involve the regulation of local affairs. In the case of the regulatory services, the citizens at large are the ‘consumers’ not the regulatees as the simple Producer-Customer Paradigm would have it. The local public must be satisfied with the ‘quality’ of regulatory service delivery. Unlike the non-regulatory services, the quality of delivery is mainly affected by the ‘quality’ of public influence in the making of these regulations. Participation, consultation and information about the regulations are as important aspects of the satisfaction with regulatory services as are the enforcement of the regulations.

Even where LAs provide services, the pure Producer-Customer Model is inappropriate. The government is very unlike a business entity. In a democratic setting such as in Malaysia, the LAs theoretically serve the interest and welfare of the local community. In the Government-citizen model, the citizens have an obligation to provide inputs into the policy making i.e. determining what, how, what level, and who is entitled to receive benefits. There is a clear reciprocal relationship marked by mutual obligations. The role of the citizens is not just to consume and provide feedback on their satisfaction. They are to participate and determine, in a collective manner, what will be produced, how and for whom. This mutuality of obligation is absent in the private parallel. It is not the satisfaction of the consumer *per se* that marks the quality of governmental service but the satisfaction of the community at large. The circumscription of the role of the citizen to a consumer hinders healthy development of an active, civic conscious and democratic society – all key values enshrined in Malaysia’s Vision 2020

In the Government-Citizen Model, the values of accountability, transparency and public consultation participation or democracy are just as important as service quality. Within this paradigm, the indicators are the degree of transparency displayed by the LAs in the conduct of their affairs. This can be assessed through the features of the processes, players in decision making, the basis of decision making and the extent to which the LAs are accountable to the ratepayers and populations for their performance and conduct.

### 5. Observation of Current Development

There is increasing evidence that the new generation raised in an economically munificent environment with limited participation in civic and political affairs especially at the local level, is all too happy with and, at times, consumed with modern technology and self, and is disconnected with the government (Putnam, 2000). If this trend continues, local government will be deprived of its representative quality. Without continuous and massive citizen engagement with government, administrative state is likely to rise to the fore. Salaried professional officers will become, by default, policy makers removing policy from the realm of politics to administrative experts. This form of governance is unhealthy, ineffective and dangerous as has been observed in the recent reforms in corporate governance – leaving the business to the managers. The primary stakeholders i.e. the local citizens must have the driver’s seat to ensure collective welfare is democratically determined through and with their active participation.

Although in the interim, and from an administrative standpoint, the treatment of the citizens as customer is useful, it will in the long run cause the LAs to be less of a government and more of a service provider. Administrators will be unfairly called to make policies rather than mainly focused on the issues of implementation. This overextension of roles will be detrimental to the kind of society Malaysia envisions by 2020. Already there are signs that this dilettantish view is taking hold. For example, the national e-government plans speak of how ICT can and should be used to improve the delivery of services to the public. Deployment of ICT in the back room for internal efficiency and more flexible and faster services online to the customers are the stated aims. The use of ICT for purposes of improving public feedback on services is emphasized over participation in local affairs i.e. local democracy is unmentioned. The continued restriction of access to information about LA operations and decisions ostensibly permitted by the relevant laws appears to evidence the Producer-Customer Paradigm. Customers can demand high quality services but not right to make decisions or access to the inner sanctum of the authority. Ironically and simultaneously, many larger LAs are espousing support for and operationalisation of Agenda 21. The local version of the Agenda 21 calls for a community-based approach to sustainable development. It calls for greater and not less public participation on the sustainability question. It is assumed that sustainable development values must be anchored in the politics and policies of the people for it to be ever sustainable. The model of developing and institutionalizing a citizen-based programme for sustainable environment requires active citizen involvement and agreement to limit and alter consumption. Collective and sustainable satisfaction should be given greater premium than immediate and individual satisfaction. The market-based model promotes a contrarian view and value system.

In the wake of the Asian financial crisis, the governance model (Polidano & Hulme, 2001) was promoted by many international bodies (Asian Development Bank, World Bank, International Monetary Fund) as necessary for both corporations and governments. The improvement in accountability, transparency and democratic participation of the people was suggested as antidotes for future market and political instability. This reform theme is in many ways

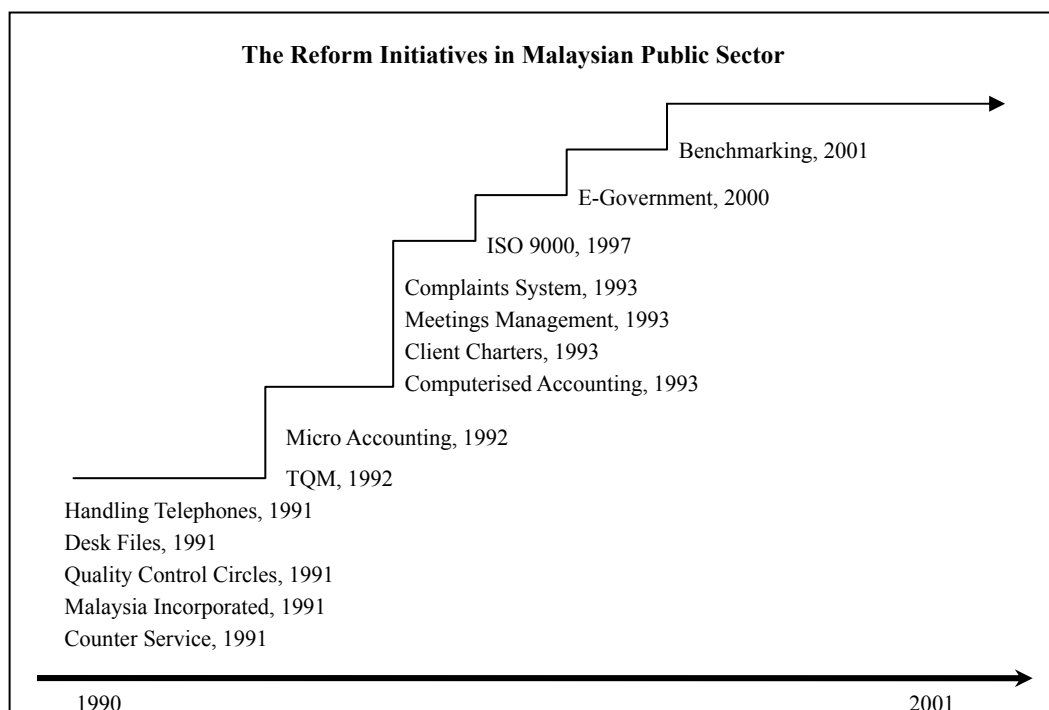
consistent with the Government-Citizen Paradigm. It focuses on political dimensions of the government and citizen. It highlights the need to complement the service quality of governments (marked by improvements in service delivery) with democratic quality i.e. improvements in accountability, transparency, rule of law and citizen participation. But empirically, the Producer-Customer Model and Government-Citizen Model may not be complementary (Andrews, 2003). The ethics, ethos and values of a customer-oriented government may actually undermine the democratic values (Fountain, 2001; Aberbach & Christenson, 2005)

## 6. Conclusion

In summary, while the plethora of efforts and practices undertaken by LAs is laudable and should be supported, the larger context of these changes must be reflected on. The measure of an effective or successful LA is not merely the level of satisfaction of the customers, but the level of satisfaction with quality of government regulating their lives. Political or democratic quality is just as important as service quality. At present, there is tremendous interest in measuring the LAs as producers or service providers but not as a governmental authority. The Malaysian national aspirations and vision will not be well served within the present paradigm of service quality. The government-citizen paradigm should benefit from the producer-customer paradigm, and not be supplanted. The relegation of the government-citizen paradigm to the market-customer paradigm is perilous to the development of a democratic Malaysian society.

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Source: Modernisation and Manpower Planning Unit, [www.mampu.gov.my]

Figure 1. The Service Improvement Initiatives

<b>Dimensions</b>	<b>Producer-Customer</b>	<b>Government-Citizen</b>
Role	Producer/ Provider	Government/ Protector
Challenge	Production/ Management	Welfare & Safety/ Consultation/Balance
Values	Consumerist/ Individualistic	Conservationist/ Collectivistic
Relationship	Economic	Political/social
Indicators	Productivity/ Satisfaction	Support/ Participation
Public	Consumer/ Recipient/ Buyer	Decider/ Participant/ Tax Payer

Figure 2. Features of the Two Paradigms



## Study on College English Teaching Strategy

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*This research is one part of a key human social science project named "Investigation on College English Teaching and Study on STSR English Teaching Strategy" in Qingdao University of Science and Technology in 2006.*

### Abstract

Using investigation and interview as the main research methods, the project team presents an experimental study on STSR (Note 1). In the investigation research, the project team chooses 66 college English teachers and nearly 600 non-English majors from Qingdao University of Science and Technology and makes an investigation of their teaching and learning processes respectively by attending lectures, issuing questionnaires, discussing and sample analyzing, etc. In the experimental study, the project team chooses 100 students as the one-year-STSR study sample and divides them into 2 groups (experimental group and control group) based on statistic principle. Data collected in the experiment and used in this paper are dealt with under the help of SPSS Software. The results show several problems in college English teaching in the university. In addition, influence of STSR on students' English learning is revealed. Several reformation suggestions and demonstration functions of STSR on college English teaching are thereby put forward.

**Keywords:** College English teaching, STSR teaching strategy, English teaching investigation, English learning investigation, Teaching reform

### 1. Introduction

Some problems were revealed in the results of an investigation (**announced on April 2<sup>nd</sup>, 2004**) on college English teaching and learning in 357 universities throughout China conducted by the Ministry of Education, which are as follows:

(1) Laggard teaching ideas, mainly reflected in the failure in coping with unity and diversity, insufficient **stress** on the comprehensive mastery of foreign languages **but** excessive emphasis on vocabulary teaching. (2) One-fold and out-of-date teaching **patterns and methods**. With most classes in large groups, a totally traditional one-way teaching is actually conducted in which teachers keep talking while students keep listening passively. According to investigations, only 37% of classes have less than 40 students and even 20 universities have over-80-student classes, which, of course, fails to encourage students' enthusiasm for English learning or to develop their comprehensive mastery of English. (3) Imperfect staff construction. Firstly, with their heavy loads of work, most teachers have no time or energy for teaching research or training; secondly, seen from the aspect of titles (only 27.1% of them with senior titles and as many as 33.1% are assistants, 72% with bachelor's degree and only 22% with master's degree or the above), the whole staff need improving; thirdly, due to some reasons in treatment and title assessment, some teachers are less responsible for their teaching, influencing college English teaching to some extent. (4) Exam-oriented teaching pattern is still in existence. Due to some teachers' poor knowledge of Band 4 and Band 6 examinations, excessive emphasis has been put on passing exams. Such an exam-oriented teaching will, of course, fail to improve students' practical abilities in English or to help students to enjoy the great interest in English learning.

It is shown in the above investigations that some factors have influenced China's college English teaching, especially caused students' poor English capacities. It should be realized that college English, above all, is an organic part of higher education. Education, just as its name suggests, involves "to develop" as well as "to teach". Just as Professor Lu Gusun once said, plentiful exercises tactics and skill training which are over mechanical and only take the specific requirements relevant to future vacation instead of all-round development as the ultimate goal have narrowed some students' thoughts and neglected their cultivation. In addition, according to Einstein, professional knowledge input tends to turn students into useful machines, not persons able to develop harmoniously (Zhang, 1999, p 119). A college English learner is expected to learn how to learn English independently, to have high comprehensive cultural quality as well as a proficient command of English. As far as EFL learners are concerned, an effective learning method suitable for themselves is particularly important (Wu, 2005). According to widely accepted Sapir-Whorf Hypothesis, the structure of the language people habitually use influence the ways they think and behave (Dai & He, 2002, p.130). Consequently, English teaching involves not only language itself, but the culture in which it originates, even the thoughts and behaviors embodied in the culture. In addition, with no stereotyped method for English teaching, specific methods should be explored for different students.

In Qingdao University of Science and Technology in which the project team is located, all classes have over 50 students. In the aspect of staff, in spite of **the fact that** nearly 65% of teachers **have** master's degree, only 52.7% teachers have taught over 6 years in universities, only 18.5% have taught over 10 years, only 14.5% of them are associate professors or above and only 1 teacher is a professor. As is shown in the above statistics, the structure of college English teachers in this university is not so reasonable. In China's new reform of college English, teachers' teaching methods and their practical utility of these methods are particularly critical. Therefore, although our university is not among the 180 demonstration universities listed by the Education Ministry in 2004, the project team has conducted research on the college English teaching strategies in our university in order to improve our college English teaching, convert teachers' ideas and to optimize class teaching, in which we have been devoted to investigating college English teachers' teaching methods and means, exploring methods suitable for our practical situation, providing empirical support for the theoretical research on our college English teaching strategy, analyzing STSR (Special Teaching Strategy and Research) and putting it into teaching practice.

## 2. Research Method and Sample Selection

### 2.1 Preparatory Research Result

It is shown in the preparatory investigation that a universal teaching method is used for students majoring in arts, science as well as **engineering**, hence lacking in practicability and individuality. Actually, teaching strategy is more or less related to the operation of teaching institutions, social and cultural background, teachers' teaching ideas and their personality, teachers' learning as well as teaching experience. In addition, not only the form of Band 4 and Band 6 Test but some factors related to learners (size of class, cognitive style, motivation, emotion, current language ability, leaning ideas, etc.) play an important role in teaching methods and teachers' roles. In a word, a variety of teaching factors interact with each other, influencing teaching strategy directly or indirectly. In our opinion, an effective teaching method should be based on different characteristics of different majors and the diversity of learners at different levels.

### 2.2 Methods and Sample Selection of STSR Teaching Strategy Research

#### 2.2.1 Questionnaire Investigation, Interview and Sample Selection

From March 2006 to March 2008, the project team conducted an investigation on 66 college English teachers and 600 learners selected randomly from Grade 2005 and Grade 2006 (Note 2) by attending lectures, holding discussion sessions, issuing questionnaires and analyzing samples. In order to ensure the validity of the investigation, we have selected male and female learners in nearly the same proportion as that between male and female students in the whole university and nearly the same number of students from Grade 2005 and 2006 respectively. Altogether 66 questionnaires were delivered to teachers, 55 of which were valid (validity rate: 90%) and 600 questionnaires were given to students, 593 of which were valid (validity rate: 98.8%). When designing our questionnaires, we referred to the questionnaire pattern in *A Research on English Talent Cultivation Pattern Featuring the Coordination from Primary School to University* (Mei, 2004, Appendix) and a thesis collection named *The Key to English Learning* (Wen, 2003, Appendix) and adopted "7-Grade Difference" as the core of question design. Besides, SPSS software was used to process relevant data.

#### 2.2.2 Comparative Method and Sample Selection

Table 1. The difference in English capacity between experimental class and control class ( $X \pm S$ )

Class	N	Listening	Speaking	Reading	Writing	Comprehensive
Experimental class	50	11.20 $\pm$ 4.37	13.76 $\pm$ 5.67	17.16 $\pm$ 5.97	14.22 $\pm$ 6.53	56.29 $\pm$ 21.98
Control class	50	11.79 $\pm$ 4.71	14.74 $\pm$ 5.54	16.52 $\pm$ 6.26	13.66 $\pm$ 6.25	56.57 $\pm$ 22.09
T		-0.55	-0.74	0.47	0.38	-0.07
p		>0.05	>0.05	>0.05	>0.05	>0.05

In our questionnaire investigation, 100 students from Grade 2005 were selected randomly as comparative research samples. They were divided into two classes according to their pre-experiment English level and the proportion between male and female students, one of which was trained in English with STSR teaching strategy (experimental class) while the other was taught with the universal teaching method (control class) for an academic year. In order to prove whether there is obvious difference in English capacity between the two classes, the project team conducted pre-experiment tests in listening, speaking, reading, writing and comprehensive abilities, the result of which is shown in Table 1. According to this table, there is no obvious difference between the two groups before our experiment.

The parallel method was adopted in the whole comparative research, as is shown in Table 2. Then T test was conducted to analyze the result of our experiment.

Table 2. The pattern of parallel experimental design

Group	Experimental process		
Experimental group	Pre-experiment assessment	STSR teaching	After-experiment assessment
Control group	Pre-experiment assessment	Common college English teaching	After-experiment assessment

After the experiment, the two classes were tested at the same difficulty level and the students from the experimental class were surveyed about their psychological reactions to STSR teaching method in the form of questionnaires, hence drawing the conclusion about the influence STSR teaching method has on college English teaching.

### 3. Result and Analysis

#### 3.1 Investigation Statistics and Analysis

It is shown in our investigation that an insufficient number of teachers are burdened with excessive workload, there is a severely unreasonable staff structure in terms of age, gender, title and knowledge and too little time has been spent on research.

##### 3.1.1 Insufficient Teachers and Heavy Workload

In spite of the great efforts in introducing excellent teachers in Qingdao University of Science and Technology, there is still a severe shortage in college English teachers. 66 teachers have to take up English classes for 9000 undergraduates and over 1000 postgraduates. Accordingly, they have over 10 periods every week on average and nearly 60% of them have over 12 periods. All classes have a large size, over 50 students.

##### 3.1.2 Unreasonable Staff Structure in Age, Gender, Title and Knowledge (shown in Table 3)

Table 3. The Survey of college English teachers' background in Qingdao University of Science and Technology

Items	Statistical results				
Gender	Male			Female	
	10, 18.2%			45, 81.8%	
Major	English teaching	Linguistics	Literature	Translation	Others
	10	13	16	8	8
Age	≤25	25-35	35-45	≥45	
	2, 3.6%	42, 76.4%	9, 16.4%	2, 3.6%	
Where to come from	Urban area		Town		Countryside
	31, 56.4%		14, 25.4%		10, 18.2%
Education background	Bachelor	Master's degree candidate	Master	Doctor's degree candidate	Doctor
	11, 20.0%	9, 16.4%	34, 61.8%	1, 1.8%	0, 0.0%
Length of teaching	≤2	2-5	6-10	11-20	≥20
	10, 18.2%	14, 25.4%	21, 38.2%	5, 9.1%	5, 9.1%
Title	Assistant		Lecturer	Associate professor	Professor
	20, 36.4%		27, 49.1%	7, 12.7%	1, 1.8%

According to an investigation conducted by Xia Jimei in 2000 and 2001, English teachers with master's degree only accounted for 22.9% of the total (Xia, 2002, p.35). As is shown in Mei Deming's questionnaire survey based on 44 universities and 447 valid questionnaires in 2004, 62.25% of the examinees had taught less than 5 years, 60.88% of them were assistants and 65% of them were graduates (Mei, 2004, p.72). As is revealed in Table 3, among all the college English teachers in Qingdao Universities of Science and Technology, 63.6% of them have master's degree; the ratio between male and female teachers is 1:4.5; about 80% of them are below 35 years old; 43.6% of them have taught less than 5 years and 81.8% less than 10 years; 36.4% are assistants, 49.1% are lecturers, only 14.5% are associate



professors and only 1 is a professor. Obviously, due to a great number of teachers introduced in the recent years, the education background of the college English teachers in our university is far better than the average national level several years ago. However, some problems are still hindering the sound development of our college English teaching, such as an excessively large proportion of young teachers, especially young women teachers as well as assistants, insufficient education background compared with the teachers in other majors (none with doctor's degree) and the severely imbalanced gender ratio. Besides, in the aspect of theory, only a few teachers have learned theories on language teaching and less than 40% of them are equipped with theories on second language acquisition and English teaching.

### 3.1.3 Little Time on Research and Research Activities with Mere Formality

Due to their heavy workload, most teachers have no enough energy for both teaching and research. In this case, even those young teachers specialized in English teaching will not be devoted to the research on course books and teaching methods and still turn to the traditional methods to teach, even only following the fixed rules. Just as is shown in the questionnaires, this method has hardly achieved favorable effects.

Table 4. Students' evaluation on their college English teachers

Items	1. Totally satisfied	2. Satisfied	3. Basically satisfied	4. Mild satisfied	5. Basically dissatisfied	6. Dissatisfied	7. Totally dissatisfied
Number of students	9	17	86	180	209	56	36
Percentage	1.53%	2.87%	14.50%	30.35%	35.24%	9.44%	6.07%

Furthermore, we have found in our investigation that the current situation of college English teachers' research achievements gives some cause for anxiety. 58.18% teachers have no experience in compiling course books or have no idea about that; over 54.55% of them haven't participated in any teaching research projects, not to mention hosting any, or have no idea about how to apply for it and how to write a project argument; 41.82% of them haven't done any mathematical statistics or don't know how to do that; and only 16.36% of them have experience in quantitative and qualitative research methods.

Among all the theses published by the teachers, only 27.27% of them have some original ideas or are based on careful study and only a few have been published on widely acknowledged core journals. Besides, as many as 87.27% of the teachers haven't been abroad for advanced course; 90.91% of them haven't attended any foreign language teaching seminars held abroad, which is much higher than the statistics of 84% and 84% respectively given by Xia Jimei in her investigation. With college teachers' important role in not only cultivating high-quality talents but also promoting scientific research, this current situation really calls for our attention. In order to improve students' English level, college English teachers' quality should be improved first.

## 3.2 The Result of Comparative Experiment and Analysis

### 3.2.1 The Influence of STSR on Students' Overall English Capacities

Table 5. The comparison between the two classes' English capacities ( $X \pm S$ )

English capacity	Class	N	Pre-experiment assessment	After-experiment assessment	r	t	p
Listening	Experimental class	50	11.20±4.37	12.96±3.28	0.93	5.02**	<0.01
	Control class	50	11.78±4.71	12.29±5.22	0.91	1.08	>0.05
	T		-0.54	1.37			
	P		>0.05	>0.05			
Speaking	Experimental class	50	13.76±5.67	15.65±4.65	0.94	4.08	<0.05
	Control class	50	14.74±5.54	15.01±5.49	0.91	0.56	>0.05
	T		-0.74	1.28			
	P		>0.05	>0.05			

Reading	Experimental class	50	17.16±5.97	20.59±4.76	0.93	11.19**	<0.01
	Control class	50	16.53±6.26	16.54±6.56	0.85	0.04	>0.05
	T		0.46	2.81**			
	P		>0.05	<0.01			
Writing	Experimental class	50	14.22±6.53	19.32±5.54	0.97	16.43**	<0.01
	Control class	50	13.67±6.25	13.71±7.22	0.95	0.32	>0.05
	T		0.39	2.97**			
	P		>0.05	<0.01			
Comprehensive	Experimental class	50	56.29±21.98	68.61±17.29	0.97	11.82**	<0.01
	Control class	50	56.58±22.09	57.39±22.80	0.95	0.78	>0.05
	T		-0.08	2.26*			
	P		>0.05	<0.05			

The comparative result between the experimental and control class throughout the whole experiment is shown in Table 5, in which the vertical columns display the comparison between the two classes' English capacities while the horizontal ones display the comparison between their pre-experimental English capacities and after-experimental ones.

According to Table 5, students in the experimental class have made rapid progress in their English capacities after one-year STSR training ( $P<0.01$  except for speaking in which  $P<0.05$ ), while those in the control class haven't improved their English greatly ( $P>0.05$ ). In addition, there is obvious difference between the two classes' comprehensive English capacities ( $t=2.26^*$ ,  $P<0.05$ ) especially in reading and writing ( $t=2.81^*$ ,  $2.97^*$ ,  $p<0.01$ ). However, there is no obvious difference in their listening and speaking capacities. That is to say, in spite of STSR's function in improving students' English reading, writing and comprehensive English capacities, it is not so effective in speaking and listening.

### 3.2.2 The Influence of STSR on Different Students' English Capacities

In order to further study STSR's influence on students' English capacities, the project team also made a comparative research on students at different levels (three levels including excellent, intermediate and poor students). The result is displayed in Table 6.

Table 6. The comparison among different students' English capacities

Group Item	Excellent students		Intermediate students		Poor students	
	Pre-experiment assessment	After-experiment assessment	Pre-experiment assessment	After-experiment assessment	Pre-experiment assessment	After-experiment assessment
Listening	16.17±1.52 $t=0.75$	16.55±2.14 $p>0.05$	11.54±2.31 $t=0.81$	12.02±1.84 $p>0.05$	6.25±2.47 $t=5.96^{**}$	10.21±2.90 $p<0.01$
Speaking	20.21±1.61 $t=0.44$	20.41±1.80 $p>0.05$	14.25±2.91 $t=2.86^{**}$	16.76±3.60 $p<0.01$	6.98±1.89 $t=6.01^{**}$	11.24±2.52 $p<0.01$
Reading	25.12±1.44 $t=6.12^{**}$	26.50±1.92 $p<0.01$	17.02±2.34 $t=8.26^{**}$	20.01±2.02 $p<0.01$	10.94±1.87 $t=15.22^{**}$	15.95±1.57 $p<0.01$
Writing	21.94±2.31 $t=5.62^{**}$	23.15±0.95 $p<0.01$	14.25±2.78 $t=11.12^{**}$	19.27±2.24 $p<0.01$	6.05±2.84 $t=22.13^{**}$	12.14±2.34 $p<0.01$
Comprehensive	84.05±5.34 $t=8.95^{**}$	89.92±5.27 $p<0.01$	57.12±9.78 $t=11.03^{**}$	71.45±8.23 $p<0.01$	31.05±7.31 $t=18.57^{**}$	47.97±6.34 $p<0.01$

According to Table 6, intermediate, poor as well as excellent students have achieved great progress during the experiment (excellent:  $t=8.95^{**}$ ,  $P<0.01$ ; intermediate:  $t=11.03^{**}$ ,  $p<0.01$ ; poor:  $t=18.57^{**}$ ,  $p<0.01$ ), which proves STSR's great influence on students at different levels, especially excellent and intermediate students due to their greater

concern about teachers' teaching styles, some information related to their majors and their prospect. In reading and writing, STSR takes great effects ( $P < 0.01$ ), especially for intermediate and poor students; as for listening and speaking, STSR has different influences on different students (no obvious influence on excellent students' listening as well as speaking:  $P > 0.05$ ; no obvious influence on intermediate students' listening while important for their speaking; important for poor students' listening and speaking:  $P < 0.05$ ). The above result shows its great importance in intermediate and poor students' listening and speaking.

### 3.2.3 Summary of Comparative Experiment

The following findings have been made in our comparative experiment: 1) if used reasonably, STSR can help students to develop their English potentials and therefore to develop their English capacities in examinations and communication. Besides, comparatively, STSR has greater influence on excellent and intermediate students than on poor ones due to their less attention to teachers' summary than the basic knowledge in their course books caused by their low English level. 2) when students at different levels are compared, STSR mainly takes effects in their reading and writing abilities instead of speaking and listening ones. After all, students' interest in English will influence their enthusiasm for English learning, hence causing different effort they make when learning a language. As for STSR, it mainly focuses on students' written capacities instead of oral ones (quite similar to the traditional teaching method in this aspect). 3) due to great importance on knowledge extension in STSR, intermediate and poor students will be helped a lot in their reading capacities.

## 4. Conclusion

According to the above investigation, statistics and comparative experiment, the following points should be attached importance to in order to improve teachers' English teaching as well as students' English learning.

### 4.1 Lessening College English Teachers' Workload

Only with less workload will college English teachers have time and energy to study students and teaching methods carefully, hence constantly updating their own knowledge structure, providing students with what they really need to improve their English capacities.

### 4.2 Taking Measures to Give Teachers Opportunity in Advanced Studies

Teachers' teaching process is accompanied by learning activities. Both new and old teachers are expected to update their knowledge structure from time to time. During this course, experienced teachers should give guidance on new teachers' teaching ideas, teaching methods, teaching theories and research methods. Meanwhile, new teachers should attach importance to psychology, philosophy, morality and other courses related to their professional quality. Besides, more opportunity should be created for teachers to go abroad for further study, during which they will have access to foreign culture, hence more capable of cultivating high-quality students.

### 4.3 Carrying out Teaching Research Activities

Only in teaching research activities, teachers have chance to discuss with each other to overcome their shortcomings by learning from others' strengths, to equip themselves with perfect teaching methods and means and to teach students in a scientific and effective way.

### 4.4 STSR's Demonstrative Effect on College English Teaching

The three aspects including language skills, knowledge and quality should be emphasized in college English teaching. No matter in class-based reading and writing courses or computer/network-based audiovisual courses, both students' basic knowledge and their practical abilities especially those in listening, speaking and writing should be focused on. Meanwhile, they should be taught about the art of public speaking, argumentation, communication as well as their expressive abilities and wide knowledge. In short, emphasis should be shifted from imitation to independent thinking and profound cognition, in which students begin with collecting useful information, then proceed to acquire knowledge they need, summarize their experience and finally embody it into their intelligence.

Certainly, STSR teaching strategy is only a microcosm of all, hence not able to replace others. However, it is found that this strategy really has done a lot in improving students' English capacities. During their teaching course, teachers are expected to expand their mind, improve their teaching standard, explore more scientific and effective methods in order to stimulate students' enthusiasm and passion for English learning and improve their English capacities consequently. We hope that our investigation will be followed by greater achievements in this field.

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### Notes

Note 1. STSR is the abbreviation for Special Teaching Strategy and Research, which means different strategies should be used for different majors.

Note 2. The project team conducted investigations on college English teachers and non-English students respectively. The former covers teachers' teaching background, teaching interest, emotion and ideas, their preference for different teaching methods or means while the latter mainly includes students' learning background, size of class, current language level, motivation, learning ideas, emotional factors, evaluation of teachers' teaching methods, learning habits and styles and so on. All the data in this article come from our investigation.



## Leisure Life of Elderly Residents in China: A Case Study of Difference between Rural and Urban Area

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### Abstract

This paper examined the current situation of leisure life of aging population in urban and rural area from an angle of history, policy, culture, and economy, revealing the differences in the leisure life between rural and urban elderly residents. While the Chinese government is proud of the achievement in making its people's life longer, it has to tackle the challenge of how to make the leisure life of aging population as an important part of their later year's life not just for the aged urban residents but especially for the aged rural residents. The underlying social and economic reasons that may account for such differences are discussed extensively. It is hoped the paper will be somewhat conducive to this area of study.

**Keywords:** Leisure life, Family planning policy, Domicile registration system

### Introduction

China has seen an unprecedented economic growth for recent ten years with its GDP at an increasing rate of 7-8 % annually. With the fast development of China's economy, Chinese people's living standard has advanced greatly. Meanwhile, China is undergoing a rapid growth both in the proportion of the total population and in sheer numbers of elderly people. Population aging is becoming one of the most significant demographic changes in China with the elderly share projected to reach 27 percent in 2050. Such a demographic shift combined with the other two social economic changes, namely, increased living standard as the result of 1980s economic reform in general and an extended period of post-work life for older adults living in cities because of the institutionalization of retirement in particular, have made aged persons' lives, especially their leisure life an increasingly important topic of social conversations in China.

### 1. Aging Population

In past 50 years the population more than doubled with a net increase of 14,349,000 per year (see Table 1). As early as in 70s of last century, Chinese government, realizing the serious consequences of population increase, launched the family planning campaign, encouraging one family with only one child. The rapid population increase was, thereafter, brought under control with less of 300 millions of birth being achieved since then. However, due to its huge population base number, China still sees a net increase of 14,349,000 population annually. Such a growth pattern will continue a long period of time as UN predicted and, therefore, constitutes a heavy burden on China's socio-economic development. What matters is it will cause a potential hindrance in the government effort to improve the leisure life for aging population, especially the aging population in rural area. With a 132 millions of population older than 60, the fifth national census predicted that in 50 years from now on there would be an annual increase of 3.2% of aging population. The census experts pointed out that there could be a 400 millions of population older than 60 in 2040 year. That is to say China will have a 1/4 of population older than 60 in 2040. It is a big challenge for the Chinese government to take in dealing with aging population problem. As table 1 shows, since the fourth nationwide population census in 1990, the absolute number of rural population has begun to decrease. That means the moving of rural population towards urban area has speeded up, and the capacity of the urban area to absorb rural population has improved a great deal. Beginning in 2000 China started the reform of domicile registration system in some cities and many medium and small-size county-based towns, which relax the control of rural domicile registration changing into urban domicile registration and, as a result, lead to the speeding of urbanization process to a great extent.

### 2. Rural-Urban Differences

The issue of Chinese aged people's leisure life will be deceptively simple if we speak of it without taking a closer look at the country's demographic changes in relation to the changing social-economic realities. The two aspects intrinsically intertwine with each other and together complicate the topic of aged people's leisure life to a great extent. China has seen a dramatic economic growth over the past ten years with its GDP increasing at a rate of 7-8 % annually. However, many challenges have emerged along with the fast economic development. Amidst the rural-urban tension is becoming

increasingly pronounced as various on-going demographic and social-economic changes, such as mass migration of young populations from rural areas to cities and enlarging social and economic inequalities, converge. The rural-urban gap in China has long existed as a result of the country's dichotomous societal structure since the establishment of the People's Republic, which had been imposed and enhanced by the well-developed system of household registration. Specifically, the household registration system (HRS) was meant to strictly control the movement of population, especially between rural and urban areas, in support of government's planned economy practice prior to early 1980s, including restrictive labor policies and tying distribution of food to official residence (Suyala, 2003). Except for effectively binding people to the locality in which they hold official household registration, the system also creates huge differences in the lives of rural and urban residents, with the urban dwellers entitled to more social services such as favorable social security assistance, more and better education resources, lower income taxes (relative to miscellaneous tolls on farmers), and many other privileges. The rural-urban differences, among other increasingly visible occupational, gender, ethnic, and educational differences, have become even more apparent since the massive economic reforms of the early 1980s, as China started to adopt aspects of a market economy and shifted the goal of the state from socioeconomic equality to economic development and growth (Riley, 2004). According to the World Bank, despite the great advancement in Chinese people's living standard over the past 20 years, 11.5% of China's rural population still lived below the poverty line in 1998 (Riley). Moreover, the urban/rural income ratio increased from 1.37:1 in 1985 to 2.05:1 in 2000 (Liu & Wen, 2004).

### 3. Urban Residents' Leisure Life

Facing the challenging situation of aging population, the Chinese government is planning to develop a so-called 'silver industry', a special industry dedicated to the production of service products to meet the aging population's needs for leisure life. Of course, the 'silver industry' is mainly designed for the aged urban residents who are mostly retirees of government workers, teachers, state-owned enterprise employees, professionals, scientific and technical workers, military officers, etc. and, therefore, qualified to get the guaranteed government pension every month after retiring. The word silver here means aging population whose hair look like silver color. The 'Silver Industry' is focused on such areas as rest home (somewhat like nursing home for the aged in America), scheduled tourism, specially designed dresses and household ware, health care service, and bank service. The aging population, as a special consuming group, is influencing the market in terms of consuming behavior and consuming conception. The experts in this area predict that the 'silver industry' will become one of the fastest growing industry in 21<sup>st</sup> century with a huge commercial opportunity in leisure market. Of the five area of 'silver industry' the rest home is certainly a fastest growing area. The rest home has got prevalent in recent years due to its flexible operation and a variety of types based on the great demand by aging population in market. There are mainly three types of rest home. The first type is invested and operated by private companies for the profit-making purpose. The local government encourages private company to invest in rest home by freeing them business taxes for first few years. The second is subsidized partly by local level of government and operated by neighborhood community committee. The neighborhood community committee is the smallest administrative body of local government and whose members are elected by the residents and approved by a higher level of local government. In addition of these two type of rest homes, there is the third type of one called family-based rest home for the aged who have special needs or reasons such as loving to be alone, being particular about foods, disliking to leave old house, physical health problem, lower family income or lower government pension, etc. They choose to stay at family-based rest home because of different personal disposition, culture and education background as well as personal economic condition. The family-based rest home is the most popular type of rest home for the aged, and therefore, is encouraged and supported by local governments for several reasons; first of all, it satisfies the demand of most of aged population at a lower monthly cost of 300-500 RMB for single and 600-800 RMB for couple. Second, it makes them feel really at home with the care or service delivered and done at their own home. Third, its care delivery system is very flexible for different needs at different period of time, which can be fulfilled with just a phone call at home. Every day, if they like, they will be taken to amuse themselves for dancing, singing, chess or poker playing, reading, tea gathering party, TV watching, spots exercising and so on. The reason for its popularity is that it is financially supported and subsidized by local government, and is very efficient with less cost for better solution to the population aging problem. The family-based rest home is just one part of service network system for the aged residents at the neighborhood community level. Usually, each neighborhood community is required to establish residential service center, medical station, health archive room, recreational activity center, special senior school, sports playing ground, tea and chess playing room, reading room, and so on. All these leisure facilities along with rest homes constitute a service network for the aged residents, who reside under the jurisdiction of their neighborhood community committees. The tourism specially arranged for the aging population has been well received in recent years, especially at the off season for some benefits such as lower cost of hotel accommodation, flight fare, admission tickets, more choices of tourism products, easier reservation of desired hotel, avoiding the crowding of peak season. In recent years the majority of EU countries have lifted the ban on travel in these countries by ordinary Chinese tourists. Many of aged urban residents, most of whom are retirees of government workers, teachers, and professionals, showed their great

enthusiasm to join the tour group to these EU countries. Many of Asian countries have become outbound tourist destination for Chinese tourists before with a noticeable proportion of tourists older than 60. The tourism market for aging population has become a particular targeted market both in world and at home.

#### 4. Difference of Leisure Life between Rural-Urban Aged Residents

In order to have a better understanding of the difference between rural-urban aged residents in terms of leisure life and living quality, a sample survey was taken using mailing questionnaires. The questionnaires are mainly composed of 5 big categories of questions regarding leisure life and leisure participation by rural and urban aged residents. 500 hundred questionnaires were sent out respectively to a neighborhood community of Hangzhou city and a suburban village-based town. We got back 469 questionnaires from the neighborhood community and 452 from the town, of which 456 questionnaires and 435 questionnaires are respectively valid. For the sake of comparison of relevant data collected from these questionnaires, the following table 2 was made omitting the parts of gender, age, marriage status, number of family members, education background, Personal incomes or earnings.

The table 2 shows a huge difference or imbalance between urban-rural aged residents in terms of leisure activities, leisure conception as well the spending on leisure. 81.7% urban aged residents have at least one chance to travel, while only 25.2 % of rural aged residents have such chance, which is 69.15 % of travel less than urban aged residents. As for the daily doings, 49.1 % of the urban aged residents love to do reading, fishing, sports, arts, film and TV watching, radio listening, chess playing, and other types of leisure activities with another 21.8 % of them attending special senior school for fun. Whereas, 60% of rural aged residents love to do household chores and help look after grandchildren with only 14.6 % of them like to engage in the same leisure as the urban aged do. In regard to expending on tourism, it is obvious that urban aged residents have much stronger financial ability than rural aged to enjoy tourism. The reason for it is the majority of urban aged residents are guaranteed to get government pensions which make them have their own disposable income for tourism or other kinds of leisure activities. On the question of how often you travel out per year, there are 74.8 % of rural aged residents who travel out zero compared with only 18.3% of urban aged residents choosing the same question. For the question of what favorite thing you like to do most, 29.3 % of rural aged residents love to enjoy the time of playing with grandchildren, while 32.1 % of urban aged residents love to travel for good time, which shows their different leisure culture and life outlook. The Table 2 also indicates leisure facilities are scarce to be available for the rural aged residents with 63.6 % of them zero access to leisure facilities. There truly exists a huge gap or imbalance between rural-urban aged residents in relation to leisure life and leisure conception.

#### 5. Discussion

Compared with the leisure life of urban aged residents, the rural aged residents are not so lucky. Here rural residents are those who were registered as so-called agricultural domicile as opposed to urban residents who are registered as non-agricultural domicile. The domicile registration system, based on each household as a basic unit, was first established in 1949 when Chinese Communist Party founded People's Republic of China. Those who resided in countryside or county-based towns were naturally registered as rural residents, namely peasants, while those who lived in urban area registered as urban residents. It is this kind of domicile registration system that makes the lives of rural-urban residents as different as sky from soil in many respects. First of all, it keeps the rural residents from residing in urban area. Second, it keeps them from finding a job in state-owned enterprise or government institutions. Third, it keeps them from enjoying the same health care and pension as those enjoyed by urban residents. The last one, the domicile registration system keeps their children from going to study in urban area for better education unless their children can successfully pass a nationwide university admission test, only then can they change their status from agricultural domicile to non-agricultural domicile and enjoy all the same government benefits as enjoyed by urban residents. That is why the nationwide university admission test once a year is regarded by them as a test jumping from earth to paradise, which decides their destiny whole lifetime.

Now let us analyze the background of why the domicile registration system was set up in 1949 by Chinese government from an angle of history, politics, and economy. As we know that the 50s of last century is what is called 'cold war' age with former Stalin Russia and America as two big opposing groups, socialist and capitalist. As a member of Russian socialist group, China followed almost every things practiced by Russia at that time, especially its policy of state planning economy as opposed to the market economy. Under such a political and economic background, it is natural for Chinese government to establish domicile registration system, as it makes state planning economy possible and easy to be implemented. Actually, state planning economy is rationing economy with almost everything in the market being rationed by government and consumed by ration card. The ration card was issued to the urban residents according to their domicile registration number. The state planning economy has made consuming goods and foods very scarce for shopping in market. But no matter how scarce they are, the urban residents are guaranteed to get them with ration card. However, the ration card is not issued to rural residents because of their status of agricultural domicile. The state planning economy seriously dampen people's initiative to make a good life, especially the peasants' initiative to grow what they think can produce better economic effects in field. They were asked to grow what the government planned to

grow in field. For instance, in order to meet a rice production target set by the government, the peasants had to cut down fruit trees and turn orchard into paddy field even though the orchard could produce much better economic effects than paddy field. Under the state planning economy, all the citizens were supposed to work for the state, and in return the state takes care of everything for them, especially for the urban residents. As peasants don't have the same health care and pension as urban residents have when they get old, they have to turn to the traditional solution by raising sons and daughters as life supporter for their later years. The children are required to take care of their old parents by relevant state laws. As a thousand-year traditional culture in China, the parents, especially the parents in rural area, must work very hard to raise children generation after generation so that the grown-up children would in return take care of them when they get old. An old Chinese saying goes that raising sons is for the preparation of old time. So it is no wonder the daily doings for 60 % of rural aged residents are to help look after grandchildren and do household chore, and 29.3 % of them enjoy the time of playing with grandchildren as their most favorite thing to do. The more sons you have, the happier you are supposed to be when you get old. Then who come to take care of those, rural or urban, who have no son or daughter to depend upon? The government provides what is called 'five guarantee provisions' for those who are 'three no', namely no life supporters, no income sources for life, and no labor ability to earn. The 'five guarantee provisions' guarantees to provide food, clothing, living place, medical treatment, and burial service free of charge as the lowest basic living standard. The system was established as a counterpart to the retirement pension and government-sponsored rest home care commonly provided for urban older people. However, the "Five Guarantees" system has been poorly maintained due to long-existing financial problems (Wu, 2003). According to a survey conducted in 10 counties/villages in Hunan province, over 7000 *three-nos* people were left unattended (Zou, 1999). Even people living upon the "Five Guarantees" support could hardly say their lives were truly guaranteed in that their needs for medical care were often ignored due to lack of funds. As a result, most rural residents turn to offspring (if they have any at all) for support and rely on family for care in later years. This is reflected in our findings about rural elderly persons' source of income (refer to Table 2). Nevertheless, the lack of access to state support has caused an extreme sense of insecurity toward life among rural aged people.

On the whole, most rural residents are not covered by the social security system, which has provided urban dwellers with public support in every aspect of life from housing, health care, and education, to retirement pension or endowment insurance (Xu, 2003). Accordingly, most state investments in infrastructure, communications, schools, and other institutions were made in urban areas. On the other hand, rural residents received discriminative treatment such as very basic health care and "Five Guarantees" support for those who could not support themselves (Zhou, 2004). However, even these basic services have been considerably cut off by government since the country started to shift toward a market-oriented economy in the early 1980s. For instance, public health subsidies were considerably reduced when the Chinese government started to privatize many of its functions including health care, the access to which was guaranteed to all people prior to the 1980s. The withdrawal of state support in health care has resulted in an estimated 90% of rural residents lacking medical coverage. While the relatively better-off urban residents can turn to private fee-for-service medical care, most rural residents are unable to afford these increasingly expensive health services, if they are available at all.

However, we need to point out that the state-supported rest home system in urban areas is also facing many challenges. Currently, only a very small portion of Chinese urban older adults lives in nursing homes. According to a survey conducted in Shanghai, only 5.7% of people aged 50 and older are willing to move into nursing homes (Chen & Zhang, 1999). Such a low willingness for using public rest home services among the urban aged population may be largely because most urban elderly persons have a steady income (in forms of pension), which renders them able to afford a better life at home as opposed to living in a rest home. However, now and in the future, public support is to be in great need as the impacts of changing family structure take shape in China. The country's birth planning policy has resulted in increasing numbers of families of inverted pyramid shape, which means in each family fewer children will be available to care for elderly members. It is almost inevitable that a large number of older people in China will have to rely on public services for support in the future. Thus, the government needs to invest more heavily in developing a comprehensive supporting system for both rural and urban older adults.

## 6. Conclusion

The state planning economy has created domicile registration system, and domicile registration system has given rise to the huge gap between rural-urban aged residents in term of leisure life and leisure conception. More than ten years ago, China abandoned state planning economy for most part of it and turned to market economy with Chinese character, which allows private-owned businesses to compete with state-owned enterprises in market, and encourages peasants to grow whatever they think can produce better economic benefits in field. What is more, the 2000 year saw the reform of domicile registration system in some cities and many medium and small-size county-based towns. The reform has relaxed the control of rural domicile registration changing into urban domicile registration, leading to the speeding of urbanization process to a great extent. A large number of peasants have given up their farmland in order to find a job in cities and, as a result, left many villages lived by only the aged people and kids. It is grandparents who have to take care



of grandchildren for their sons and daughters. Some of aged rural residents have to make a living by doing farming work in field themselves. The population researcher indicate there are 120 million of floating population in China, who were peasants moving from rural areas to urban areas. Most of them are surplus labor in rural area and come to work as unskilled labors in cities for very low earnings. The problem caused by the reform as a by-product is that it has speeded up a population aging in rural area and further widened the gap between rural and urban area. For recent ten years, Chinese economy has kept growing at an increasing rate of 7-8% GDP, with most of the capitals invested in the building of infrastructure and public service facilities in urban area. The job market of manual labor is brisk with a continuing moving of rural labors into cities. However, the government investment in rural area has been decreasing for these years. For a great part of rural population, the living standard has not kept abreast with the rapid economic growth and society progress. The average income of a rural family is about one-fifth of an urban family's. One of the biggest political and economic topic on the central government's agenda now is how to deal with a 'three farming' problem, namely agriculture production, peasants' living quality, and countryside construction. The government has owed too much to these three farming problems since the founding of People's Republic of China in 1949. The problems now have developed to such a serious extent that the all levels of governments are required to exert the utmost to increase the peasants' income level as a biggest political and economic challenge to take. The challenge ahead is terribly huge as we can expect. The good news for the peasants is the central government proclaimed to decrease the agricultural tax year by year until complete revocation of it this year. It can be concluded that unless the government takes efficient measures and policies to narrow down the gap between rural-urban aged residents as we see, the gap will become further widened with the China's continuing economic growth in 21<sup>st</sup> century.

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Table 1. Population and a Ratio of Urban Residents to Rural Residents from 1952 to 2003 (Ten Thousand)

Year	Total pop.	Urban resident	% of totals	Rural resident	% of totals
1952	57482	7163	12.46	50319	87.54
1957	64653	9949	15.39	54704	84.61
1962	67295	11659	17.33	55636	82.67
1965	72538	13045	17.98	59493	82.02
1970	82992	14424	17.38	68568	82.62
1975	92420	16030	17.34	76390	82.66
1980	98705	19140	19.39	79565	80.61
1985	105851	25094	23.71	80757	76.29
1990	114333	30195	26.41	84138	73.59
1995	121121	35174	29.04	85947	70.96
2000	126743	45906	36.22	80837	63.78
2003	129227	52376	40.53	76851	59.47

Notes to table 1: the data of population before 1982 was made based on the statistics of domicile registration survey; the data of population from 1982 through 1989 were made and adjusted respectively based on the statistics of 1982 and 1989 nationwide census; the data of population from 1990 through 2000 were made and adjusted based on the statistics of 2000 nationwide census. The data of population of 2003 was made according to the calculation of sample population survey. There are total 5 nationwide censuses since the founding of People's Republic of China in 1949, which are 1953, 1964, 1982, 1990, and 2000 respectively.

(Source: Chin Statistic yearbook of 1999, 2001, 2003 published by China Statistic Administration; the statistic bulletin of national economy and society development in 2003.)

Table 2. The Difference of Leisure Life between Rural-Urban Aged Residents

Questions	Item selected	Rural aged residents(%)	Urban aged residents(%)
What is your doings at daytime?	Taking care of and playing with grandchildren	19.6	6.2
	Household chore doing	40.4	15.1
	Attending senior school for fun	1.8	21.8
	Visiting friends at home	12	3.2
	Chess & poker playing, reading, chatting, TV, film, walking for fun, spots, radio, collecting, relaxing rest, dancing, fishing arts, thinking, singing, shopping	14.6	49.1
	Nothing special to do	11.6	4.5
How often do you travel out every year?	Zero	74.8	18.3
	Once	14.8	57.1
	Twice	7.8	18.9
	3 times up	2.6	5.7
What is your expending on tourism per year (RMB)? (¥100 RMB equal to \$780 US dollars)	Less than ¥500	63.4	12.6
	¥500 to ¥1000	19.2	29.4
	¥1000 to ¥2000	9.8	35.7
	¥2000 to ¥3000	5.2	11.7
	¥3000 to ¥4000	1.5	5.1
	¥4000 to ¥5000	0.6	3.4
	¥5000 up	0.3	2.1
Which one is your most favorite to do?	Traveling for good time	14.1	32.1
	Special hobbies or interests	12.2	16.7
	Community volunteer work	8.7	16.2
	Enjoying time of playing with grandchildren	29.3	10.7
	Chatting with old friend for fun	24.1	10.8
	Outdoor physical exercising	4.3	7.3
	Other else	7.3	6.2
How many leisure facilities can you enjoy nearby?	zero	63.6	13.4
	So-So	24.6	32.5
	Good	11.6	45.3
	Good enough	0.2	8.8



## Perceptions of Indonesian Politics in the Run-up to the 2009 General Election

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### Abstract

Indonesia has had ten years of constitutional democracy since the end of the Suharto era. In 2009 the country heads again to a national election. In the lead-up period the major parties have been pressing not only to reduce the number of parties eligible to stand, but to create conditions in which a future president can only come from a major party, which is not the situation at present. At the same time, there are almost weekly reports in the Indonesian media of corruption allegations and charges against both local and national politicians. This paper considers survey and interview data on the opinions of members of the general public in Central Java about the performance of political parties and the political elite in the run-up to the 2009 election. Selected newspaper coverage of political corruption cases is also considered.

**Keywords:** Indonesia, Politics, General public, Media, 2009 election.

### 1. The current political climate in Indonesia

#### 1.1 The state of play

According to the General Electoral Commission (*Komisi Pemilihan Umum - KPU*), as of July 2008, 34 political parties are registered and will contest the 2009 Indonesian parliamentary and presidential elections. 16 of these parties are well-established and gained a significant proportion of votes in the 2004 elections. They will undoubtedly be major players in the 2009 general election for seats in the DPR (House of Representatives). The eight most important are: secular-nationalist *PDI-P* (Indonesian Democratic Party of Struggle); Suharto's secular party *Golkar* (now enjoying

new popularity); traditional Muslim party *PKB* (National Awakening Party); moderate Muslim party *PPP* (United Development Party); modernist Muslim party *PAN* (National Mandate Party); puritan Islamic party *PKS* (Prosperous Justice Party); ultra-modernist Islamic party *PBB* (Moon and Crescent Party); and current president Susilo Bambang Yudhoyono's *PD* (Democratic Party). Of these eight – two facts should be noted. Firstly, the presence of five Muslim parties in the top eight has the effect of 'splitting' the pro-Muslim vote across the country, especially since there are a number of smaller Muslim parties among the total of 34 parties registered. Secondly, the real power struggle is between *PDI-P* (popularly symbolised in the figure of Megawati Soekarnoputri), *Golkar* (currently symbolised by popular Vice-President Jusuf Kalla), and *PKB* (popularly symbolised in the figure of Abdurrahman Wahid known as Gus Dur). These three figures (and current president Susilo Bambang Yudhoyono) are regularly satirised and savaged on Indonesian television in programs like *Republik Mimpi*:

Indonesian political parties are the target of fierce criticism by observers, civil society leaders and the general public. Opinion surveys show that Indonesians view the parties as corrupt, unresponsive, self-absorbed and ineffective. Newspaper columns regularly launch stinging attacks on party leaders, and NGOs have focused many of their programs on scrutinising party activities - or the lack thereof (Mietzner, 2008).

However as Mietzner points out, most media criticism comes from a populist perspective and fails to address analytically the problem of party activism. For example, Indonesia's dysfunctional system of party financing leads directly to the option of raising funds from wealthy patrons and power brokers.

### 1.2 The strengthening of political hegemony

During 2007-2008, Golkar and PDI-P have been attempting to strengthen their hegemony. 'Hegemony' comes from the Greek root *egemon* - leader or ruler. In Gramsci's work, hegemony refers to cultural leadership through which the dominated come to consent to their own domination by an elite. Gramsci's use of hegemony cannot be understood apart from his ideas about the state and civil society (Gramsci, 1971, p. 446), and neither can political party hegemony in Indonesia be understood separately from the Indonesian state. Gramsci considers Marxian superstructure at two levels – 'civil society' (including families, churches, trade unions, schools) and 'political society' (the State). He demonstrates how civil society establishes and organises social interaction and consciousness in highly political ways so that domination by the state-supported political elite is achieved by consent (social hegemony). Gramsci brings 'social hegemony' and 'political government' together in the 'integral State' (p. 267), describing a complex web of practical and theoretical activities through which the elite not only justifies and maintains dominance, but wins the active consent of the subordinated.

In Indonesia, as Mietzner (2008) points out; 'most Indonesian parties are still rooted in distinct social, religious or ideological milieus, and the majority of voters feel reluctant to move between those constituencies. These entrenched divisions in Indonesian society have obstructed the internal modernisation of the mainstream parties, but have also been responsible for their survival', since people continue to loyally vote for the parties they have traditionally supported even though they may not believe the promises of party politicians nor endorse their actions. The relative success of PDI-P and Golkar candidates in local elections across the country in the past three years have given the two big parties confidence that they can build upon their existing dominance of the national parliament.

Not only have the two traditional rival parties seriously considered a coalition, which would ensure their absolute control of parliament, they have dominated parliamentary debates dealing with electoral regulation reform. For example, Golkar and PDI-P held joint meetings in Medan on 20 June 2007, and in Palembang on 24 July 2007, to discuss a package of draft political laws (*Paket RUU Politik*).

The proposed laws cover electoral thresholds; electoral districts and district size; party financing and campaign financing; and voting rights for armed forces personnel. The two large parties are arguing for an increase in the current electoral threshold for parties to run in the general election from 3% of seats in the DPR to at least 5% (Baswedan, 2007, p. 330).

A further proposed law is that for each pair of presidential and deputy presidential candidates, their party must have at least 30 per cent of DPR seats, or 30 per cent of the vote - on the grounds that a president needs strong parliamentary support (Baswedan, 2007, p. 331). Certainly President Yudhoyono has struggled at times because his party won only 8 per cent of the 2004 vote and controls only 10 per cent of DPR seats (Baswedan, 2007, p. 324). However, there is general suspicion of the new electoral regulations because they are felt to discriminate heavily against non-mainstream and small political parties in the fielding of candidates. That is, they threaten the spirit of democracy.

As indicated above, the two parties have poured not only energy but billions of rupiah into campaigning for regional and local elections, to the extent that there have been few independent or small party candidates running for office. Candidates must now be nominated by a single political party or a coalition of political parties. So Poppy Darsono - a former photographic model - was not allowed to run independently for governor in the 2008 election in Central Java Province. However, it should be noted that the trend against independent candidates is partly an outcome of the

constitution. Indonesian law forces political parties to establish themselves nationwide, even to the sub-district level. This broad and deep network operates to strengthen the authority of the major parties and offers significant obstacles for new parties to be viably created (Mietzner, 2008), or for independent candidates to gain endorsement.

### 1.3 Looking towards the 2009 election

It can be argued that recent attempts by the major parties to strengthen their hegemony will have a significant impact on the 2009 elections, both for the parliament and for the presidency. Currently, such attempts tend to reinforce the notion in the public mind that the main agenda of the major electoral players is not only winning on the day, but shoring up their respective power bases. We propose that these recent strategies of domination by major political parties have brought to the surface the dissatisfaction and lack of trust of ordinary Indonesian citizens in the democratic political process. Although the Indonesian people may show strong local loyalties in voting, in essence they do not trust party politics or the political elite, especially the political elite from parties well-established in the DPR (House of Representatives) or the DPRD (Provincial Legislative Council or City Council). In the eyes of ordinary citizens, political parties and members of political elites give the impression of working hard in pursuit of their own ambitions, rather than looking after the interests of their constituencies. Marbawi (2007, p. 17) argues that there is danger in the neglectful regimes of political parties because the threat of civil violence increases. The widespread belief that there is corruption in political circles further undermines the popularity of political parties and increases the likelihood of civil unrest. Mass public frustration, as Marbawi reminds us, can become a serious threat to democracy and to political parties themselves. Evidence of this trend in public response to political corruption and ineffectiveness is shown by frequent wide-ranging protest action and demonstrations about a number of economic and social issues.

## 2. Research questions and methodology

Given the current political climate as described above, it is productive to examine what ordinary Indonesians think about the actions by political parties and by members of the political elite in the run-up to the 2009 general election. An opinion poll by *Kompas* found that of 837 respondents, 79 per cent agreed that political party orientation was more towards power than towards people's interests. 71.3 per cent thought the political recruitment process was unsatisfactory, and 73.1 per cent thought political parties were marred by internal conflicts and splits among the elite (Sultani, 2007, p. 5). We seek to explore these ideas further in this paper.

### 2.1 Research questions

Our study posed three main questions:

What do members of the general public think about the performance of political parties and political elites in the run-up to the 2009 general election?

Do social-demographic factors such as level of education, family income, sex, and age affect the way people think about the performance of political parties and the performance of political elites?

How are the mass media, especially the print media, representing political parties and political elites during this period?

### 2.2 Methodology

The study employed a multi-method strategy consisting of a survey, in-depth interviews, and textual analysis of newspaper reports. The survey was conducted in 2008 in Solo, Central Java, with 180 adult respondents. The survey asked: (a) for social and demographic details of respondents; (b) what the respondents thought of the performance of political parties; and (c) what respondents thought of the performance of political elites. The survey data was subject to a descriptive analysis of frequencies. Correlations were tested using Pearson's correlation coefficient. 15 interviews were conducted with people from a variety of social backgrounds including: garbage collector (*pemulung*); street singers/beggars (*pengamen*); small-scale business-owners; and university students. Interviewees were asked about their views on the performance of political parties and political elites. Finally, political news reports in the following media sources were subject to a textual analysis: *Kompas*, *Jawa Pos* and *Republika* daily newspapers; and *Tempo* weekly news magazine.

## 3. Survey findings

### 3.1 Correlations

The survey data was first analysed using calculations of Pearson's coefficient to establish whether there was any correlation between social and demographic variables and responses. The following table summarises the results of this analysis (two-tailed).

Insert Table 1 here.

The two variables which show a significant correlation with both political party performance appraisal and political elite performance appraisal, are family income, and level of education. For the family income variable, there was a significant difference between respondents with a high family income and those with a low family income. Respondents

who reported a high family income tended to have a low opinion of both political party performance and the performance of the political elite. Similarly, respondents who reported a high level of education did not rank the performance of political parties and political elites highly.

### 3.2 Performance of political parties

Survey questions asked about the performance of political parties according to the following functions: (a) aggregating and articulating the aspirations of the people; (b) leadership recruitment; (c) formation of government; (d) political identity; (e) mass mobilization; (f) social integration.

Insert Table 2 here.

Table 2 shows that over half the respondents were dissatisfied with the performance of political parties in three key areas: aggregating and articulating the aspirations of the people (66.7%); leadership recruitment (51.1%); and social integration (56.1%). Respondents were less dissatisfied with political party performance in the areas of political identity and mass mobilization. Significantly, the highest level of dissatisfaction – two-thirds of respondents – was with the extent to which political parties took account of the wishes of their constituents and represented these in the public domain and the sites of government. We might infer from this that at present Indonesian political parties are not perceived as adequately fulfilling the demands of the citizenry to address their interests.

### 3.3 Performance of the political elite

To explore views about the performance of the political elite (senior elected decision-makers), respondents were asked about four aspects of their performance: (a) whether the political elite engaged closely with the people; (b) whether the political elite made a serious attempt to strive for what people wanted; (c) whether the political elite demonstrated dedication to serving the public interest; and (d) the orientation of the political elite to the use of power.

Insert Table 3 here.

In summary, less than a quarter of respondents were satisfied with the performance of the political elite. The highest scores for dissatisfaction were in respect to power orientation, and the issue of having a close relationship with the people.

## 4. Interview data findings

### 4.1 Performance of political parties

Data from the in-depth interviews tended to confirm public dissatisfaction with the performance of political parties, for example:

It seems to me that the performance of political parties is unsatisfactory. Many people suffer from malnutrition, they have very limited access to education and jobs. Who is in the wrong? They [political parties] do not represent the demands of the people (Tumin, male, 48, garbage collector).

Tumin added that he thought Indonesian political parties ignored *wong cilik* (Javanese: people of low social status). Many comments were made about price increases, for example,

Political parties do not perform in an optimal way to address what people want. Increases in the price of goods, especially fuels, have made people suffer a lot recently (Lusi, female, 44, teacher).

It was also often claimed that people were compelled to articulate their demands by organizing and/or joining protest movements, for example,

So far the performance of political parties has been much less than optimal and because of this people use protest movements to articulate their aspirations. Political parties make very few attempts to get close to their constituents. They only do it during the period of the election campaign (Anti, female, 22, university student).

### 4.2 Performances of political elites

Interview data confirmed the dissatisfaction of the general public with the performance of the political elite. This frustration was not just with the elected representatives of the two big secular parties, but with Muslim politicians also, for example,

It is very clear that they [political elites] are primarily oriented to power even though they may come from religious [Muslim] groups (Lusi, female, 44, teacher).

It was claimed that members of the political elite run for election to get power and to maintain power rather than dedicating themselves to striving for the demands of the people, for example:

They think only power, power, power. They work much more for their own interests than for the interests of the people. So it is meaningless what they have done so far, whether we are talking about political parties or the political elite. They simply perform badly and so they disappoint the public (Tumin, male, 48, garbage collector).

There were some inferences of nepotism, for instance:

It is far from satisfactory. The Indonesian political elite mostly works for personal interests, including the interests of family and allies, not for the interests of the people (Sardiyo, male, 36, policeman).

There were also some more analytical critical views expressed.

Yes. Politics means power. In Indonesia the political elites performed poorly for a long time, representing only a narrow range of perspectives and interests. So look what's happened now. The interests of the people and the nation are still marginalized by the interests of the political elite - personal interests as well as crony interests. Conflicts of interest therefore often escalate and involve those from many different disenfranchised groups (Sardi, male, 25, junior university lecturer).

Sardi indicates that even though politics is usually understood as an inevitable struggle for power, the Indonesian political elite of the New Order (the Suharto regime) manipulated power unfairly. He implies that even now, after democratic reform, the political elite still seems to care little either for the demands of the people or for dealing with the problems of the nation. He points to clashes of interest between the political elite and a range of lobby groups, which spills over into demonstrations and civil unrest.

It was claimed that the interests of the political party itself were inevitably defended over the interests of the people, for example:

Members of the political elite are put there by their political parties. However, members of the political elite that often criticize the system fall out of favour with the party leaders. So the demands of the people are subsequently marginalized. It is easier for members of the political elite to work for their own interests than to work for the interests of the people (Lusi, female, 27, teacher).

Lusi maintains that members of the political elite are implicitly encouraged to work primarily for the interest of the political parties they come from rather than for the interests of the people they represent. She makes a further useful point. It may be true that there is less provocation in politicians working for their own personal interests than in criticising the status quo, as far as party power-brokers intent on their own ambitions are concerned.

## 5. Media analysis findings

The third research question for this study asked how the performance of Indonesian political parties and the political elite is being represented by the mass media in the run-up to the 2009 election. To this end, national newspapers *Kompas* and *Republika*, and regional newspaper *Jawa Pos* were analysed, as well as *Tempo* – a national news magazine. Overall, our textual analysis indicates that political parties and the political elite were invariably represented in a negative way. The negative focus was usually on: (a) the dominant role of the major political parties in pushing for new regulations; (b) internal party dissent; and (c) allegations of corruption against specific political parties and/or members of the political elite.

### 5.1 Party domination and new regulations

Domination by the two major political parties – Golkar and PDI-P - was a key theme in news media articles pertaining to elections, whether local government elections or the forthcoming 2009 legislative and presidential election. For example, a news item in the *Jawa Pos* (14 November 2007, p. 2) titled *Ambisi Golkar-PDI-P Terus Dilawan* (ambitions of Golkar-PDI-P continue to be opposed) explained how a group of smaller parties in the DPR fought against the joint suggestion by Golkar and PDI-P to decrease DPR seat allocation in electoral districts from 3-12 seats to 3-6 seats – a move which would have increased seats for the major parties and decreased electoral opportunities for minor parties. The article quoted the head of the PBR (*Partai Bintang Reformasi* – a minor Muslim party) as saying that a decrease of DPR seat allocations for electoral districts would eliminate opportunities for small parties and newly established parties to get seats. He argued that this opportunity should be a guaranteed democratic right of formally recognised political parties. Most of the smaller parties expressed agreement with the PBR position.

In another example, on Friday 14 March 2008, a *Kompas* opinion piece (p. 5) proclaimed *Paket UU Politik Langkah Hegemoni Parpol Besar* (package of political laws: further steps towards major party hegemony). The leftist writer condemned attempts by the major parties to 'simplify' the party system because what they were really proposing were tactics to maintain parliamentary and local government domination. He argued that most of the arguments for 'simplification' of the electoral process returned to the idea that a strong parliament and a strong president in 2009 would need majority support in the DPR. However, such a move, he argued, would come at a cost to true democracy. Not only would smaller parties vanish, but large-scale party coalitions would be empowered to take even less notice of the demands of the people.

*Republika* newspaper belongs to the opposite political camp to *Kompas* and usually takes a right-wing view, yet it too has been reporting on the hegemonic practices of the major parties. In the 26 October 2007 issue (p. 3), a news item was headed *SBY Dicoba Diganjal dengan Syarat Dukungan Capres* (an attempt to block SBY [Susilo Bambang Yudoyono] through the proposed president's party support law). Golkar members of the DPR suggested a pre-requisite minimum



30-35 per cent legislative voter support for the party of any candidate to nominate to run for president. This law would in theory prevent incumbent president Susilo Bambang Yudoyono (SBY) from being nominated as a presidential candidate because his PD party gained fewer seats than this. Such a move can be interpreted as yet another example of attempts by the major parties to strengthen their hegemony.

### 5.2 Internal party conflicts

The 2007-2008 period was characterised by troubles between President SBY (from minority party PD) and Vice-President Jusuf Kalla (Golkar), and by internal party conflicts. The mass media paid much attention to these disputes, emphasising many other quarrels and scandals in parties such as PBR, PKB and PDI-P.

A notable example in *Kompas* was the extensively-reported conflict in the political elite of PKB in 2008. PKB is the party linked to *Nahdlatul Ulama* – the largest Muslim organisation in Indonesia with a vast support base in Java. Former Indonesian president and party founder Abdurrahman Wahid (Gus Dur) fell out with his nephew Muhaimin Iskandar (Cak Imin), the head of *Dewan Tanfidz* (the PKB Executive Council). At a stacked plenary meeting of PKB on 27 March, Muhaimin was asked to step down – *Muhaimin Iskandar Diminta Mundur* (*Kompas* 2008, 28 March, p. 15). The issue seems to have been one of disloyalty to Gus Dur himself. However, Muhaimin refused to step down, instead filing a lawsuit against Gus Dur and his faction of the PKB. The Indonesian Supreme Court ruled in July 2008 that Muhaimin should be party chairman while Gus Dur should remain as the party patron only. Gus Dur has publicly condemned the decision and the factional split has not been healed. While official PKB press releases put a positive spin on the outcome, it is widely acknowledged that this factional conflict threatens the electoral performance of the PKB in the 2009 general election. In early September 2008, it was reported that Gus Dur had instructed PKB supporters loyal to him to picket election commission offices across the country, a move he said would deter the KPU from recognizing Muhaimin's faction as the official representative of the PKB (*The Jakarta Post*, September 9, 2008). The fallout from this internal rivalry may result in a significant fall in support for PKB from the mass of Javanese traditionally loyal to *Nahdlatul Ulama*.

### 5.3 Allegations of corruption

The Indonesian press regularly reports allegations and findings of corruption against elected members of government – both local and national. It could be widely assumed that there are few if any members of the political elite who are not engaged in some form of corruption, because of the frequency with which such reports appear. Taking the month of April 2008, for example, every form of print media in the country reported that PPP (*Partai Persatuan Pembangunan* – United Development Party) national politician Al Amin Nur Nasution had been arrested while bribing a Riau government official – Azirwan – at the Ritz Carlton in Jakarta. *Tempo* in July pointed out that Nasution stood to gain from the removal of protected forest status in Riau for urban development. He was also accused of sexual misconduct. Nasution was subsequently expelled from the PPP. On 10 April 2008, it was widely reported in the news media that former Bank Indonesia governor Burhanuddin Abdullah had been formally charged with bribing a number of politicians, involving the misappropriation of over 100 billion rupiah from bank deposits. Earlier, on the 4 April 2008, *Kompas* had reported that two local politicians in Jember had been charged with misappropriating 450 million rupiah from legal aid funds and 726 million rupiah from local parliament funds intended for civic works.

Since April 2008, charges against politicians of bribery, corruption and sexual misconduct have continued. Of recent note was the widely-reported July 2008 arrest of PBR politician Bulyan Royan – caught red-handed taking a bribe from businessman Dedi Suwarsono. In a lead article *Kompas* (2 July 2008, p. 5) reported that other DPR politicians were also implicated. The lawyer for Suwarsono stated that the billions of rupiah Royan handed over in a North Jakarta Hotel were for the procurement of ocean patrol boats by the Ministry of Transport. Royan stood to gain financially from the tender. The most recent reported corruption case involves President Yudhoyono himself. He stand accused of protecting one of his senior advisors – Heru Lelono – who was apparently behind a 'miraculous' hybrid rice crop scandal (Fitzpatrick 2008a).

These examples are only the tip of the iceberg. It was recently claimed in English-language newspaper *The Jakarta Post* on 30 August 2008 that 'data from Indonesia Corruption Watch (ICW) earlier revealed at least 35 lawmakers – 15 from PDI-P, eight from Golkar, eight from PPP, three from PD, three from PAN and one from PKS – who had allegedly been involved in corruption'. Meitzner reports that 'more than 1000 local legislators, almost ten per cent of the total number of parliamentarians across Indonesia, have been investigated for corruption since 2004' (2008). There are weeks in which Indonesian national newspapers, and radio and television news broadcasts are literally crammed with stories of political corruption. It seems obvious that this has an effect on the way members of the general public view political parties and politicians.

## 6. Discussion

### 6.1 Past practice

We detect two contradictory discourses in current general public attitudes to politics which may help illuminate the mystery of Indonesian voters' 'love-hate relationship with their political parties' (Mietzner, 2008). For despite their

frustration, Indonesians usually turn out to vote in large numbers,

In 1999 and 2004, participation in national elections ranged between 75 and 93 percent, a rate that even consolidated democracies would consider healthy. Even in direct elections for local government heads, where the role of the parties is weaker, an average of 69 percent of registered voters took part in the ballots (Mietzner, 2008).

Foreshadowing our identification of the two principle voter discourses that lie behind such apparent loyalty to the process of voting, Vickers (2007, p. 222) speaks of 'post-Suharto Indonesia's combination of optimistic reformism and cynical fatigue'.

### 6.2 Cynical fatigue vs 'bread and circuses'

The first voter discourse: - wary disbelief, enshrines a deep conviction that whatever formal political process may be about, it is almost never about representing the interests of the people. This corresponds to Vickers' term - 'cynical fatigue'. During the New Order period, citizens voted under pressure for one of only three tightly-controlled parties and there was never any doubt that *Golkar* would win. Studies by Hainsworth et al. (2007) and Hill (1996), for example, reveal how the New Order government literally bought loyalty and legitimation, bludgeoning any opposition or independent movement into an underground existence. Elections were manipulated. Votes were sometimes rewarded by local infrastructure improvements in education, health, and farming, but often not. The New Order government achieved domination with the support of military; through the hegemonic political party Golkar; and through oil export income.

Yet at the same time, during the New Order election campaigns (and even now), there was a great air of festivity during elections, involving colour, music, rallies, parades, fanfare and small gifts. The term 'bread and circuses' comes originally from the Romans. Commentators in ancient times were frustrated to find that rather than sticking to civic principles, voters followed whichever political leaders offered food and entertainment - 'bread and circuses' - during election campaigns. The 'bread and circuses' strategy appears to have flourished in Indonesian politics. For example, election campaigns used to rely (and still do to some extent) on popular *artis dangdut* (indigenous rock music singers/dancers) travelling to even the smallest villages on the campaign trail (Fitzpatrick, 2008b, p. 16). The musical theme of Indonesian election campaigns was taken further when (male) politicians started singing as part of their election campaigns in 1999, and this reached its height in the 2004 election with several candidates, including current president SBY, releasing albums. This history of general election festivity and entertainment is productive for understanding why Indonesian voters regularly turn out, despite their conviction that there will be little for them in the long run. Far from trivial, political party-sponsored festivities and entertainment during election campaigns illuminate the workings of political hegemony. As Gramsci's theories imply (see section 1.2 above) hegemony operates through the targeted organisation of the social interaction and consciousness of the people. Party-sponsored election festivities and entertainment - even singing politicians - constitute an effort to convince local people that the party in question can and will please them. Such apparently light-hearted events are attempts to win the active consent of the subordinated in Gramsci's terms.

Yet while local voters might be happy to be wooed by 'bread and circuses' on the party election campaign trail, that does not mean they really expect anything to change once politicians are voted in. As we saw in the interview data excerpts above, when unemployment, malnutrition and rising prices are mentioned, there is sense of fatalism in the way these are discussed. Although it might reasonably be expected that political parties should try resolve these problems, there seems to be a sense of weary certainty that they will not. As Sultani (2006, p. 4) states in his commentary on the performance of the DPR, 'low commitment to nation; giving in to pressure; decline of moral integrity - make the pace of change tedious in the eyes of public', even despite the recruitment of young, and better-educated DPR members over the past ten years.

The discourse of 'cynical fatigue' is fuelled by daily political reports in the mass media such as those we discuss above. If readers and viewers only hear about politicians in relation to scandal, corruption and in-fighting, and rarely about politicians trying to meet the needs of their constituencies, then it should not be surprising that of 837 respondents in the *Kompas* poll over 70 per cent were dissatisfied and disillusioned (Sultani, 2007, p. 5). It should be noted that *Kompas* readers tend to be middle-class and well-educated. *Kompas* offers a more sophisticated and detailed analysis of the current political landscape than the populist media, and this perhaps gives a clue as to why there was a correlation in our survey data indicating that the higher the income and education of respondents, the lower their opinions of political parties and the political elite.

### 6.3 Loyalty and hope

The second important voter discourse is one of entwined loyalty and hope. This discourse emerged strongly after 1998, although its roots probably lie in the revolutionary birth of the Indonesian nation. Despite the pattern of poor performance by political parties and politicians, Indonesian voters continue to be on the whole loyal and optimistic. Optimism was at its height during the 1999 election campaign when democracy flourished for the first time. 48 political

parties were able to contest seats and the military took a neutral role. However, not everyone was satisfied with the 1999 election outcome. For example, most voters did not grasp how the president was elected according to the constitution of the time, and while Megawati Soerkanoputri's PDI-P won the election, she did not become president. Disappointment led to widespread riots.

Subsequently, as democratic optimism in the post-reform era declined, Indonesian political parties lost focus, and lost the confidence of voters. By early 2006, Indonesian political parties had an even worse performance record. Internal dissent and corruption encouraged an exceptionally negative view of politicians and of party politics (Sultani, 2006, p. 5). Yet as Mietzner (2008) points out, people still turn up to vote in relatively high numbers, and in doing so demonstrate their loyalty to specific social, cultural, religious and/or ideological symbols and constituencies, articulating a strong sense of the continuity of family and communal voting practices over time. In yet another sense, voting signifies an act of hope. In the comments of interviewees above for example, there is an implied sense of outrage that their hopes and expectations have not been met, rather than a lack of hope.

The discourse of loyalty and hope is also fuelled by political reports in the media. As well as news items on political scandals and in-fighting, Indonesian newspapers and television broadcasters cover the campaign trail of local government candidates and party leaders as well. So, for example, when Vice-President and Golkar leader Jusuf Kalla visits his place of origin - Sulawesi - local media sources report his visit very positively, stressing Kalla's commitment to the people of Sulawesi. And of course, politicians talk up for reporters the importance of their own regions and ethnic/cultural constituencies when they are campaigning 'at home'. Megawati Soekarnoputri is expert at this, drawing heavily upon the sentimental legacy of her father - President Soekarno - when she campaigns in Central Java and Bali. The political courting of local loyalties signifies once again how hegemony operates through the targeted organisation of the social interaction and consciousness of the people, in this case the history and tradition of ethnic and geographical solidarity. The appeal of political parties to forms of local primordialism represents yet another example of attempts to secure the active consent of the subordinated.

#### 6.3.1 Fear

Loyalty and hope are also fuelled by fear. Certainly a great deal has changed in Indonesian politics since 1998. Democratic reforms have resulted in a free media and free and open elections at every level, including local government. Regional autonomy legislation has seen much greater political control move to local constituencies. The president is now elected by the people. The press has much greater freedom to report on news, and there has been an extraordinary increase in the amount of news reported (Pawito, 2002). This relative freedom and expansion is often interpreted as proof of democracy. Yet the current processes of Indonesian democracy have long been falling well short of peoples' expectations, and the threat of local or mass political violence was constant in the post-Suharto years (Vickers, 2007, p. 213), at least until 2004.

At present, the Indonesian economy is growing strongly and the poverty rate is falling (The Jakarta Post, August 26, 2008). Yet these gains could be swiftly brushed aside if the country descended once again into civil unrest due to political anger and frustration. In their slogans and campaigns, all eight significant political parties, whether secular or Muslim, promise not only 'clean' government, but civil stability and continued economic growth. Politicians routinely make press statements to this effect which perhaps build a sense of hope for the public even while they might feel it is unwise to trust such promises. Perhaps many want to believe political promises of civil stability because they fear the alternative of increasing civil violence.

#### 6.4 Media reports: A challenge to hegemony?

It should be noted that the active consent of the subordinated (the masses) to the political hegemony of dominant Indonesian political parties could be challenged by revelations of greed and corruption in the mass media. For example, ordinary citizens understandably experience disappointment and anxiety when they read about the apparently honest representatives of their chosen party becoming DPR members who go on to become corrupt intermediaries passing non-transparent budgets through parliament that benefit local government officers. It must have been particularly galling for loyal supporters of some parties to read that the politicians they helped elect have even gone so far as to appropriate funds intended for natural disaster prevention and relief.

The question we must ask however, is whether press revelations of political corruption do in themselves challenge the political hegemony of the major parties, or whether such media reports actually encourage apathy and cynicism, leading to widespread voter disaffection which implicitly strengthens the hegemony of the dominant political players.

#### 6.5 Golput

Given the arguments presented in this paper we might well anticipate that if 'cynical fatigue' wins out over loyalty and hope for the voting public we will see a much higher rate of *golput* (lack of a formal vote: either no vote or a 'donkey' vote) in the 2009 general elections than in previous elections. Sujatmiko (2007) maintains that the development of a fully-functioning democracy in Indonesia is hampered by lack of political accountability and increasing distance between

political process and the citizenry. There is still a lack of transparency at all levels of the legislature. The general public has little opportunity to participate in debate over the formation of public policies, through a referendum for instance. When people feel deeply disappointed, or disconnected, they either do not vote, or they may disfigure the voting form. The rate of *golput* has been high in some recent local elections. For example, in the 2008 election for the Governor of Central Java 41.5 per cent of registered voters *golput* (*Kompas*, 10 April 2008, p. 1).

In *post-reformasi* Indonesian elections there are almost always protests and riots afterwards because supporters of defeated candidates are not satisfied, and accusations of misconduct fly. Sugiarto (2005, p. 6) maintains that one cause of ubiquitous post-election demonstrations in Indonesia is lack of public trust in the actual electoral process, especially the nomination and funding of party candidates, and the counting of votes. Local government election organizers are frequently regarded as unreliable, and there is lack of trust in local law enforcement. Disappointed and angry voters may choose not to vote again in any election, believing that there will be no integrity at all in the formal process of constitutional democracy. If this turns out to be the case for the 2009 general election, we can expect to see the rate of *golput* escalate.

## 7. Conclusion

From the data assembled in this paper we may safely assume that the Indonesian public in general does not hold political parties and political elites in high esteem. Table 1 indicates that according to our survey results dissatisfaction is more marked for those with a higher income and better education. The frequency tables indicate that three-quarters of 180 respondents were dissatisfied in various ways with the performance of political parties and the political elites. This finding was confirmed in the interviews. Realizing the aspirations of the people, social integration, and leader recruitment, were the areas in which political parties caused disappointment. On the performance of political elites respondents were most dissatisfied with their grabs for power (lobbying for self-serving electoral change, doing shady deals with opposition parties, graft, corruption and nepotism); and the distance between political elites and the people. In short, it seems to be widely understood that most politicians are inherently self-serving, greedy, ruthless and amoral.

We argued above in sections 5 and 6.2 above that the dissatisfaction of the general public is fuelled by the negative mass media representation of political parties and political elites, as our selected print media examples demonstrate. The major negative discourses of this media representation were found to be: (a) the tendency of major political parties to defend their power base at any cost; (b) internal conflicts of parties and factionalism; and (c) allegations and charges of corruption and scandal against politicians and party officials.

So what kind of picture emerges here in the run-up to the 2009 election? The data assembled in the paper indicate that a generally negative view of politicians and political parties is held by both the mass media and the general public. Although it appears that a more analytically critical and intellectual perspective is generated by the middle class, and by newspapers such as *Kompas* that inform the opinions of better-educated people, in Java ordinary people –*wong cilik* – also feel disillusioned and disappointed. In one direction this indicates increasing cynicism and apathy, which are likely to translate into a high rate of *golput* in the 2009 election. In the other direction, the disillusionment of the masses with the major parties and the political elite opens the way for minor political parties running a strong anti-corruption hard line, such as the Islamist PKS party, to gain widespread appeal. Perhaps the deepest and most serious outcome though, could be widespread mistrust of the political process of democracy itself. If the Indonesian public feel that their trust in constitutional democracy for the nation has been betrayed in the rush by the major parties for greater political hegemony, then they are likely to express that rage and frustration in protest actions and demonstrations that may escalate into mass civil unrest, threatening the economic and social gains of the past ten years.

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Table 1. Correlation between socio-demographic variables and responses N = 180

Variable	View of political party performance	View of political elite performance
Sex	-0.115 (0.124)	-0.067 (0.374)
Occupation	0.135 (0.071)	-0.042 (0.573)
Age	-0.046 (0.541)	0.075 (0.371)
Family income	-0.250 ** (0.001)	-0.187* (0.012)
Level of education	-0.271 ** (0.000)	-0.262 ** (0.000)

Note:

\* Significant at 0.05

\*\* Significant at 0.01

Table 2. Responses on the performance of political parties N=180

Political Function	Responses	Freq	%
1. Aggregating and articulating the aspirations of the people	Satisfied	20	11.1
	Neutral	40	22.2
	Dissatisfied	120	66.7
2. Leadership recruitment	Satisfied	23	12.8
	Neutral	65	36.1
	Dissatisfied	92	51.1
3. Formation of government	Satisfied	27	15
	Neutral	74	41.1
	Dissatisfied	79	43.9
4. Political identity	Satisfied	48	26.7
	Neutral	81	45
	Dissatisfied	51	28.3
5. Mass mobilization	Satisfied	51	28.3
	Neutral	79	43.9
	Dissatisfied	50	27.8
6. Social integration	Satisfied	35	19.4
	Neutral	44	24.4
	Dissatisfied	101	56.1

Table 3. Responses on the performance of the political elite N=180

Aspect of Performance	Responses	Freq	%
1. Has a close relationship with the people	Satisfied	19	10.6
	Neutral	71	39.4
	Dissatisfied	90	50
2. Strives to meet the demands of the people	Satisfied	22	12.3
	Neutral	98	54.4
	Dissatisfied	60	33.3
3. Demonstrates dedication to serving the public interest	Satisfied	35	19.4
	Neutral	97	53.9
	Dissatisfied	48	26.7
4. Orientation to the use of power	Satisfied	14	7.8
	Neutral	36	20
	Dissatisfied	130	72.2



## The Research on Social Capital of Industry-University-Research Institute Cooperation

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### Abstract

The technological cooperation and technological innovation are not only the material and technological activities, but also the complex social process. The industry-university-research institute (IUR) cooperation cannot success without the social capital which is embedded in the cooperative members' relation network. Based on the framework of social capital Nahapiet and Ghoshal concluded, this article analyzed the social capital factors which influence realization of industry-university-research institute cooperation from the structural, relational and cognitive dimensions. And it proposed some countermeasures to promote realization of IUR cooperation in the perspective of social capital.

**Keywords:** Social capital, Industry-University-Research institute (IUR), Innovation

### 1. Introduction

The cooperation of industry-university-research institute (IUR) is an inevitable outcome of market economy and knowledge economy, and is a very important part in national innovation system. Although there are 30,000 scientific and technological (S&T) achievements each year in China, only 30% of them can be transformed and only 10% can be successfully industrialized. This strongly hinders the development of the Chinese economy. With the data collection and analysis, it can be found that the Chinese and foreign scholars have begun to research the IUR cooperation in the perspective of knowledge management and knowledge alliance rather than in the perspective of surface problem and organization pattern. Because of insufficient cognition of the social network environment which influences and restricts realization of IUR cooperation, the researchers' studying methods were probably limited in technological field, and were lack of the perspective of social capital, which were mostly based on the social network. With the deepening of research on the technological cooperation and innovation, foreign scholars (Fountain, 1997; Dyer and Singly, 1998; Lane and Lubatkin, 1998) have begun to apply the social capital theory of the new economic sociology to the research on the technological cooperation and diffusion. They noted that the inter-organizational relation creates the chances of acquiring and utilization knowledge. And the interpersonal relationship connecting with organizations has great significance for the application of new technology (Rogers, 1995). Scholars have generally thought that the social capital which takes social relation network as main content, remarkably affects the technological cooperation and innovation. Therefore, the social capital will be a good analysis pattern, and it can broaden the research approach for researching IUR cooperation and innovation.

### 2. Social capital analytical framework of IUR cooperation

The foreign scholars such as Bourdieu, Coleman, Burt, Putnam, Granovetter, etc, made a great contribution to the contemporary social capital theory. Based on the studies of the predecessors, Nahapiet, Ghoshal and Tsai (1997, 1998) began to apply the social capital concept to the research field of management, and probed into the relationship between social capital, intellectual capital and creation of enterprises value. They defined social capital as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Also they separated three basic dimensions of social capital: the structural, the relational and the cognitive dimensions, which provided a clear analytical framework for organization researching. The structural dimension is the whole pattern of individual relationship, emphasizes the impersonal configuration of social network, and focuses on the characteristics of network connection and network configuration, such as existence or inexistence of network connection, intenseness or weakness of network ties, density, connectivity, hierarchy, and core of network, etc. The relational dimension is the asset created and maintained by interpersonal relationship, emphasizing the personification of social network, e.g., trust and trustworthiness, norms and sanctions, obligations and expectations, and identity and identification. The cognitive dimension refers to those resources providing shared representations, interpretations, and systems of meaning among different actors, such as shared language and codes (Arrow, 1974; Cicourel, 1973; Monteverde, 1995) and shared narratives (Orr, 1990), etc. Synthesizing the research of Nahapiet, Ghoshal and Tsai, Guoyi and Zhuxi (2003) showed the analytical framework of social capital in the figure 1.

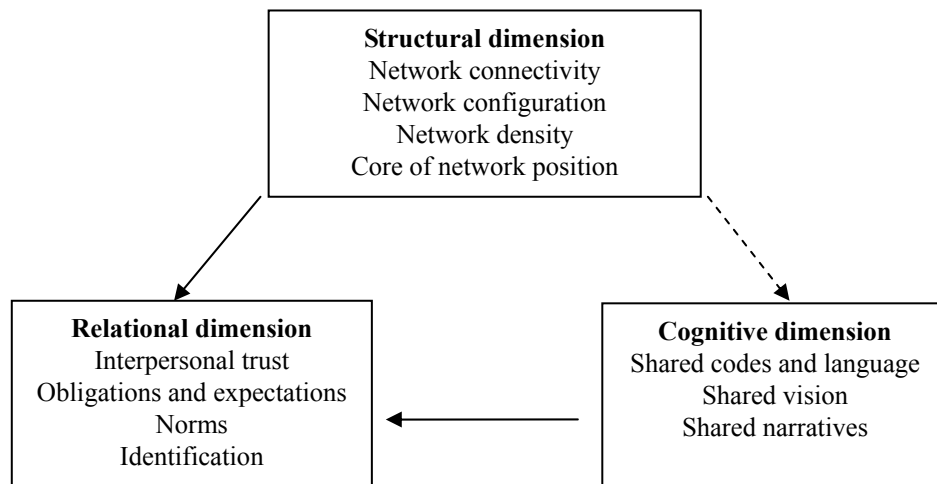


Figure 1. Social capital analytical framework

In the view of the new economic sociology, the IUR cooperation is a social process. The activities of behavior subjects are embedded in the social network, and restrained by it. The technological cooperation and technological innovation are not only the material and technological activities, but also the complex social process. It is impossible for a lot of successful realization of the IUR cooperation and innovation without the social capital which embedded in the cooperative members' relation network. The social capital can timely provide the critical resource and information for the network members; increase the association among them; promote the formation of trust; strengthen cooperative expectations; and economize supervision cost. On the other hand, with these functions, social capital of enterprise is beneficial to organization's creation, accumulation and utilization of knowledge. As the organization pattern of inter-organizational knowledge transference and management, the IUR cooperation should be analyzed in the method of the social capital through these dimensions.

### 3. Analysis of social capital of IUR cooperation

#### 3.1 Analysis of structural dimension of the IUR social capital

The structural dimension of social capital mostly describes network connectivity and network configuration. The network ties of IUR cooperation refer to those relations between enterprises, universities, and research institutes. With the network ties, the universities and the research institutes provide knowledge and technology for the enterprises. At the same time, they get the market demands offered by the enterprises, which facilitate the creation of S&T. Thus the ties in the IUR network are the important channels to obtain knowledge, technology, and information for the relevant members. There are two properties of the network connection: intenseness and weakness. The strong ties can maintain the relationship among members, facilitate communication of tacit knowledge and high quality information among enterprises (Hansen, 1999), and decrease the uncertainty of obtaining information and opportunity cost. In addition, they enhance the mutual trust with which accelerates the exchanging of information and knowledge. Therefore, the strategy alliance, joint technological creation, and co-founding enterprise entity are more and more welcome to the enterprises, universities, and institutes. On the other hand, Granovetter (1973) thought that the more strong-ties, the more similar between actors. The homogeneous information obtained from strong ties will cause the redundancy and repetition of information. In contrast, the weak ties are able to overcome these shortcomings (Granovetter, 1973). The weak ties can bring the disparate information of other group to the individual who is not belong to this group, because of abound connection among different members. The more weak ties in the enterprises' network, the newer and the more unique information, which plays a very important role in S&T innovation, can be easily acquired. As a result, the enterprises need construct the ties with government, intermediary agency, venture capitalist, supplier, and distributor, and bring these connections into the IUR network (Fig. 2). With these abound weak ties, members of the IUR can easily communicate the information, technology, and knowledge, and efficiently promote the transmission of S&T achievements.

Besides, the property of network configuration is very important to acquire the information resources, and affects the efficiency of informational diffusion. With the difference from quantity of connection focused by the network connectivity, the network configuration concerns on quality and efficiency. According to the "structural holes" theory (Burt, 1992), most of networks of social relation are not often completely connected networks. In these networks, there are some structural holes (i.e., disconnections between irredundant contacts in a network), called by Burt. He noted that the dense network is inefficient in the sense that it returns less diverse information for the same cost as that of the sparse network. The enterprise with close linkage sometimes generates redundant information because of his redundant contacts. But the enterprise, occupying the structural holes, will get chance to contact the various heterogeneous and



unrepeated information, which minimizes redundancy of information and generates information benefits. In addition, due to the position of structural holes, the structural holes also generate control benefits. Because the actor is in the structural holes and occupies the key route, he can create a bridge between otherwise disconnected members, and can decide the diffusion direction of various resource. Therefore, not the more and quick information but the position of the gaps between irredundant contacts, which gives certain players in a competitive arena an advantage in negotiating their relationships, is the most critical. Powell (1999) also thought that the enterprise being in the centre location of network can get more patents than other enterprises. Thus, the cooperative mechanism of IUR in which enterprise is in the core location should be established. The core enterprise should maintain the connection with other members, and create the bridge among other disconnected members to obtain much better network resources.

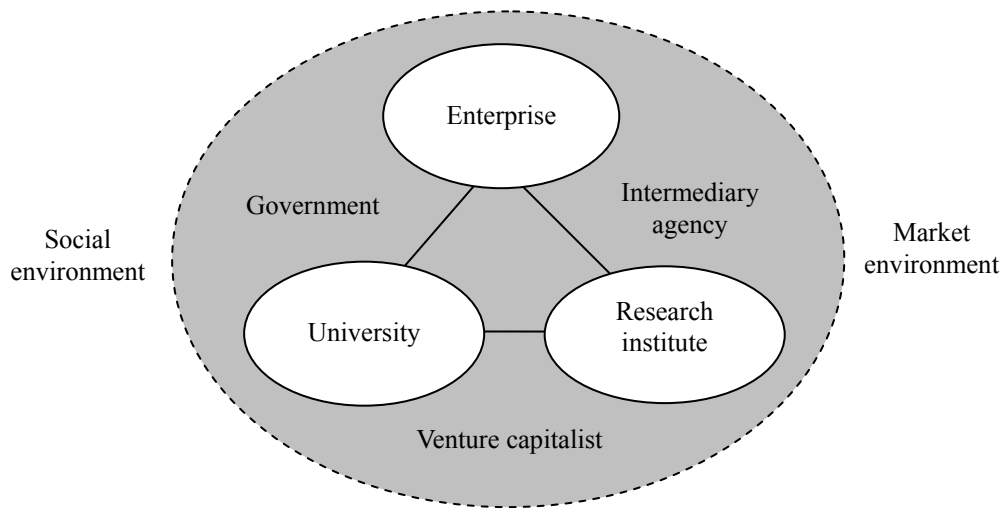


Figure 2. Structural dimension of the IUR social capital

### 3.2 Analysis of relational dimension of the IUR social capital

The relational dimension of social capital mainly refers to the trust and associability among organizations. The concepts of trust are inherently elusive and contested notions to the extent that they refer to highly complex forms of social relations and processes which are necessary for the generation and maintenance of collective action (Gambetta 1988; Giddens 1990; Kramer and Tyler 1996; Layder 1997). Thus, in the research of cooperative relationship, the inter-organizational trust is very important and critical (Lewicki, McAllister and Bies, 1998). Gulati (1995) thought that the inter-organizational trust can diminish the probability of opportunism of partners. The mutual trust derived from repeated connection in the IUR network should be the significant part of the cooperative governance mechanism. Because of replacing a part of contract, the trust thus reduces the costs of transactions produced in the IUR organization, and improves the performance of technological cooperation. Chiles and McMackin (1996) also pointed that relationships the high in trust, members are more willing to share and exchange the information. In the IUR network, the good cooperative relationship can produce trust between enterprises, universities and research institutes. Based on the trust and trustworthiness, they are more willing to participate in the cooperative technology innovation activities, and feel safer in developing the new products and technologies. Moreover, owing to the inter-organizational trust, they can effectively know each other, and frankly communicate. In fact, the trust promotes the development of cooperative creation, and enhances the enterprises' ability of absorbing knowledge (Scott, 2003). On the other hand, there is a two-way interaction between trust and cooperation: trust lubricates cooperation, and cooperation itself breeds trust. This may lead to the development, over time, of generalized norms of cooperation, which increase yet further the willingness to engage in social exchange and possibility of technological cooperation. Coleman (1988) suggests that "where a norm exists and is effective, it constitutes a powerful though sometimes fragile form of social capital".

The associability is also an important part in the relational dimension of social capital. Leana and Van Bure (1999) noted it as the degree of individual target obeying or associating with the organizational collective target. The inter-organizational social capital also has this property. The members of the IUR network not only exchange and combine the resource, knowledge and information, but also ensure their activities realizing their common target, in spite of individual interests. In the process of technological cooperation, the enterprise, the university and the research institute have different benefit aspirations, and they difficultly coordinate their goals. Because of the deviation between individual goal and collective goal, the incongruity of target often affects the success of the IUR cooperation.

### 3.3 Analysis of cognitive dimension of the IUR social capital

The third dimension of social capital, which we label the "cognitive dimension," refers to those resources providing shared representations, interpretations, and systems of meaning among parties, including shared language and codes, and shared narratives. Nahapiet and Ghoshal (1997) noted that "to the extent that people share a common language, this facilitates their ability to gain access to people and their information. To the extent that their language and codes are different, this keeps people apart and restricts their access." Francis Fukuyama (1997) also indicated that "social capital ought to be simply formulated as a series of informal value and norm, with which individual and group are more willing to engage in cooperative interaction." Through the shared languages, codes, and values, the network members can easily communicate each other, decrease the coordination costs with the presence of misunderstanding, and diminish the probability of opportunism. Moreover, the shared language and codes are the filters of ideology, which provide the background and analytical framework for understanding and cognition, and facilitate the production of tacit knowledge. The realization of effective communication in the process of the IUR cooperation requires the similarly background of the members, which is the shared languages and representations of comprehension. Nevertheless, there are less shared and common systems of meaning because of the long-term completely different background of members. The enterprises specially concern on the productive technologies and the development of market, and pay attention to the economic benefit. In contrast, the universities and the research institutes are inclined to do the basic research, concern on the academic value of research, and are short of assurance to the market demand. The great difference in value, organizational routine, innovative consciousness, and organizational culture among them is the principal obstacle of tacit knowledge explicating and sticky knowledge transferring in the cooperative process. Therefore, the shared systems of meaning of the IUR, showed in the figure. 3, ought to be constructed in the way of the tight connection and frequent communication.

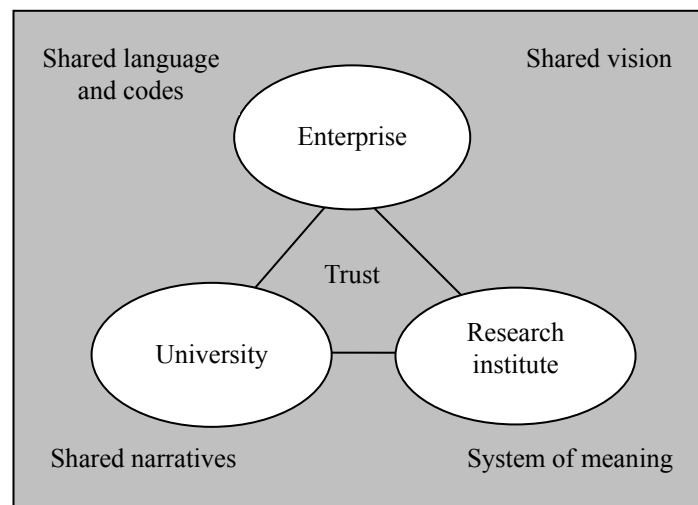


Figure 3. Relational and Cognitive dimension of the IUR social capital

### 3.4 Analysis of relation of three dimensions of the IUR social capital

There is difference between structural dimension, relational dimension and cognitive dimension. The structural dimension discusses whether there exists the network. The relational dimension discusses the quality of the network, especially focusing on the affective quality of relationship. However, the cognitive dimension concerns on the cognitive quality of relationship, for example whether truly comprehends each other or not (Bolino, 2002). Therefore, cognitive society capital is the deepest thing of the enterprise's social capital (Zhou xiao-hu, 2006). Besides, although social capital can be separated three dimensions analytically, they are actually inseparable. It is theoretically possible that structural social capital exists and cognitive social capital does not exist and vice versa, but it is practically impossible and difficult that one exists and another does not exist (Uphoff, 1999). It is difficult to imagine that there is a distinct and ordered network structure of a cooperative organization without shared language, shared codes and other shared systems of meaning. Conversely also the same, the groups with the shared systems of meaning can effectively cooperate with each other, without the relation among them. Finally, Tsai and Ghoshal (1998) thought that many of the features of social capital are highly interrelated. By the analysis of network data, they had preliminarily verified that both the structural and cognitive dimensions of social capital have a strong influence on the relational dimension; however the structural dimension of social capital has a weak influence on the cognitive dimension. Weiyang (2007) indicated that the structural and relational dimensions can take effect with the cognitive dimension, but the cognitive dimension can effectively enhance the enterprises' ability of absorbing knowledge and even improve the innovation performance, with the high level of structural and relational dimensions. In fact, the three dimensions of social capital supplement and

promote each other. The structural dimension of social capital, with the tight and extensive social connection of the IUR network, can reinforce the quality of trust, and further cultivate the shared narratives of cognitive dimension. Meanwhile, the cognitive dimension of social capital, with the shared value and vision, could realize the effective communication, form mutual trust of members, and strengthen the ties among network nodes. Trust of relational dimension social capital is able to enhance the tight connection, and cultivate and format the network culture of the IUR. Thus, in order to improve innovative performance, members of the IUR network should evenly increase the level of three dimensions of corporate social capital. And with their interrelation, they should positively improve the ability of the information communication and information acquirement to make success of the IUR cooperation.

#### 4. Conclusion and countermeasures

Because of weakness of technological ability and insufficiency of resource for developing, the enterprise needs to acquire and accumulate information, knowledge and resource, and to manage them reasonably and effectively. In another word, that how to obtain the relevant information and technologies from the external social network, is the key set to solve the problems occurred in the enterprises' life. It requires the members of the IUR network, in the cultural atmosphere of tacit agreement and cooperation, to cultivate trust and collectivism, which forms the powerful social capital and supports sustainable development of the enterprise's innovation.

Based on the analysis of social capital of the IUR network, several steps must be made to successfully realize the IUR cooperation. First, we should establish the cooperative innovation networks of IUR, and enrich the weak ties of enterprises. On the one hand, the enterprise should use different patterns of IUR cooperation, such as technology transfer, joint development, joint-stock company, and project commission, to cultivate the strong ties of the IUR network, to promote communication of implicit knowledge and high quality information, and to decrease the uncertainty of obtaining information and opportunity cost. On the other hand, the enterprise should pay attention to enhance the weak ties with government, professional social intermediary institutions (e.g. consulting company, accounting firm, venture guiding center), suppliers, customers, venture capital investors, competitors and other external deliveries (e.g. guild, professional association, MBA club) to construct the opening network with technological cooperation orientation. Secondly, according to structure holes theory, the enterprise ought to concern about the strategic position in the cooperative innovation networks of IUR. They should actively construct the more beneficial network structures. That is to say that the enterprise should concentrate on developing the network structure holes or ally with the firm being in strategic position in the network to make itself approach the network centrality, and to gain the advantage resource thereby. Thirdly, the trust mechanism in the cooperative network should be constructed to form the shared systems of meaning. The members of the IUR should coordinate their different targets by molding the shared vision, and strengthen the effective communication to further reinforce the connection of network members. Correspondingly, the members should cultivate the mutual trust and cooperative network culture, and form the shared codes and shared narratives to diminish the obstacles of communication and propagation of tacit knowledge. Finally, the external innovation environment with the fundamental of social capital should be constructed. The government should guide and standard the construction process. The S&T intermediate organizations oriented to the society should be established and perfected for technology diffusion, achievement transformation, technology evaluation, innovation decision, entrepreneurship decision and management consultation. The system of venture capital for the industrialization of S&T be constructed and perfected to develop the diversified investment subjects, and to widen the channels of fund source. The public S&T information platform should also be constructed, with the foundation of the S&T information agency, the S&T achievement agency, and the technological transaction institute, to transmit and communicate technical information in the wide area.

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## Communication with Saudis

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### Abstract

People have different cultural characteristics that affect the way they do business. Using compelling ways to categorize major cultural differences, this paper helps the reader understand how different concepts of time, the relevance of status and power in shaping organizational structure, communication methods, and ways to conduct meetings and social gatherings, all influence how interactions with a specific culture in Saudi Arabia can be made effective.

**Keywords:** Culture, Communication, Business

“He who steals the egg steals the camel”

“He who does not recognize the falcon grills it”

“Those who spend their wealth night and day, both privately and publicly, will receive their earnings from their Lord. No fear will lie upon them nor need ever feel saddened” (Arabic proverbs, Rothlauf, 1999, p403, p361)

### 1. Foreword

In my memory Saudi Arabia is a country, in which all men are wrapping with white scarf and having white blouses, all women are wrapping black scarf having black blouses and wearing always veils with only two big eyes staring on foreigners in vigilance, and is a country, which is very rich and has very high temperature. I have also heard of that the country hates communist a lot—I was a communist party member, now I have to handle with Saudis.

### 2. Introduction of Saudi Arabia

Saudi Arabia is one of the largest country on the Arabian Peninsula, is the 13th biggest nation in the world, it occupies about 75% of the Arabian peninsula in South West Asia. Oil dominates the Saudi Arabian economy, Saudi Arabia is the world's largest producer and exporter of crude oil, with the money earns from oil Saudi Arabia imports transport equipment, consumer goods, machinery etc. The availability of desalinated water has allowed the development of agriculture, which employs 48% of the workforce. The most famous city Mecca is visited by more than 1.5 million pilgrims a year, making a vital addition to state revenue. Nowadays Saudi Arabia has been taking measures to encourage tourism within the country—includes both sides: Saudis getting out seeing their own Kingdom (instead staying at home) and attracting foreigners. Main indicators:

Area: 2,149,640 sq. km

Population: 20.3 million

GDP: \$145 billion, ranking 28th

GDP per capita: \$7,286, ranking 49<sup>th</sup> (Richard D. Lewis, 2003, p4)

### 3. Culture

Saudis are multi-active and dialogue-oriented. (Richard D. Lewis, 2003, p4)

#### 3.1 Employer/employee relations

Saudis are people oriented. Though there is also modern laws to guide employer/employee relation (such as employer employee dispute solving etc.), the religion plays very important roles, according to Islam basic principle: every individual should be honest and be responsible to the group; every one should be treated equally (but not men and women); personal freedom and humanity should be guaranteed. Well beings of fellow men will be ensured: who must take care the sick family members do not need work in enterprises, who has pray responsibilities can leave work to Mosque nearby.

#### 3.2 Present vs. Future Orientation

Saudis are future oriented, they consider that they are tightly ally with each other as well as with their organizations, diffuse relationships with high context communication in which one is bonded to organization as a whole thought they

are future oriented, they don't keen to make long term plan, actually they lack of long-term objectives. A common problem with many organizations in the Kingdom is that they do not establish a long- term plan and make firm commitment for their organizations. Most of them do not have a philosophy for quality, or a vision or a mission. They also lack the availability of documented procedures that show how the organization is operating.

### 3.3 Negotiation/compromise

Saudis focus more on person relation rather than task, they are looking for sincerity in your dealings with them, normally they are hard bargainers and regard the bargaining process as a normal part of both business and social life, the spoken word, when solemn, has much more weight than written agreements. The solemn commitment of a senior Saudi when pronounced orally in front of witnesses can generally be relied upon. Saudi has great pride in their personal integrity.

### 3.4 Entertaining

There are many taboos in this field: no alcohol; no pork; no nightclubs; no movie theatres; dressing appropriately, not mention female relatives, don't become overly familiar with the few women who are allowed to be met, don't challenge the basic concepts of Islam, use only right hand when at dinner etc. One should especially pay attention!

### 3.5 Communication

Saudis are extremely extrovert, theatrical, declamatory. (Richard D. Lewis, 2003, p5) Loudness of voice indicates sincerity. Eloquence and even rhetoric are admired and expected. They talk about family influence and connections in a boastful manner. Tone of conversation is often moralistic and integrity has priority over rationality. They are not very good listeners, strong eye contact is preferable. Flashing eyes and striking facial expression are part and parcel of discourse. Touching is frequent and expected. Kissing between men is common (even with foreigners once friendship is established.)

### 3.6 On the job actions

Saudis are honest to their organizations, and they consider they are parts of the organizations. Enterprises in Saudi Arabia are managed like a family, Top-down decision making, highly bureaucratic, over centralized with power and authority at the top. Leadership: patriarchal management style, highly authoritarian tone, rigid instructions, too many management directives, very less information will be exchanged. (Rothlaud, 999, p391-395) Ways of motivating and rewarding: Intrinsic satisfaction in being loved and respected management by subjective. Criticism and conflict resolution: Turn other cheek, save others' faces, do not lose power game. Never criticize or berate anyone publicly. Mutual respect is required at all times.

## 4. Three situations

### 4.1 Situation 1: I am a chef of a Saudi

#### 4.1.1 Assumptions

Assumption 1: sure this subordinator should be a male and works in China, female Saudis seldom go abroad and work there (if the subordinator is a female, I will apply for change a position and let a female chef to supervise her.)

Assumption 2: there is only one Saudi, other subordinators are Chinese.

Because 1. I am a Chinese.

2. according to homework instruction: only one person from we chosen region.

3. I would like to eliminate one situation that all subordinators are all Saudis, next I would like to let my Chinese subordinators go along with this Saudi.

Assumption 3: the Saudi is for sure important for our firm (otherwise I will not waste limited sources to supervise him)

#### 4.1.2 Two advantages can be taken for granted

a. Saudi Arabia is a rigid Islam country, this gives Saudis a tremendous power of religious faith, and a national unity based on a uniform social cultural code of living together. There is a meaning of commitment and pursuit of goals all along. Prophet Mohammed has said: "God likes those who do something they do it at their best". The Islamic religion has been a way of life for the Moslem society since the birth of this religion, and will continue to bring strength among families, societies and nations. So I have sufficient reasons to believe that he will be honest, he will do best on his job. Religion has tremendous strength which other ways, such as every day doctrinally to tell him "work hard", to monitor him very tightly, or to motivate him with money, can not get the same effects, but Saudi always shows honesty to others, in the same time they expect to see same honesty from others, that requires me and other co-workers to do the same, maybe the problem is how to show our honesty.

b. Education is being emphasized in Saudi Arabia. Saudis are being very open to learning new technology and acquiring management skills. Aspiring young Saudis have been encouraged to go to college not just at no cost but even through a

monthly compensation paid by the government to all students enrolled. Furthermore, the government has done an remarkable job in allowing as many students as possible to get their education overseas for advanced studies or specializations. Industry-wide technical, supervisory, and managerial training programs, in- company training courses are also often conducted across the nation. My Saudi should have been high educated, in general more educated, easier to communicate.

#### 4.1.3 Management way I may take

Personally I think in Chinese micro-management area, there are typically two kinds of management method:

Method A: Friend management way, chef handles subordinates just like friends; they are working together, giving orders, receiving orders all in a cozy manner. Criticizing, motivating subordinates maybe all by jokes. After work they are having dinner, entertaining together, sometimes with their family. Subordinates can also “tease” chef, but it doesn’t affect chef to give orders and subordinates to carry out orders. In the inner department they are friends, no superior and inferior difference, out department subordinates respect and maintain chef’s authority.

Method B: Tough management way, chef holds always certain distance to subordinates. Chef gives orders in “cold” way, no smiles, no joking. They maybe have dinner or entertain together with guests, but status difference apparently exists. Their families maybe know each other but no way familiar with each other. Chef criticizes or even blames subordinates.

Different chefs may take different ways according to their character, but normally in some State-owned firms method A relative prevails, in Joint-ventures, private firms method B is overwhelming, and in factories method A is “vogue” than in firms.

Chinese one side share some common values with westerners (thanks of the open door policy) such as: work ethic; entrepreneurial spirit; experience in business; gender equality (Richard D. Lewis, 2003, p5), another side Chinese share some common values in traditional area with Saudis, though Chinese and Saudis have different culture backgrounds, such as: sincerity; honor (face); family; respect olds, So I should take the method A to supervise the Saudi. I will not only try to make friend with him, but also let other subordinates make friend with him.

#### 4.1.3 Important issues to keep remember

-If he does something wrong, in order to save his “face”, I will criticize him in a “soft” way—with a joke or with praising in stead of criticizing such as: “In this way you have done excellently, next time try another way, it will maybe get better result”.

-I will very frequently and let other co-workers frequently say “How are you” to him and mention about his relatives, but never female relative.

-Invite him and his family with other co-workers and co-workers families to have dinner together, but no alcohol, no pork and females will have to have the dinner in separate room.

-Speak with him or chat with him after work, I will say loudly to show my sincerity, but never touch Israel, or other Middle East politic issues.

#### 4.1.4 Difficult problems may encounter

-He wants pray during working time.

In his country he can freely do so during working time. If he applies it to me, I will permit him, he can pray at his office at any time and try to let other co-workers not be “jealous” him, do best to let him catch up with his working task—according to Assumption 3 he is very important for our firm.

-He complains that some female co-workers are having too “naked”, or when he visits a client, there is a young lady with very “modern” clothes, or a modern lady from our important client having “modern” clothes to visit us.

For first situation, it is relative easy to cope with, it’s in our own firm, I can let her have properly or exchange her with other department or not let them see each other when she has “naked” clothes (Though in Chinese firms, it is normal proper clothes to be required, maybe it is proper in China, not proper in our important Saudi’s eyes.), for later two situations, only way I can do is to let him not encounter this dangerous situation—call the client to ask whether they have a modern lady, when a modern young lady visits not arrange Saudi to meet and explain reasons both to clients and Saudi.

-If he refuses to have firm suit, which is a must according to firm’s regulation, and stick to have his traditional clothes.

Report to the controlling department to ask for a “except”

-If he always is late with appointment.

I will politely remind him sincerely, that in China on time is a politeness. (In Saudi Arabia maybe it is a common phenomenon not to be punctual.)

Sure, it will have many conflicts, I will handle those problems under one rule: whether the issues touch basic principles, if touch, I will make Saudi change mind, if not, I will satisfy him, all in all sincerity is most important.

#### 4.2 I am a business representative in Saudi Arabia

##### 4.2.1 Team building

-No left-handed in the team

It is difficult to make a left-handed member always use right hand in Saudi Arabia

-As fewer female members in the team as I can

Not all females agree to have conservative and all the time take a scarf as emergency needs—Saudi Arabia has specially religion policemen “Matawain” to enforce the modesty of dress in public and have full civil authority to arrest violators. I could not waste time to handle such kind of headache trivialities, and women are not allowed to drive in Saudi Arabia.

-Relative elder and married members

On the one hand married members with their family together living in Saudi Arabia will help to deal with “boring” life, on the other hand elders will show maturity, civilization which is easy to win respect from Saudis (Saudis respect old).

##### 4.2.2 Preparation

-Training all members and their spouses

Invite “expert” who is familiar with Saudi Arabia customs from Chinese embassy or any other organizations to give the lectures. The lectures should cover including:

Main contents of Islam religion

Main difference between our culture and Saudi Arabia’s culture

Which areas should we specially take care?

How to dress properly

How to greet people

How to set appointment

-Business investigation and objectives setting

Who are our customers?

How are their backgrounds

Family connections, we can get such information, Saudis like to boast their family

Business coverage, relevant levels with our business

Attitudes for Chinese, did they communicate with Chinese before, how are their impressions

Hobbies, special customs, negotiation characters, etc.

Which objectives should we get when communicate with them

Which skills should we take, how can we start our communicating with them

Which behaviors should we act, should we create new patterns of behavior incorporating in Saudis Culture?

We shall adjust our objectives and communication styles according to different circumstance. This part is about some special behaviors in response to concrete customers, next I would like to list our general behaviors which we should act in Saudi Arabia,

##### 4.2.3 General behaviors

-Dressing

- Wear conservative and modest style clothing; well cover body—even in extreme temperatures. Such as, always with jacket, necktie, long trousers, shirt (long-sleeved and buttoned up to the collarbone).

- No wearing of neck jewellery by men, it is forbidden by Saudi law, there is dangerousness of being arrested for neglecting to observe this rule.

- Women members always keep a scarf on hand (it is not necessarily to so but it is a wise way

- Women members dress modestly at all times: pack shirts, blouses, high necklines and sleeves reach at least to the elbows. Hemlines will be ankle-length or well below the knee.

- No wearing native clothing, such as robes and headdresses (It will be considered as offensive to Saudis).

-Making appointments



- Try to find a prominent Saudi as sponsor to arrange appointments with the appropriate contacts.
- Make only one appointment per day. Because in Saudi business culture punctuality is not as much of a priority.
- Keep patient when appointments are interrupted in the form of phone calls or visiting from our counterpart's friends and family. Moreover, or several other businesspeople present and several meetings occurring simultaneously.

-Entertaining

- Remove shoes before entering a home or other building. Follow the lead of your host.
- Eat exclusively with your right hand and take only the food that is offered to you.
- Eat as much as we can, because in Saudi culture eating large quantities of food is considered the proper way to express appreciation for a meal.
- Praise the food, but not draw attention to the wives, mothers or sisters who prepared it.
- Not mention unpleasant matters such as illness, misfortune, accidents or death.

-Negotiation (Richard D. Lewis, 2003, p6)

- Always be honest and just.
- Loud and rhetorically speak to our customers.

Loud means sincerity in Arabic culture. "if an Arab says exactly what he means without the expected assertion, other Arabs may still think he means the opposite" (Larry A. Samovar, Richard E. Porter, 1998 p99). The Gulf War took place partly because President Bush spoke softly; Saddam did not believe he meant what he said (about declaring war etc.). Richard D. Lewis, 2003, p6)

- Show theatrical body language, such as flashing eyes; striking facial expression.
- Hold close distance with counterparts.
- Try to build personal relations let counterparts trust us before do business.
- Pay close attention to all family members.

Enquire regularly about the health (and happiness) of our counterparts' brother, uncles, cousins and sons, but never female members.

- Bargain with Saudis with all kinds of emotional arguments they like to do that.
- Observe their taboos and avoid irritant, praise even flatter them (but not admire their possessions too much).

-Develop deep relation

- When we know our customers finished journey and back to Saudi Arabia, to greet him in airport.
- When some male family members are ill in hospital, visit them and bring them proper gift: food, fruits etc.

#### 4.2.4 General Guidelines we have to keep remember

- Saudi officials work no more than six hours per day. Mornings are often the best times for appointments. Nevertheless, because of the summer heat, some Saudis prefer to work after dark and may request an evening appointment at any time until midnight.
- Business hours vary widely, but most businesses close early in the afternoon and reopen for a few hours in late afternoon.
- The work week runs from Saturday through Wednesday. Most people do not work on Thursdays; no business is conducted on Friday, the Muslim holy day.
- Government hours are 7:30 a.m. to 2:30 p.m., Saturday through Wednesday.
- Banking hours are typically 8:30 a.m. to 12 p.m. and 5:00 p.m. to 7:00 p.m., Saturday through Wednesday. Some banks keep Thursday morning hours as well.
- One cannot leave Saudi Arabia without an exit permit, regardless of the emergency.
- Saudis have great respect for the written word, especially if it has a religious connotation. One should avoid wrapping up anything in an Arabic-language newspaper, since it might contain Allah's name. Moreover, a copy of the Koran must be handled with tremendous care and respect.
- When sitting, keep both feet on the ground, since Arabs do not cross their legs when sitting. Moreover, exposing the bottom of foot is considered offensive.
- Although Saudis often like to gesture with their hands while speaking, pointing is considered extremely rude.

- The "thumbs up" sign is offensive throughout the Arab world.
- Ask for permission before taking photos of other people.
- Arabic is a language of hyperbole. For example, when a Saudi says "yes", he may actually mean "possibly." Although you should feel encouraged by these positive responses, it would be wrong to assume that the negotiating is over.
- Presents should never be alcohol perfumes containing alcohol pork pigskin products personal items such as underwear knives toy dogs or gifts that picture dogs images of nude or partially clad women (even in paintings or sculptures with artistic merit)

For taboos and special manners one should off course pay attention, it is also important experience and notice in the practice, which make Saudis embarrassing, which make them comfortable. I think that remembering taboos, gathering together regularly to feedback (self-monitoring and learning from mistakes) and share each other experiences collected in contacting with Saudis will be an effective way to make us succeed in Saudi Arabia.

#### 4.3 I am a negotiation team leader in China

Should Saudis—our business counterpart want to satisfy their China tour, sure there would do some studies about China, as well as Chinese culture, backgrounds of our company etc. What do they expect after studied our culture or what is shining the Chinese culture to Saudis: modesty; hospitality; patience or maybe negative side: corruption etc. We will retain our merits; change their negative impressions through contacting them during their short visit.

##### 4.3.1 Objectives

Successfully sign contract with them and develop high possibilities to do business in the future.

##### 4.3.2 Images we would like to impress them

Courtesy, Sincerity, Respect their culture, Long business potentiality, those factors must be passed to them via conversation, negotiation with them, arranging their visit etc.

##### 4.3.3 Measures

###### -Build a team

Try to find a pair of Chinese Muslims, it will make our guest more comfortable and also show that we respect Islam cultures, we have Muslims too, furthermore Muslims know their tenets, it may avoid some possible embarrassments.

Ensure no left-handed in the team.

###### -Train the team

- Use books, internet, TV and meet with people from Saudi Arabia's culture to get enough information about their taboos, custom etc.
- Try to find background information of our counterpart company through Chinese embassy in Saudi Arabia or Saudi embassy in China etc., China has a philosophy: know one, know counterpart, win always—that means when one is familiar with himself, in the same time one also is familiar with his counterpart, then he will win always.

- Invite teachers who are familiar with Saudi culture. (As 4.2.2 paragraph 1)

- Make a brochure for everyone of the team: which is noticeable, what should do what should not do.

- Identify every member's responsibilities: who will be in charge which fields etc.

###### -Set timetable and visit route

- Ensure no pork, no alcohol, no Left-handed servants in restaurants; , no "naked body" decorations in meeting room or similar occasions.

- Be care for whether there are Islam holy days during the visit.

###### -Send necessary information to them

- Such as timetable, preplanned visiting places, our attending team with detailed information, as well as photos.

- Ask about their opinion about intended arrangement.

- Require their information about their delegates, through that we can know their names status, after knew such information, we can also get further particulars about their family business scope etc. It is important to build a relation before business; Saudis are people-oriented, that we send photos etc. to them can give them a brief impression in advance.

###### -Anticipate problems may happen

Image any problems which may be encounter, and try to solve them, just like a drill, when they really happened, we can cope with them easily. There is a Chinese idiom: "prohibit any dangerousness possibilities, before they happen".

**-Greeting**

We are already friends—we know each other through exchanging information. Off course we can touch them and receive their kissing if they do.

**-Arranging visit and business meeting**

- Slowly come to business theme, first further familiar with each other, try to build “trust” atmosphere.
- Find right decision maker.
- Use similar skills (as 4.2.3) to negotiate with them, show our sincerity, respect with their culture.
- We are hard negotiator, but we are just and honest.
- Always active, extrovert, select right topic such as: sport, family, interesting Saudi appeals.
- Say “How are you” frequently during the visit.
- Observe their taboos, avoid irritants.

**-Find right gifts**

It might be Chinese traditional articles, will be selected according to the present principle. (Mentioned in 4.2.4)

When do business with a business party from different cultures it is always important to have respect for the other person, their beliefs and practices, but this does not mean in the least that you need lose your own sense of cultural identity and values. The ability to appreciate and build on cultural differences can lead to a richness and creativity in a relationship which would not result from one culture alone.

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## The Satisfaction of Residents on Community Facilities in Shah Alam, Malaysia

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### Abstract

Residents in urban areas are well provided with available facilities to choose from; may that be for education, grocery shopping, eating, recreation, praying, medical services and others. Residents can choose any of these facilities for their needs and wants. There is however some variance in the choice of facilities for different types of housing areas. The availability of facilities has to some degree affect the satisfaction of residents towards their housing environment. This paper revolves around the findings of a research relating to the level of satisfaction of residents in urban low cost flats towards the availability and accessibility of facilities in two cities. There are a total of eight locations of low cost flats; five of which are located in the city of Shah Alam and three locations in the city of Klang. Combinations of qualitative and quantitative methods were used to approach this study. Survey data were analysed through the SPSS program and also by the Grounded Theory Analysis. The findings show that the factors of availability and accessibility of facilities play an important role in the level of satisfaction of these residents. Findings also show that that the respondents in Shah Alam are more satisfied compared to those in Klang towards the community facilities domain in their housing area. In general, it can be concluded that residents living in Shah Alam has a higher level of well-being than in Klang where community facilities domain is concerned.

**Keywords:** Low Cost Flats, Accessibility, Facilities, Community, Housing

### 1. Introduction

The housing environment is an important living domain for human beings. The life of a person is tied to the house in which he lives in. The house represent a shelter from outside elements, gives a status symbol to the owner, becomes an asset for the buyer and give the role of a neighbour or a member of a community to the resident. In the Dictionary of Human Geography (Johnston et. al 2000), housing is defined as a form of shelter, a refuge, a welfare service, an investment and a gateway to jobs, services and social support. In most societies, housing is available both according to need (in areas where housing provision is an element of social policy) and according to the ability to pay (where housing policy is more directly geared to market principles). This definition enlightened us to the reality of the provision of housing in a market economy where only those who can afford will pay the market price and those who cannot afford will be subsidized. Housing constitutes a big economic sector that generates income for the country and building houses provide employment to many people from the labourer to the housing developer. Therefore housing has many functions in a society and also a definite role in promoting the well-being of the residents who live, work and play in it. Housing consists of the physical components and the social components. The physical components include the houses, facilities and utilities while the social components include the families, neighbours and the community. For the purpose of this paper, only the community facilities component will become the focus of discussions.

### 2. The concept of well-being in housing

The concept of well-being in housing may be approached from the town planning point of view. In essence, town planning is an art and science of shaping the built environment we live in with the objective of creating a comfortable, safe, convenient and healthy living environment. For this purpose planning for housing is best approached at the neighbourhood level. This is because the conception of the neighbourhood unit according to Perry (1910) provides for houses, infrastructure, utilities, green parks, school, shops, places of worship, employment opportunities, clinics, other social and public facilities. These provisions are planned to promote cohesion of residents and therefore the well-being of residents. There are several ideas that encouraged planning at the neighbourhood level and the most classical one is the 'Garden City' concept by Ebenezer Howard (1850-1928), Perry (1910), Le Corbusier (1923) and Clarence Stein (1928) that can be found in the writings of Ratcliffe (1981). Therefore housing plays an important role in providing quality of life to people. Housing is central to the everyday life of human beings, being the core of social, cultural,

community and economic activity. MacCall (1975) stated the best way of approaching quality of life measurement is to measure the extent to which people's 'happiness requirements' are met. These requirements are necessary (although not sufficient) condition of anyone's happiness but those without which no member of the human race can be happy. What then constitute happiness? Aristotle the Greek philosopher claimed that happiness as being the ultimate end of man. Happiness in all its degree is good and there is nothing more valuable than happiness. Happiness expresses itself in moral virtues (courage, temperance, liberality, magnanimity, love of honour, mildness, truthfulness, friendship and the higher of them all justice) and also manifests itself in intellectual virtues (Sharif 1963). From the viewpoint of Islam, happiness is the feeling that resides in the heart. It is characterized by peace of mind, tranquillity, a sense of well being, and a relaxed disposition. It comes as a result of proper behaviour, both inward and outward, and is inspired by strong faith (Science ISLAM). Therefore it can be summarized that residents in a neighbourhood will be satisfied and happy when their housing 'needs and wants' are met. The literature also acknowledge that there are other reasons for people to be happy with their life but this study only concentrated on the feelings of happiness and satisfaction towards the availability, accessibility and choice of facilities.

### 3. Low cost housing policy in Malaysia

The nineteenth century saw most of the developed countries experiencing the migration of the majority of their populations moving from the country to the towns and cities and causing rapid urbanization. In the developing world scenario, for reasons of pressure as well as attraction, people had flocked to their cities in their hundreds or millions. These cities try to cope with the provisions of housing and facilities to the urban settlers but this phenomenon is sometimes an impossible task to tackle (Habitat 2001). The migrants moving to the city were at the time, the new pool of workers needed in the manufacturing sector but they had become victims to the lack of accommodation and affordable housing in these places.

In the policy context, the provision for low-cost housing was not explicitly mentioned as an objective in the First Malaysia Plan (1966-1970), it was duly stressed that one of the major efforts of the government is to promote the welfare of the lower-income group. Then with the introduction of the NEP in 1971, housing program was undertaken by both public and private sectors directed towards meeting the specific needs of the population. The effort to improve the life quality of the poor was seen in the Mid-Term Review of the Second Malaysian Plan (1971-1975) which points out that the provision of low-cost housing is aimed directly at improving the living conditions of the urban poor. In the Third Malaysia Plan, public housing programs focused mainly on low-cost, the construction of houses in land settlement schemes and the continuing provision of staff quarters. However, the provision for adequate and affordable housing for the lower income group was a top agenda in the Fourth Malaysia Plan (1981-1985) and the government included the involvement of the private sector in ensuring an adequate supply of low cost housing for the country. Under the Fifth Malaysia Plan (1986-1990), the low cost housing policy stresses not only the need to eradicate poverty but also to create new Malay urban communities which are active in the national economy. The housing policy under the Sixth Malaysia Plan (1991-1995) still emphasized the development of the low income housing based on the human settlement concept and the continuation of the New Economic Policy. However a new policy of privatization of public low-cost housing was introduced to solve the housing for the poor and lower income group. The low-cost housing policy in the Seventh Malaysia Plan (1996-2000) announced a new strategy to resolve the low-cost housing needs of the country by emphasizing the role of the Employees Provident Fund (EPF) to undertake massive low and medium cost housing projects throughout the country. The Malaysia Plans was drafted to assist and facilitate efforts in improving the quality of life for the Malaysian people stating that its citizens will enjoy and optimize available opportunities including education, employment and social facilities. The Plan also state that the government will take effort to ensure wider coverage of improved social facilities for all households.

Under the Eighth Malaysian Plan, (2001-2005), the government wants to undertake a program to upgrade and improve the low cost public housing to ensure that the buildings, common facilities and other public amenities are well maintained. The housing program emphasizes the safety, health, convenience and good living environment. In the Ninth Malaysia Plan (2006-2010), housing development focus on the adequacy, quality and the affordability of housing for sale or rent, for all Malaysians, especially for those in the low and middle income groups. Among others, the implementation of the low cost housing program will be expedited in the final phase of the Ninth Malaysia Plan with the additional construction of 18 500 *Program Perumahan Rakyat* (Public Housing Program) units for rent. Furthermore, 12,300 units under the *Rumah Mampu Milik* (Affordable Housing) program will be built by 2010.

In summary, the low cost housing program in Malaysia is one of the top agenda in all the Malaysia Economic Plans in that the government wants the housing development to focus on adequate, quality and affordable housing. The Government wants housing for the low income earners emphasizes safety, health, convenience with ample provision of social facilities (Seventh and Eighth Malaysia Plan).

### 4. The Study Area: Shah Alam And Klang

Shah Alam and Klang are two cities located in the prosperous Klang Valley in the state of Selangor which has the

second highest urban population in Malaysia. According to the 2000 population census, the urban population in Klang is 631,676 persons. It is geographically located south-west from the city of Kuala Lumpur by the coast. Klang is famously known for being the royal town for the State. Between 1974 and 1977, Klang was the capital of Selangor when Kuala Lumpur became a Federal Territory and before Shah Alam was made the capital of Selangor. It was in 1977 when Klang Municipal Council was formed with a total area of 60.9 square kilometers. The city of Klang is made up of an older city centre which has grown radially along major routes and one of them linked the city to a port known as Port Klang. Some parts of the older city centre retained the colonial planning design and contains much of the past history of Klang. The newer parts have undergone massive developments with the building of huge shopping complexes and office towers. Klang has not yet been granted the city status but geographically, by virtue of the size of its population, Klang is considered as a city.

Shah Alam, the first planned new town in Malaysia was developed in 1963, formerly known as Sungai Renggam (later as Batu Tiga) with mostly with rubber and palm oil estates. Its current name was chosen by the then Sultan of Selangor, Sultan Salahuddin Abdul Aziz Shah, after his late father Sultan Alam Shah. On 7<sup>th</sup> December 1978, through the proclamation of the late His Royal Highness Sultan Salahuddin Abdul Aziz Al Haj, the 8<sup>th</sup> Sultan of Selangor, Shah Alam has been declared as the new state capital of Selangor. The city was granted city status on 10 October 2000. In the 2000 Malaysian Census, the urban population of Shah Alam is estimated to be 319,612 persons. On the 10<sup>th</sup> of October 2000, the local council was upgraded from a municipal council to a city council known as the Shah Alam City Council (SACC).

The study area of Klang and Shah Alam is focused specifically on the low cost flats in and around the city centre irrespective of whether they are built by the private, public or a joint venture. They may be of a five storey walk-up flats or higher level flats with elevators. The locations of low cost flats in Klang are further away from the city centre because they were built much later after the land around the city was fully developed during the early years. The flats in Shah Alam are located near to the city centre because they were planned from the start to house the factory workers working in the industrial areas around the city centre. The cities of Klang and Shah Alam have their own unique histories and functions yet they also have similar characteristics such as heterogeneous population, high commercial activity, active housing industry and relatively good transportation system.

## 5. Methodology

The research into well-being of residents is approached by the qualitative methods and analysis and there are three types of surveys carried out to gather information and data. For this study the surveys are the visual survey, the questionnaire survey and the in-depth interview using the Grounded Theory method. The first two surveys comply with the parameters and the subjective indicators that had been decided for this study (Refer to Table 1). On the other hand the in-depth interview is not guided by any list of queries but the questions revolve on the theme of well-being and community facilities. The interviewer act as a moderator and the respondent is free to tell his side of the story. The study was undertaken in 8 locations in the two cities whereby there are five in Shah Alam and three in Klang.

The visual survey of the facilities includes the observation on the condition and location, with the help of a checklist of facilities. This is helpful towards understanding the daily activities of the community in that area. Photographs of the facilities and the neighbourhood environment are taken to become evidence of any complaints of the residents on the physical shortcomings of the housing facilities such as the lack of playing equipments, the lack of maintenance of playgrounds, the lack of shops or the lack of social facilities. A survey form was designed for personal interview to acquire the perceptions regarding the satisfaction of the facilities that are available in the two cities. The Likert scale measures the responses where scores and ratings are given for example to the perception of satisfaction on certain matters. The sampling methodology used for this research is a combination of both stratified and systematic random sampling. A ten percent (10%) sample of 508 units is found to be the most appropriate size to minimize the sampling error. Furthermore, the sample size is considered large enough to be reasonably confident that it represents the population size. As such a total of 508 questionnaires were systematically and personally distributed for the interview. The Statistical Package for the Social Sciences software processed the data obtained from the questionnaire survey.

## 6. Results and discussions

Firstly, the findings from Table 2 show that there are many types of facilities available in the study areas of Shah Alam and Klang. These are community facilities that are necessary to fulfill the needs of the everyday life of the community without which the well-being of the residents will be compromised. The location and distance of these facilities are also important aspects to consider and the findings show that the availability of facilities within the one kilometer radius of the low cost flats is higher in Shah Alam than in Klang. The reason for this is because Shah Alam is a planned new town where facilities inside the city have been planned from the design stage. The one kilometer radius is significant in showing the comfortable walking distance and the accessibility of the facilities. Almost all the fifteen facilities within the one kilometer radius have shown 80 to 100 percent availability in Shah Alam compared to Klang that lacked about five facilities such as secondary school, playing field, government clinic, community hall and mosque. This finding

shows that in the context of this study, the low cost flats in Shah Alam have more types of facilities which are located within the one kilometer radius when compared to those in Klang. The planned new town of Shah Alam has shown that the neighbourhood concept can provide the community facilities for the people in the neighbourhood while the low cost flats in Klang are built not according to the neighbourhood concept but either as an ad-hoc planning, infill planning or just as an afterthought.

Secondly, the results from the opinion and perception survey are shown in Table 3. The findings showed that;

the percentages of satisfied respondents are considerably higher in Shah Alam than in Klang,

there are more unsatisfied respondents in Klang regarding facilities like grocery shops, library, house of worship, public telephones, playing fields and community halls and,

the level of perception of the provision of facilities in Shah Alam fulfilling the needs of the residents is higher as compared to Klang, for example in Shah Alam, most of the respondents are very satisfied with the health services and facilities because they perceive this facility has managed to address most of their health problems.

Thirdly, results from t-tests in Table 4 show that there is a significant satisfaction on the *tadika* (kindergarten), secondary school, children playground, community hall, *surau* (community praying hall) and mosque between the respondents in Shah Alam and Klang except for the primary school. Based on the mean score, the respondents in Shah Alam are shown to be more satisfied with most of the facilities compared to the respondents in Klang. This clearly shows that facilities in Shah Alam offer more satisfaction to the residents as compared to residents in Klang in the context of facilities provided.

The findings from the in-depth interview also agree with the t-test results although the respondents do not always categorize their difficulties as major problems. Some respondents voice out the problems of lack of playgrounds, lack of choice in their shopping outlets or that the schools are not that close to their houses but they seem to be quite forgiving with this situation. They say that there are some difficulties with the lack of satisfactory playing area but consider them only as a minor problem. And although they are unhappy with certain facilities, the respondents only quietly grumble and do not show any visible anger. Yet on closer observation these problems do cause some inconveniences in their life such as the need to use the public transport to go to the government hospital or to go to school (especially in Klang). But one has to understand the background of these respondents where a large number of them used to live in squatter settlements. Moving into the low cost housing environment is a blessing compared to the haphazard condition of squatter housing; with the lack of utilities and infrastructure. In fact there are many respondents who are very thankful and happy to be given the opportunity to live in low cost flats. Therefore from the Grounded Theory Analysis it can be concluded that availability of community facilities has increased the well-being of residents of the low cost flats in Shah Alam and Klang and that the unavailability of some facilities in Klang has to some extent decreased the satisfaction level its residents.

The planning of community facilities must take into consideration the number of population, the location, the type of facility and the distance between the low cost flats and the facility. In the case of Shah Alam, the planning of community facilities follows the appropriate town planning guidelines and standards. This is the normal practice for the planning of any new towns in Malaysia. Therefore it can be assume that planned new towns like Shah Alam will have more satisfied residents relating to the availability of facilities and this is so very true for Shah Alam. The benefits of planning can be enjoyed by all residents including those living in low cost flats.

## 7. Conclusions

On the whole, a considerable percentage of respondents are quite happy with their low cost flats environment which include the provision of community facilities. Needless to say the location of these flats is relatively accessible to all types of facilities by virtue of their urban location. Yet the findings show that the availability or unavailability of facilities have considerable effect on the well-being of the residents. The feelings of dissatisfaction with their lack of facilities in their housing environment will decrease their level of well-being. Being in the low income group they have little resources to acquire facilities that are located further away from their homes. With the increase in the price of petrol and other necessities in life, the lower income group relies heavily on facilities located within the compounds of their homes. With this in mind, it is hoped that the policy makers, the local authorities and the planners will not overlook the community needs of the people living in low cost housing and to plan accordingly in future.

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Table 1. Examples of Subjective Indicators

PARAMETERS	INDICATORS
Comfort	<ul style="list-style-type: none"> <li>•availability of facilities for playing</li> <li>•availability of facilities for interaction</li> </ul>
Convenience	<ul style="list-style-type: none"> <li>•adequate facilities</li> <li>•good access to facilities</li> <li>•accessibility</li> </ul>
Satisfaction	<ul style="list-style-type: none"> <li>•provision of adequate facilities</li> <li>•facilities located nearby</li> <li>•accessibility</li> </ul>
Safety	<ul style="list-style-type: none"> <li>• maintenance of facilities</li> <li>•design of playing equipment</li> <li>•open drains</li> </ul>
Frequency of usage	<ul style="list-style-type: none"> <li>•Types of facilities</li> </ul>

The data acquired from the survey was based on a questionnaire. The respondents were asked of their opinions about the community facilities based on several parameters. These parameters will guide the questions which can also be known as subjective indicators.



Table 2. The scores given for percentage of availability of facilities within the one kilometer radius of the low cost flats in the study area.

Facilities		Shah Alam		Klang	
		Availability (%)	Scores	Availability (%)	Scores
1.	Kindergarten	100	3	100	3
2.	Primary School	100	3	100	3
3.	Secondary School	80	3	33	1
4.	Children Playground	100	3	66	3
5.	Playing Fields	100	3	0	1
6.	Grocery Shops	100	3	100	3
7.	Mini Markets	100	3	66	3
8.	Food Stalls	100	3	66	3
9.	Restaurants	100	3	66	3
10.	Private Clinics	100	3	66	3
11.	Government Clinics	40	2	0	1
12.	<i>Surau</i>	100	3	100	3
13.	Mosque	80	3	0	1
14.	Community Hall	40	2	0	1
15.	Public Phone	100	3	66	3
Total Scores		43		35	

Note: *Surau* is a community prayer hall much smaller than a mosque.

The scores given are based on the percentage of the availability of facilities in each study location within one kilometer radius of the low cost flats (score 1 for 0% to 39%, score 2 for 40% to 65% and score 3 for 66% to 100%). For example; if all five locations in Shah Alam are provided with primary school then for that facility, Shah Alam deserves the score of 100 percent. The total scores given to the availability of facilities within the one kilometer radius of the study locations are 43 for Shah Alam and 35 for Klang. Therefore there is a higher availability of facilities in Shah Alam than in Klang.

Table 3. Percentage of satisfied respondents on the community facilities

Community Facilities	Shah Alam		Klang	
	%	Rank	%	Rank
Private and Government Clinics	87.0	1	58.6	4
Primary school	80.2	2	71.2	1
Secondary school	80.0	3	65.3	3
<i>Tadika</i> and kindergarten	79.2	4	66.0	2
<i>Surau</i> and mosque	73.4	5	32.0	7
Grocery shops and mini-markets	69.3	6	45.7	5
Public telephones	65.4	7	31.4	8
Playground and playing fields	60.7	8	25.5	9
Public library	52.7	9	45.7	5
Community hall	53.2	10	11.1	10

These figures are the results of the survey carried out on the respondents in the study area. The rank of satisfaction normally indicates the level of perception of the facility fulfilling the needs of the respondents. The respondents of Shah Alam and Klang highly rated the health/medical facilities and education facilities although not in the same order yet the percentage of satisfied respondents is much higher than in Klang. This show the there are more respondents with a higher level of satisfaction in Shah Alam than in Klang.

Table 4. T-test results of the significant difference of satisfaction towards some of the facilities in the study area.

Facilities	City	N	Mean	<i>t</i> -statistics	<i>p</i> -value
<i>Tadika</i>	Shah Alam	324	2.35	1.384	0.008*
(Kindergaten)	Klang	135	2.28		
Primary	Shah Alam	330	2.36	0.299	0.261
School	Klang	136	2.35		
Secondary	Shah Alam	324	4.15	1.208	0.015*
School	Klang	134	3.99		
Children	Shah Alam	328	3.67	5.914	0.000*
Playground	Klang	136	2.95		
Community	Shah Alam	335	3.48	9.855	0.000*
Hall	Klang	133	2.36		
<i>Surau</i> and	Shah Alam	302	2.35	3.301	0.000*
Mosque	Klang	113	2.15		

\* Significant at 5 percent level

The *p*-value marked with the asterisk show that there is a significant satisfaction of that type of facility between the residents of the two cities.



## Vision Logic and Aesthetic Evolution

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### Abstract

Visual logic is the most basic logic principle that human beings' aesthetic taste is based on. Through conducting search on aesthetic taste, we found out the common rule for aesthetic evolution, which is also an evolution process in a sense of meaning. Firstly, visual system apperceives aesthetic objects in a mode similar to computer searches. In the process of apperception, visual system is controlled by "collective unconsciousness" standard formed through the deposition of "collective" experience and by "individual unconsciousness" formed through the accumulation of "individual" experience. The brain clears up the messages through visual logic, and makes deduction, after which the brain could obtain accurate visual apperception. Under proper circumstances, aesthetic resonance is generated. Further, the aesthetic taste of the group could be sublimed, which in turn exerts impact on the "unconsciousness" aesthetic standard of individuals and collective groups. This is the basic way for the evolution of aesthetic taste and is the evolution logic which occurs momentarily.

**Keywords:** Visual logic, Aesthetic taste, Art logic

Mainly, the researches on visual logic are conducted for the sake of psychology and biology. Parts of physics and informatics are covered too. This paper is to illustrate the formation and evolution of aesthetic rules in the field of shaping art, which does not simply explain the evolution modes of aesthetic evaluation but aims at pointing out that artistic works creation should undertake the functional role to direct and promote aesthetic evolution.

Firstly, gratitude shall be given to the works of Francis Crick, *The Astonishing Hypothesis*. After reading this book, the contents of this paper were overthrown and revised when the composing of this paper was nearly completed. The experiments on visual illusion in large quantity described in session one of the book convince us that the saying "seeing is believing", which is commonly known as a truth, is so unreliable, which happens to be one of the main logic backgrounds and sources that this paper originally want to conduct researches on. After adjustment, the research is conducted on the basis of the following understandings on vision:

Apperception is not the true first hand material. Visual messages go through a large quantity of parallel processing which are related to nerve cells and are transferred to and are sensed by the brain apperception systems in a mode similar to "the winner is the king". Here parallel refers to that a large number of nerve cells work simultaneously rather than process information one by one in serial. Only by this way can it be guaranteed that all visual objects are "seen" at instantaneous state. The way that the apperception system senses the information is to sense simultaneously with different intensity. For example, when you are collecting information in a short time from pictures spread on the floor, the main elements that will influence your evaluation include "your concern", the position of the pictures, the number of similar pictures, memory, searching rules, and simple logic organization and detail filling necessary for making evaluation. Many pictures may not be explicitly sensed by you because of the aforesaid reasons. For apperception system, such circumstance will result in the situation where a large account of information is seen but is not sensed. Because the final evaluation must be completed by logic organization and detail filling, there is the possibility for incorrect apperception. A typical example is that visual apperception system takes initiative to fill the blind spots. That is to say that in apperception process, the subjective consciousness is not involved in behaviors, which is a process of true unconsciousness and is extremely similar to the processing mode of computer searching. To put it in another way, in this process, it is easy for inertial processing and falsity to occur, which controls visual logic thinking and further influences aesthetic taste.

Visual logic refers to the causal relationship and corresponding rules followed in the process of visual apperception. To make analysis on it and to make deduction, certain visual principles could be obtained, researches based on which exert great influence on shaping art and even visual aesthetic taste. Generally speaking, the sameness rate of aesthetic evaluation standards is determined by the similarity rate of visual experiences of the evaluation-makers, which covers geographical features and cultural background. At present, the popular view is that usually, different aesthetic main bodies tend to be the same in value direction and are slightly different from each other in details. It is obvious that such saying is not supported by sufficient evidence. Or we could say that such saying exists in practice and application process as a self-convinced point.

It is shown in a large number of researches that aesthetic taste standards of different regions, different peoples and different ages are not completely consistent with each other. The same as that many self-convinced concepts are finally easily overthrown by practices, the otherness of aesthetic taste is larger than we have imagined. From the perspective of vision, we could not recognize the decoration ways of peoples in remote areas. Even, we rebel at their tastes. Similarly, sometimes, the images that we do not appreciate are popular in other countries. There is a hypothesis question, which is if the otherness of visual experience on certain images is large enough, is it possible that their evaluation standards are completely different from or even are opposite to each other. Tim Burton applied a melody to describe the elimination of Martian (Note 1), which is at least understandable in art logic, which is to say that if this kind of otherness exists, what should be done is not to improve but to avoid. We believe that aesthetic taste is not transcendent and does not remain the same.

Then, how is aesthetic taste is generated?

As a corresponding mood generated by apperception, is aesthetic taste generated by unconscious instinct or does it follow certain causal rules? The research on visual logic well answers this question. It is composed of the following points:

### **1. The influence of prediction and hint on aesthetic instinct**

Aesthetic sense is a kind of adapting degree. When the development of an issue complies with the thinking of the observers or with the prediction of the observers, the comfort sense of corresponding extent will generate. F.L.Pogson describes the sense of beauty in his brochure on time extension as follows, "The reason why hurried and discontinuous movements are not beautiful is that each of such movement is self-sufficient and they do not predict their following movements. The reason why curve is more beautiful than broken lines is that the curve changes its direction momentarily and each new direction is predicted by its previous direction" (Pogson, 2004). The prediction and hint in vision brings easy and joyous sense to aesthetic main bodies. Curve predicts certain track. Each dot on the line gives hint to the generation of the next dot, which complies with the thinking of observers, is easy, and could be controlled so as to generate the sense of beauty. The hints among dots on broken lines are uncertain. The appearance of many unpredictable direction conflicts with the thinking of observers and causes discomfort and nauseous feelings.

It could be seen that even the aesthetic instinct of original stage contains causal rules and follows certain visual logic rules. "The said instinct refers to rational experience. It puts us into the internal part of an object so as to comply with unique and inexpressible stuff of the object" (Pogson, 2004). The generation of original aesthetic taste is through the prediction capacity of aesthetic main body and the hints given by the objects. Connection and relation of the two are established so that different reactions in psychology and body are triggered. Artistic works make use of this kind of relations and apply clearing up, pruning, fixing and piling up to enhance the function of hints to realize the growth of the extent of sense of beauty.

### **2. Then influence of "collective unconsciousness" on aesthetic taste**

The reason why usually people tend to be the same in aesthetic values is that human beings have similar civilian background and the aesthetic taste of various visions and touch and even the spirits accumulate to form a relationship where aesthetic body and its living circumstances mutually depend on each other, become accustomed to each other and recognize each other, which is a natural result of evolution. Because its contents could be found in the hearts of "all people" and have common characteristics, it is called "collective unconsciousness". The original aesthetic taste obtained from inheritance has certain regional and time characters. Due to long term deposition, within specific period, it controls aesthetic taste to the maximum and limits aesthetic evolution

As "collective group" of aesthetic main body, it could be less than "all people" and also could be more than "all people". In daily life, it is easy to understand the "collective unconsciousness" less than "all people". For example, the original aesthetic tastes of different peoples, phylum, regions, and systems have certain differences. To understand more than "all people", we need to take into account all conscious main bodies. For example, whether animals have aesthetic taste, if yes, to what extent is it consistent with human beings? Compared to human beings, it is usually believed that animals do not have aesthetic deduction capacity. However, we must admit that animals have certain visual taste and good image memory capacity. Because they live under similar environment to human beings, in many detailed aesthetic evaluation, they could form a wider "collective group" with human beings. "Collective unconsciousness" and "individual unconsciousness" influence "unconscious" aesthetic taste together. It needs to be supplemented that from the angle of art logic, usually, any item could become the main body of certain type if only they have different adapting and tastes.

### **3. The wakening and memory of visual remaining image**

From the perspective of psychology, aesthetic taste containing "individual unconsciousness" is represented in the accumulation and deposition of aesthetic individual's vision and psychological experience. A typical case is the paraphrase of Oedipus's complex made by Freud. However, in real life, such complex is not so obvious. There is a

more common and easier explanation, which is that the memory and wakening of visual remaining images have special connotation to aesthetic taste and control the corresponding aesthetic evaluation of individuals.

A metaphor for it is that usually it is easy for us to accept items with which we are familiar. There are two kinds of demonstrations for the said familiarity. The first is the memory of the known images. For example, a grown up will be deeply attracted by the images which are similar to the images that they cognized in their childhood. You may find that the opposite sex that you are obsessed with is familiar to you in certain angle, parts or gaseity. It could be used to explain the complex of missing hometowns. The same circumstance also occurs in our endurance extent on ugly items. Usually, we will find that due to the passing of time, some extremely ugly images will not be so difficult to endure after some periods. Even, we become infatuated with them.

The second is the wakening of visual remaining images. Many aesthetic images are more complicated in cognition than intuition. Usually, the wakening of visual remaining images could only be realized under certain proper circumstances and the wakening process requires the participation of logic deduction. We could say that the memory of visual remaining images and its wakening function on logic deduction accelerates aesthetic evolution. The aesthetic taste on abstract works are also based on this type of memory and logic wakening, which makes aesthetic evaluation on new works of famous painters easier than the works of unfamous works.

#### **4. Aesthetic taste deduction, empathize, resonance and aesthetic sublimation**

In the following part, we will analyze the aesthetic activities that we participate consciously. Firstly, let us analyze the empathize phenomenon in aesthetic taste. Different from the depth psychology, empathize in aesthetic taste only occurs on the observers (the aesthetic evaluation main bodies). However, it is recommended that creators of modern arts should take into account this aspect and apply it. It could belong to subjective empathize in creation. There are two types of empathizes of observers and there is one type of empathize in the creation of artistic works. Now, let us explain in detail the occurrence of the three types of empathizes.

The observers' feelings are transferred to the works, which usually occurs in movies and television series. For example, the audiences could easily think themselves as the default images when the movie or TV works are broadcasting. He (she) might imagine himself or herself to be she or he or he (she) is being hurt (or is committing crime). However, the function of such empathize narration far exceeds the function of visual logic. We determine to explain it by visual logic in visual aesthetic taste range. When we are appreciating a painting, we will unconsciously transfer our feelings to the objects of the painting. What is interesting is that such transfer does not only occur on human objects. It will make corresponding transformation according to the change of the painting's subject. The priority level order of such transformation is characters (including main characters, peoples, genders, ages, and body shapes), animals (their sizes, their positions on the painting and their relationship with human beings), plants, architectures (or ships, planes, and other man made objects. when many pieces appear at the same time, please refer to animal level), mountains and rocks (or sceneries that have detailed shapes in the vicinity) and distance sceneries. It could also occur in series sceneries that the feelings are transferred to a group of objects. When we appreciate the water fowls painted by Badashanren (Note 2), we will feel strong loneliness, which is particularly obvious when appreciating eastern painting artistic works, which is the aesthetic empathize, "audiences are the objects".

In western paintings, due to the influence of human thoughts, the artistic works usually adopt the third person visual observing method. There is no painter in the picture but the painter is also everywhere. The painter gazes at the contents of the painting at all times. Therefore, the aesthetic empathize occurs between observers and painters, which means "audiences are painters". For example, when we gaze at the large sized painting works of Anselm Kiefer (Note 3), we usually will feel inexplicable sense of inhibition. This kind of inhibition is absolutely not to empathize to certain wall of post but is brought by the entire dark climate. The one who truly feels this kind of climate is not others but the painter. Let us take a buoyant example. The empathize on Mona Lisa is not to transfer the feelings of Mona Lisa to the observers but inherits the feelings of Leonardo da Vinci and a typical attitude is the third person mood of "falling in love with Mona Lisa" (however, to tell the truth, to the author, the charm of Mona Lisa is not so big as advertised by the western media, or this might be caused by the difference between westerners and easterners in "collective unconsciousness"). It could be said that the artist transfer his or her feelings on the painted main body to the audiences and combine the audiences' feelings, and form the individual aesthetic taste on works.

For artistic logic, artistic creation process will also integrate creation empathize similar to Tongjia. Strictly speaking, such circumstance is not true feeling transfer. It is shown at artistic creation and through engrafting method and it enables the image of the painted main body exceeds its inherit image character and further "gives" this kind of feelings to the audiences. For vision, easy methods, such as to make slight change in partial shaping and bright and dark combining position, could bestow a drape newspaper with the quality sense of steel or cotton cloth. This kind of empathize usually is used to express the internal mood of the works and is the common method in artistic creation. The same handling is used in personification more. What is more, this kind of empathize is also applied in other artistic

creation fields, for example, “Troubled by the times—flowers bring tears; Dreading parting—birds startle the soul”(Note 4). The flowers and birds are bestowed with the feelings of human beings by way of empathize.

Similar to empathize, the resonance of artistic aesthetic taste also occurs in the aesthetic field where consciousness involves. As an important mark for the acceptance and entrance of artistic vision into climax stage, resonance follows closely after the occurrence of empathize and is the important moment for observers to release moods. At this stage, visual apperception system basically stops working. The brain is under artistic logic thinking working period. We say that at that time, the brain is working at high speed, ceaselessly analyzes the existing messages, deducts unknown rules (and imagine), and sends to the body various instructions (have various features, such as being cold or hot in hands and feet, flourishing, being dry in lips and being incoherent). At the same time, resonance could also be shown in feeling reaction among painters, aesthetic main bodies and various audiences. When individual feelings return to “collective feelings”, it is usually accompanied by the generation of aesthetic sublimation. After disposition, the aesthetic sublimation will generate new round of aesthetic common recognition. It will transform into “collective unconsciousness” of aesthetic taste and change radically the existing aesthetic standards and further realize the aesthetic evolution.

With the increase of intensity, resonance and aesthetic sublimation process will last for considerably long time, just as we usually say “circulating around the girder for three days” (Note 5). The common appreciating background, resonance and sublimation will draw nearer the evaluation of various aesthetic groups. The gradually frequent art exchanges of the world indicate the tendency of united aesthetic standards of the participating groups.

### **5. Aesthetic deduction-the requirement of logic evaluation on works creation**

In the process of visual art creation, another point needs our attention, which is the requirement of logic evaluation on works creation. In another article, the author made the following analysis on the basic requirement on artistic creation. The basic requirement of artistic creation is to expand knowledge on aesthetic taste of human beings on the basis of existing aesthetic taste and to guide the responsibilities of evolution. To put it into other words, as the aim of basic researches, artistic creation (note: it is not the artistic creation for application) (Note 6) is to constantly make innovations. Similarly, the said artistic innovation does not mean that the artists talk to themselves. This kind of innovation must be constructed on the basis of visual logic and must be consistent with aesthetic common recognition (“unconscious” aesthetic taste). It uses the sensitivity (Note 7) formed through long term accumulation “individual unconsciousness” aesthetic taste) to find the truth different from experiences. When certain amount of unknown messages are added into visual apperception system, the artists must search for rational explanations through artistic logic analysis and practical methods. Here, it is mostly shown by the tie-in of unknown messages and the existing original aesthetic tastes (this is also the hardest stage of artistic innovation. Artists need to make lots of practices. Like the tie-in of two lines, they not only should do researches on unknown messages, but also should do researches and adjust the original “unconsciousness” aesthetic taste. It is explained in the previous part that no matter what kind of “unconsciousness” it is, individual or collective group, it is not that there is no rule to follow. For a mature artist, a majority of people who do not receive art education could fully understand and skillfully apply it. The extended use of this noun is to explain the needs of hierarchy, which is the core point of this paper). Once the possibility of tie-in is found, artists will be on the wires. Here, it could be explained as the finding of artistic inspirational sense or sudden realization, which is a concept in artistic logic. In the operation process of tie-in, consciousness needs to conduct a new round of message conclusion, sorting and setting up searching rules, which are done by the brains. The subjective consciousness just sends out the concluded instructions. Because the tie-in of the new and old messages could not be completed without logic organizations, usually it needs consciousness to fill in. Therefore, subjective consciousness needs to resolve the filling in at this stage. It is reflected in external behaviors as the artistic expression and artistic creation process that we are yearning for. For the new visual aesthetic taste of improved artistic works creation, it raises aesthetic quality.

When the aforementioned works are presented to common audiences, it complies with the supreme principle of artistic creation, which is “comply with but beyond our sense”. Under the guiding of artistic works, the audiences upgrade their aesthetic tastes through artistic logic thinking. Hence, when recognizing the works, the audiences also recognize their self-accepting and understanding capacity. Because the audiences have explicit sense on the upgrading of their aesthetic character, they could have academic resonance with creators, which is the value of the artistic creations.

Therefore, we obtain a full picture for the process of aesthetic evolution: visual system senses the aesthetic objects in a way similar to computer searching. In the process of apperception, visual system is controlled by “collective unconsciousness” standards formed through the deposition of “collective” experiences and by “individual unconsciousness” formed through the accumulation of “individual” experiences. The brain clears up the messages through visual logic, and makes deduction, after which the brain could obtain accurate visual apperception. Under proper circumstances, the aesthetic resonance is generated. Further, the aesthetic tastes of the group could be sublimed, which in turn exerts impact on the “unconscious” aesthetic standard of individuals and collective groups. This is the

basic way for the evolution of aesthetic taste and is an evolution logic which occurs momentarily. No matter it is “consciousness” or “unconsciousness”, they both comply with the logic rules of the nature and is the inevitable result of natural evolution.

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### Notes

Note 1. Movie, *Mars Attacks*, directed by Tim Burton and produced by Warner Brothers in 1996

Note 2. Please refer to the flower and birds paintings of Badashanren. The true name of Badashanren is Zhu Long. He was from Nanchang, Jiangxi and lived at the end of Ming dynasty and at the beginning of Qing dynasty. He is the ninth grandson of Zhu Quan, the Xian King of Ming Dynasty. He is one of the most famous painters of China and is the head of the “Four Monks”, painting field at the beginning of Qing dynasty. His works usually apply symbolizing to express moods and are full of contumacy.

Note 3. Anselm Kiefer, a German famous painter of the new expressionism.

Note 4. Du Fu (Tang) *Spring Perspective*: The nations has fallen, the land endures: Spring tree and grasses flourish in the town. Troubled by the times—flowers bring tears; Dreading parting—birds startle the soul. With turmoil of battle three months on end. A letter from home is worth a fortune in gold. Scratching these white locks makes them thinner; As it is, they can barely hold a pin.

Note 5. Chinese idiom. The aftersound moves around the girder for three days’ means that the music is so beautiful that in the three days after hearing, you will feel the rhythm is circulating in your room.

Note 6. Please refer to the works of the author *The Art Branches of Ultra-design Era and Decoration*. Beijing, the first edition, 2007, p.130

Note 7. The sensitivity refers to the acuity extent of vision observation. It is closely related to visual logic. The vision sensitivity difference of two persons is caused by inheritance and individual unconsciousness. The speed of feeling is due to the memory and wakening of visual remaining images, which is similar to the working ways of immune systems in biology. The immunity means that a person has more antibodies than common people. By this way, when attacked by the pathogen, he or she could find antibodies quicker, make duplication timely and organize to defend his or her body, while for common people, their antibodies are obtained through injection or the remaining antibodies obtained from the previous disease. If this concept is used on the researches on visual sensitivity, the injection should be professional training and education while the remaining antibodies are the same as the memory and wakening of visual incomplete images. Inherently is inborn collective unconsciousness and is the sum of aesthetic evaluation formed in long term deposition and remaining images.



## Revelation of Three Periods of Japan Economic Development on the Economic Development of China

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### Abstract

For the development stage, the actuality of China economy is very similar to the initial stage of 1970s in Japan, so we can use some feasible experiences to solve economic problems by Japan at the beginning of 1970s. The research to the foam economy in the middle and late stage of 1980s in Japan induces the consideration whether China would follow the same old disastrous road of Japan in 1980s. After that, from the long term depression of Japan in 1990s, we should exactly treat the China depression theory which has been occurred. Reviewing the course from the boom at the beginning of 1970s to the formation and break of foam in the middle and late of 1980s and to the long term depression in 1990s of economic development experienced by Japan, we can get some revelations about many aspects such as macro-economic control and financial security.

**Keywords:** Similarity, Foam economy, Depression, Macro-economic control

At present, many people think that the foam economy has occurred in China, and it is very similar to Japan's foam economy in 1980s, and the potential information of this adjustment think that if China doesn't prevent the occurrence of foam, the long term depression like Japan's will occur again. However, through the analysis of three periods with characters in the economic development of Japan, we will find that, first, the actuality of China economy at present is very different to that of Japan's middle and late of 1980s and the difference is obviously comparable, contrarily, the present economic situation of China more likes Japan's economic situation at the beginning of 1970s, second, because of the difference of development stage and macro control policy, China is difficult to follow the same old disastrous road in 1980s, third, though the discussion about China economic depression in the present period can be regarded as warning, but it is too early as a whole. Finally, through the track from boom to foam to depression that Japan economy experienced, we can get some revelations and considerations, such as the lesson of macro-economic control, the prevention of financial crisis and some active opinions we should have for some present problems.

**1. Japan's economy at the beginning of 1970s which is similar to the actuality of China economy deserve us to refer and use for reference**

### *1.1 The actuality of China economy is more similar to Japan's economy at the beginning of 1970s*

First, undeniably, the present China economy is little similar to Japan's foam economy in the middle and post stages of 1980s. For example, apparently, the macro economy develops well, and the investment and export with high speed growth become into two drives for the economic growth, and the foreign exchange repertory increases very quickly, and the proportion of the usual account surplus is on the higher level, and the exchange rate increases in value, and the prices of many assets such as realty and stock rocket. But through the comparison of key development stages, more differences are embodied. Japan had entered into the post-industrialization period then, but China is still in the middle stage of industrialization at present, and the extended country market has not been completely started, and large differences still exist in the stage of economic growth and industrial structure. As viewed from development stage and macro economic situation, the actuality of China economy is more similar to Japan's economy at the beginning of 1970s, and the similarities are mainly embodied in following aspects.

#### *1.1.1 The macro economy gross*

Since 1955 to 1972, Japan had kept the growth with double-digit high speed, and the number is very similar to China. As viewed from the position of economic gross, Japan completed the task to pursue Europe and US in 1968, and at the



beginning of 1970s, Japan's absolute value of GDP was at the third position in the world, which was lower than US and Former Soviet Union. And China is at the fourth position now, and it was at the fourth position with Germany together in 2007, which are very similar.

#### 1.1.2 International environment

(1) Oil markup. The first oil crisis happened in 1973, and the oil price appreciated from 2.5 dollar per barrel to 10 dollar per barrel, and the markup was fourfold. But now, the trend that oil prices creep higher is upon the table, and the oil prices even exceed 100 dollar per barrel. All oils needed by Japan depend on import, and about 50% oils in China also depend on import.

(2) Exchange appreciation under exterior pressures. In August of 1971, Nixon who was the president of US suddenly declared that dollar broken away gold and required Japan and western countries implemented revaluation, which induced the Bretton Woods system blew up (Erenow, Japan implemented fixed exchange rates all along). Japan had to declare the Japanese Yen increased in value from 360 Japanese Yen to 308 Japanese Yen, and the appreciation extent was 14%. For Japan, that was the first appreciation under the force of US, and in September of 1985, the second appreciation was in "the Plaza Agreement". Through China claims independent RMB exchange rate reform, but the threatening factor from US and western countries are should not be excluded completely.

(3) The repertory of foreign exchange. At the beginning of 1970s, much favorable balances occurred in Japan's trades to US, and the trade friction of textile happened, and the favorable balances made Japan's foreign exchange repertory hoik from 4.4 billion dollar in 1970 to 15.4 billion dollar in 1971, and it increased fourfold in one year, and the situation of Japan is very similar to the current situation of China.

#### 1.1.3 Domestic asset price and inflation

(1) The sharp rise of asset price in Japan then is very similar to the current situation of China. To eliminate the negative influences brought by the appreciation of Japanese Yen, the Japan administration adopted the policy to extend interior demands, and fully develop "the alteration plan of Japanese islands". Under the agitation of the alteration plan, from 1972 to 1974, the land price raised 50%. The tide of island alteration is little like with current blind development of China. Not only the land price, but the stock market was also ascending, for example, the Topix index was 148.35 point in 1970, but in 1971, it was 199.45 point and it rose to 401.7 point in 1972, and in two years, the index rose 1.7 times.

(2) At the beginning of 1970s, serious inflation occurred in Japan. The inflation of Japan then mainly rooted in the oil markup which drove domestic markup, and the international oil price was quickly conducted to the domestic market. The index of CPI was 4.9 in 1972, and it was 11.7 in 1973, and it was 23.2 in 1974, until 1978, it dropped to the normal level of about 4%. That was very similar to current China. The markup of domestic price in China mainly rooted in the rises of international energy sources and raw and processed materials. When the prices of assets such as real estate and stock rose, the labor price rose, then the consumable price especially the food price would also rise, and if the price can not be controlled well, the rise of food price will conduct conversely quickly, and the structured inflation will evolve into malignant inflation.

#### 1.1.4 Other situations of social development

Just for other problems of social development except for the economy, the first problem is the serious social effects of pollution. Japan pursued growth with high speed for a long time, but as a result, the destruction of environment and the social effects of pollution became more and more serious up to the occurrence of world-shaking "four lawsuits of social pollution" at the beginning of 1970s. The current situation of China doesn't allow optimism, and it is even worse than Japan's situation then. Many local governments have encountered the difficulty to give attention to economic growth and environmental protection, and the social construction with resource saving and good environment needs much endeavors. The second problem is the population old age. Japan was in the first stage of social old age then, and China also face the problem of population old age, and the problem how to avoid and possibly reduce the social insurance and the low saving rate which can influence the economic growth brought by the society of population old age deserves use to think about.

### 1.2 *The Japan's economy at the beginning of 1970s can be used as references for the current economic development of China*

Different economic development stages should adopt different economic policies, and the results will be different. Now that the current economic situation of China is more similar to Japan at the beginning of 1970s, so we should use some experiences and lessons of Japan at the beginning of 1970s for references. Summarizing a series of problems such as oil crisis, inflation, and problems in the industrial structure adjustment and the development of economy and society of Japan at the beginning of 1970s, we can get three following revelations.

#### 1.2.1 Strengthening the macro control and exactly establishing policies to solve the crisis

Japan's inflation at the beginning of 1970s was quite serious, and many affairs to rob commodities happened because of

the rise of price. Aiming at very serious inflation, the Japan government rapidly adopted the countermeasure of deflation, and the central bank of Japan continually enhance the interest rate in April, May and July of 1973 with 0.5% every time until the interest rate was enhanced to 7%. The inflation was depressed in 1978 finally. Japanese economist Ryutaro Komiya pointed out that the basic experience that Japan could walk out from the crisis was “the money supply policy should be established by the stability of price which was the first factor should be considered” (Che, 2007). That offers revelation for China to solve the inflation at present, i.e. the implementation of money policy should take the price stabilization as the first objective.

The following was the oil crisis, and the whole Japan including policy authorities and enterprises produced a common understanding, i.e. “the time with infinite supply of resource has ended”. The future development should change the growth mode, i.e. from the growth of quantity to the growth of quality. At the same time, the government and enterprise achieved common understanding, and to solve the oil crisis, the government put forward the new energy source development research and the establishment of energy saving measures, and the enterprises universally adopted the mode of “downsizing operation” to reduce the production line possibly through reducing employees and superfluous equipments. Comparing with hard struggle of Europe and US with strong economy after oil crisis, Japan successfully passed the transition and entered into 1980s, which was closely linked with exact decisions of the ministration and the brave innovation of enterprises. Under the background of global oil markup, China offer allowances for oil enterprise, try to restrain the rise of oil price in the domestic market, and the aim is to reduce the more inflation induced by the rise of oil price. But the trend of global marketization is necessary, and the long-term government intervention would not exist, so how to solve the crisis and how to synchronize the world must been faced by Chinese enterprises especially the enterprises regrouped which are encouraged to enter into world list, so we can use Japan’s initial experiences for references when the government and enterprises face energy sources crisis and realize policies.

#### 1.2.2 Accelerating the adjustment of industrial structure and perfecting the economic law system

This stage faced many problems which are mainly embodied in a series of energy and economic problems brought by the oil crisis, Japan economy begun to accelerate the adjustment of industrial structure. Wash out the industry with high energy consumption, change the industry with energy denseness and make the industrial structure transform from past “heavy, deep, long and big” to “light, think, short and small”, fully develop the third industry, and realize the soft industrial structure with servicing and high additive values. The updating of China industrial structure faces the obstacles of system, policy and repertory structure all along, and it is the difficulty faced by China industrial development to how to accelerate the industrial update and optimize the industrial structure, and that needs the government exactly leads the development, and the enterprises innovates bravely.

Japan is one of countries with the most mature economic law system. The character of economic law is to continually emend laws with the change of economic situation. In this stage, the most obvious establishment and edit of economic laws are about the environmental laws. In the process of “four lawsuits of social pollution”, the public in various regions developed the anti-pollution activities and flinty social problems occurred, and under that situation, the government had to decide to father the pollution and protect the ecological environment. Under common struggle of country, enterprise and government, Japan’s environmental problems were basically solved and recognized by the international society at the beginning of 1980s. At present, China has achieved delightful advancement to perfect economic law system, for example, the “Real Right Law of the People’s Republic of China” issued on October 1 of last year and the “Labor Contract Law of the People’s Republic of China” executed in this year, but for the environment protection, especially the law construction of environment protection, we should make larger efforts.

#### 1.2.3 Changing the mode of growth and development, and actualizing the economic policies

At the beginning of 1970s, the economic growth mode of Japan had gradually transformed from extensive mode to intensive mode, and the economic character of “large consumption and large investment” had been changed, and the transformation of growth mode and economic development had been basically completed at the middle stage of 1980s.

China also put forward similar policies and concepts with Japan’s at the beginning of 1970s, for example, the transformation of development mode, “energy saving and pollutant reduction”, “green GDP”, and the establishment of circle economy, and these policies are very similar to Japan whether for policies or for the backgrounds of theses policies. For the future, we should actualize above exact policies and strategic ideas in deed and better realize them.

### 2. Whether China will follow Japan’s same old disastrous road of 1980s

#### 2.1 Japan’s foam economy at the middle and post of 1980s

Japan’s foam economy formed at the middle and post of 1980s, and it was the most intense stage of the foam economy from 1987 to 1989. With the subscription of “The Plaza Agreement” in 1985, Japanese Yen begun to increase in value very quickly. In 1988, the exchange rate of Japanese Yen rose to 1: 120 for dollar, and comparing with Japanese Yen under the fixed exchange rate system in 1971, it increased in value for two times. The result induced the export commodities of Japan rose in price, and weakened Japan’s competition force in the global trade market, but a series of

financial measures adopted by the government made the domestic demands quickly increase. The formation of Japan's economic foam was that "the land price and the stock price drive each other and rise circularly. The land price rises, and the asset values of enterprise and family rise with the rise of the stock prices of enterprises, then the land guarantee value rises, so the banks will acquire more loans. The anticipations of enterprise profit and economic growth rise, the essential interest rate and risk discount decline, and the investment passions of resident consumption, realty investment and enterprise equipment run up, and the asset price and entity economy rise mutually, then the large form forms." In 1990, with the first breaking of Japan's stock market, Japan's realty foam was dashed to the ground. And Japan's economy entered into the long-term depression.

## *2.2 China will not follow Japan's same old disastrous road in 1980s*

Just as what most people worry about, some phenomena such as exchange rate appreciation, the price rise of realty and stock exist at present are very similar to Japan's in 1980s, so many people begun to worry about China economy, i.e. whether China will follow Japan's same old disastrous road, and the author think we can give the negative answer. The reasons mainly include two aspects.

The first aspect is that the economy with foams is unequal to the foam economy. Most economists thinks that the economic foams means the unbalance phenomena often occurred in the economic development, and its root is the contradiction of total demand and supply in the society, and the fluctuation with the fluctuation of commercial cycle. When the economic foam develops to certain degree, it will form the foam economy, but it is a process from quantitative change to qualitative change. The economic foam is unequal to the foam economy. The foam economy specially means the phenomena that induce the serious fluctuation of market price because of gamble activities (Zhou, 2007). Though the foams occurred in some localities of China economy or on some layers are truths, but it is not exact and objective to confirm the occurrence of foam economy. For the growth potential, the potential of Japan economic growth begun to drop and the labor increase rate also turned from positive growth to negative growth in 1980s. Before that, the shift of labor from country to city supported the high increase of economy, and the end of labor force transfer in the foam time induced the parabola of growth quickly went to drop. At the opposition, the economic growth potential of China is still strong, and we can feel hearty consumptions and enough growth potential when we walk on the road of big city in China. The supply of rural labor force in China is still abundant, and the technical level of China enterprise is far lower than the world level, and the space of technical advancement is still large.

The second aspect is that the macro control policies are completely different. Japan administration made three serious policy errors at least at the middle of 1980s, at the same time, the errors of these policies were thought as the essential reason to induce Japan's depression by most scholars, and the problems such as the revaluation and the formation of foam that the policies wanted to solve were only the idea of the problem. The mistake of these three macro policies was mainly embodied in following aspects. The mistake in the exchange rate policy made Japanese Yen rise with large extents, and in the process of foam formation, the loose monetary policy was falsely implemented, and the over strict deflation money policy was adopted in the extrusion of foams. When the similar economic situation occurs, the policies of China government are more stable. First, when RMB faced the pressure of appreciation, the central bank of China made RMB slowly rise and tried to reduce the disadvantageous impacts to domestic industries. Second, when both the stock price and the house price rose, the central bank of China still persisted in stable money policy and put forward deflation money policy in this year. Except for controlling the house market and the stock market by the money policy, we also adopt other measures such as taxation and administration to avoid the economic fluctuation brought by deflation money policy.

## **3. Japan's long-term depression in 1990s and the depression economics of China**

### *3.1 Japan's long-term depression and the forming reason*

Since the beginning of 1990s, with the breaking of the foam economy, Japan's economy got in serious depression. Individual consumption had no force to rally, and the financial reform got severe illness, and the economic growth stagnated, and the economic resurgence had a long time to go. Some experts thought Japan economy had "Japan disease" since 1990s comparing with Japan's economy with energies in 1960s and 1970s. The depression was mainly embodied in six aspects including that the consumption demand could not recover after a setback, the deflation was increasingly serious, and the unemployment rate was on the high level all long, the bad creditor's rights accumulated as a hill, the national finance was heavily in debt, and the macro control was inefficient.

### *3.2 It is too early to discuss the depression economics of China in the current stage*

Some people compared the economic actuality of China with the situation before the big depression of US in 1929, and because both are very similar, so they got the conclusion that China would walk the old road of US in 1929, and the most representative theory was Krassimir petrov's economic depression of China, "I trust the foam of China will be broken at some moment from 2008 to 2009 (Krassimir Petrov, 2005)." Petrov's theory was based on the business cycle theory of Austria School, and the core of the theory was the credit boom of inflation. The theory thought that over

investment must induce the credit boom of inflation, and the foam breaking certainly occurs after the credit boom of inflation. In fact, the instances with over investment exist in China, but the over-heat investment is not foam, and it is only the reason to induce the foam. As viewed from the policy, the government has realized the important credit, and the deflation money policies in 2008 and various measures in 2007 were to directly or indirectly restrain and reduce the credit.

Another fear about China depression is based on the comparison of Japan economy, i.e. if the foam economy occurs in China, the long-term depression like Japan will happen. In fact, the fear is unnecessary. First, the situation of China is very different to Japan's, and the same consequence in the late of 1980s and the beginning of 1990s won't happen. Second, the foam economy unnecessarily induces long-term depression. The breaking of foam is one reason to induce long-term depression of Japan, or it is only a fuse, and the deep reason that Japan got in the long-term depression is its own structured contradiction. We should not equate the foam economy with long-term depression, the relationship existed in them, but they had no necessary relationship.

Finally, for the development potential and space, China is in the middle stage of industrialization, 7%-8% or more growth rate many be kept to first "25 years" in the 21st century, i.e. the high growth rate of economy can be sustained for 15 to 20 years. So it is too early to talk about the depression.

#### **4. Some revelations and considerations**

The several stages with obvious characters from the beginning of 1970s to the late of 1990s offer references and revelations for the economic development of China. From boom to the forming of foam, the breaking and the depression, the road Japan walked is like the theory of economic cycle, i.e. boom-decline-depression, and the economic situation in the stage can offer some revelations and considerations in the boom stage of China.

##### *4.1 Actively treating the problems of appreciation and fluidity*

For the appreciation of RMB, we can combine the situation of Japan after the Plaza Agreement to discuss the appreciation. The appreciation of Japanese Yen at the middle and late of 1980s induced and strengthened the stock market which was the largest bull market in 1970s and 1980s. Japan's economic growth with high speed could not completely deny the historical function of money appreciation, and the serious shock of "The Plaza Agreement" was the undeniable fact for the export industry of Japan, but the fortune effect brought by the appreciation of Japanese Yen to Japan induced Japan became into the financial empire, the largest trading country, the largest investment country, the largest creditor's rights country at the late of 1980s. The revolution of exchange rate offered the capital headspring for the special bull market. The process of the money appreciation was the process of common development for the house property and stock market of Japan, and its extent and energy were very rare in the economic development of the world. The essentials reason of Japan economy and financial crisis were not in the exchange rate appreciation, and it was the false money policy in the process of exchange rate appreciation to induce the breaking of asset foam.

The problem of the fluidity surplus is not only the pressure but the opportunity for the economic development of China. The negative influences of fluidity to economy are obvious, but we must pay attention to other aspects of fluidity influencing the economy. First, for China with deficient capital consciousness, it is necessary to establish capital consciousness and investment consciousness in the process of economic development. Second, surplus fluidity and surplus capital are very rare opportunities for China capital market especially for the direct financing market. Third, the surplus fluidity drives the rise of asset price. The bull market with capital drive is propitious to come into the market for the stated and civilian enterprises, reduce the pressure of inflation, and acquire precious time for the slow appreciation of RMB and the stable growth of China economy with high speed. Finally, the surplus fluidity promotes the diversification of the business of China bank industry and the diversification of the financial market (Jiang, 2007).

##### *4.2 Clearly recognizing the economic actuality and avoiding entering into the financial difficult cycle*

Through the 29 years' large depression of US and Japan's long-term depression in 1990s, we can see a process. After the entity economy quickly develop to certain level, the financial inflation occurs, and the financial asset crisis induces the fluidity crisis and the credit deflation, and the entity economy declines, which can be called as the financial difficult cycle (Zhao, 2007).

As a large economic entity, China's economic development degree comes to light in the world, and the imperfection of financial system and the truth that the financial system is in the stage of transformation make us realize the actuality of financial inflation and consider whether the possibility of financial asset crisis exists. Three largest Chinese commercial banks have entered into the strongest bank list in the world, and we need more calmness and wariness to face the situation. The development or the growth of the financial market of China is not mature, and the ability of financial institutions facing the crisis is not strong, and the confusion of current financial market has produced the sign of financial inflation, and we should notice that once the economy enters into the financial inflation estate, the central bank must interdict the alternation system of bank credit and financial asset inflation to reduce the extent and speed of future price fall of financial assets and the impact to bank credit when the future financial asset inflation breaks, so the credit

deflation won't occur because the bank credits are transformed into non-performing loans. Japan's long-term depression in 1990s had close relationship with large of non-performing loan after the foam broken. To strengthen the risk management of China realty loan is the important measure to prevent the occurrences of the economic foam and the crisis of the financial assets.

#### 4.3 The government macro control should assimilate past lessons and strengthen the time efficiency of macro control

The government should cautiously use the money policy and financial policy when facing the pressure of appreciation, the inflation and the asset inflation. Japan's money economy was too loose in the forming process of the foam, and it was too strict in the extrusion of the foam, which could not reduce but prick up the foam economy. China should assimilate the lesson of Japan and especially reduce the destroying influence of the foam economy when extruding several foams.

At the same time, for the tight money policy implemented in this year, though the government advocates it early, but it still fears for the policy. The worry is not in the frequency and intensity of the implementation, but in the validity of the money policy. In fact, the tight policy has come into force early, and in 2007, the control frequency and intensity of the money policy were infrequent, and the inflation and fluidity still exist and even be more and more serious. If the validity and the time efficiency the money policy of 2008 are not good, or the useless of the money policy still exists, the sensitive degree of control will incline to nothing for the public and enterprises, which is not the result what we want to see. (The data in the article are from the Japan Economy Database of Chinese Academy of Social Sciences and Academician and the China Statistical Yearbook).

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## Corporate Space for Social Sciences through Corporate Social Responsibility Initiatives Rising Trend of Corporate Social Responsibility Is a Boom for Asia's Social Sciences from Theory and Practice Perspective

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### Abstract

The Corporate Social Responsibility (CSR) is one of the emerging areas of industry and corporate arena. The CSR movement is becoming not only a mere social responsible activity but also an attractive and challenging profession. There are two major dimensions in corporate social responsibility. They are; 1) theory, 2) practice. Many management institutions especially business schools made CSR as an optional subject in their curriculum. This paper provides information and emerging trends of Corporate Social Responsibility from Asia's social sciences theory and practice perspective. How management institutions (especially business schools) and multinational companies are promoting and mandating such initiatives also discussed in this paper. The CSR concept was started in 20th century in Europe and it was implemented based on purely charity and fashion. End of the 20th century after entering of new millennium the concept totally changed in all over the world. Developing countries like India also becoming a good host for CSR initiatives. This paper also gives the information about how CSR is becoming profession by introducing curriculum in management institutions and business schools. The CSR in the context of International, Asia and Country level perspectives also presented. The whole paper discussed in different dimensions of CSR like profession, management education, Research etc...

**Keywords:** Corporate Social Responsibility, Key Dimensions, Social Responsibility, Millennium Development Goals, CSR, Corporatization, Emergence

### 1. The concept of CSR

The concept of Corporate Social Responsibility emerged in early years of 20th century in European countries. After few changes taken place in post industrial revolution and electronic era the CSR came in line line<sup>1</sup>. Earlier responsibility purely based on charity concept and fashion only. There was no element of responsibility in their social initiatives. There was no mandatory in companies' financial plan. In a year various occasions only companies used to take up the social initiatives on nominal basis. After the change of face in countries financial situations all companies sensitized

about the corporate social responsibility. In the United States the CSR concept gradually developed as a mandatory in all industries. The US government also provided few encouragements like tax exemption, giving recognition to trusts and charities to promote the CSR concept. After 1950 the total world equations have changed and few countries divided based on US & USSR. The developing and third world countries were needed support from bipolar world. The CSR quickly developed into a more comprehensive list of actions and responsibilities and in the end to a complete management framework on how to manage the expectations of stakeholder, change and manage the way you do business more responsibly and take care of your environmental impacts<sup>2</sup>.

### 1.1 What is CSR?

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large<sup>3</sup>. Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large. It is about how companies conduct their business in a way that is ethical<sup>4</sup>. This means taking account of their impact socially, environmentally, economically and in terms of humanity.

#### 1.1.1 Need of CSR

Corporate Social Responsibility (CSR) is a relatively the 20th century phenomenon both in social development and much more so in corporate business culture. In many ways, CSR advances as counterculture to the long established idea of private and free enterprise. Free enterprise was supposed to be very private, to not have to answer to anyone about its business practices and to not be accountable to society except for fiscal matters. The only accountability was to private shareholders or institutional investors in the world's financial markets. Nevertheless, the increasingly negative and very pervasive impact of global corporations in all aspects of social life and in the environment has been the catalyst in the emergence of a diversity of stakeholders demanding accountability about the impact of corporate activity in the life of the planet as a whole<sup>5</sup>.

In true democracy, companies cannot ignore societies in any of the social spheres where they interact. This is because they are formed and managed by individual members of society, because their accumulation of capital, is only possible due to the existence of these societies, which constitute their markets, and, especially, because their activities have a tridimensional impact on societies and their habitat. The most distinctive feature of the concept of CSR, that every private enterprise has a legitimate diversity of stakeholders, is in stark contrast with the traditional private sector position of considering shareholders their only stakeholders.

In CSR, the stakeholders represent the different interests groups of society where corporations operate, be they workers, consumers, social justice NGOs, environmentalists, and indigenous groups, all with a legitimate right to demand socially responsible corporate behavior. Therefore, the stakeholders are all the members belonging to the corporation's social environs, which contribute to, or are encroached by, the corporation's activity. In this way, Corporate Social Responsibility is the inherent obligation of each business entity to account for the way its activity impacts the economic, social and environmental dimensions of its environs and to ensure that this impact generates equitable and sustainable benefits -and no harm- to all involved Stakeholders.

#### 1.1.2 Approaches to CSR

An approach for CSR that is becoming more widely accepted is community-based development projects, such as the international organizations' involvement. These organizations have set up many livelihood centers to help educate the community's children, as well as develop new skills for the adults. And other international funding organizations which are supported by Multi National Companies (MNC) and other industries are providing support to establishment of education facilities, as well as HIV/AIDS education programs. The majority of these CSR projects are established in Asia and Africa. A more common approach of CSR is through the giving of aid to local organizations and poor communities in developing countries. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

#### 1.1.3 Various definitions of CSR

The Corporate Social Responsibility (CSR) is an upcoming trend in corporate arena. There is as yet, no widely agreed definition of CSR. In normal context CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of stakeholders and targeted people. Even though there is no universally accepted definition of CSR but few companies given appropriate definitions they are; corporate social responsibility is undertaking the role of "corporate citizenship" and ensuring the business values and behavior is

aligned to balance between improving and developing the wealth of the business, with the intention to improve society, people and the planet.<sup>6</sup>

Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development.<sup>7</sup>

There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Corporate Responsibility is about ensuring that organizations manage their businesses to make a positive impact on society and the environment whilst maximizing value for their shareholders<sup>8</sup>.

## **2. Difference between Social Responsibility and Corporate Social Responsibility**

There is no much difference in social responsibility and corporate social responsibility. The primary objective of these two is same i.e. helping the society in different modes. The term social responsibility will applicable to individuals (citizens). As a citizen they have to perform few responsibilities be as an ideal citizen. That is also comes under responsibility. The same thing comes into the company context its become corporate social responsibility. The way of serving the community helping the poor is different from each other. CSR since then has grown continuously into a-must-have for organizations around the globe. No matter whether they have a complete management framework for CSR in place or a policy of some kind, CSR is different from one company to the other and needs to be a tailored approach to managing the responsibility within our society of this particular organization. There are obviously good and bad examples in the world but overall one can say that CSR been promoting responsible social practice in the world. And this is a good thing.

### *2.1 CSR: International Context*

In the post globalization scenario the CSR concept has been changed and emerged rapidly in all over the world. The bilateral and multilateral financial institutions like World Bank, Asian Development Bank, International Monetary Fund, DFID and UNICEF etc... are entered into developing countries to initiate the social development activities. These institutions are providing the financial support through grants and loans basis. Simultaneously foreign Multi National Companies (MNC) are also coming forward to set up their industries and CSR units. The term CSR was in common use in the early 1970s (although seldom abbreviated), and the term "stakeholders" was used to describe corporate owners beyond shareholders at least as long ago as 1989<sup>9</sup>. More generally, the social/environmental report is a second-phase report and the third phase of CSR reports is by far the most interesting for reasons that we shall suggest. The first phase of CSR reporting was composed of advertisements and annual-report sections in the 1970s and 1980s that paid homage to the environment the way a person might throw a coin into a fountain along with a wish. The reports were not linked to corporate performance<sup>10</sup>.

#### *2.1.1 Asian Context*

Asia is one of the big pockets to do potential social developmental activities through Corporate Social Responsibility activities. According to CSR Asia as the leading provider of information, training, research and consultancy services on sustainable business practices in Asia, few key things have to address still. They are; Potential promotion of CSR in the Asia Pacific Region on development issue specific. Lack of guidance and support services CSR activities are not taking place satisfactorily. The major drawback in Asia's CSR is there is no network kind of initiative in the region. Due to this deficiency there is much duplication in many CSR initiatives in Asia region. CSR in Asian perspective is not professional due to lack coordination between the companies. The business competition of two companies is showing impact on their CSR units. In the Asia-Pacific context, it would be wrong to assume that all CSR practices are developed than in the West. Nevertheless at CSR Asia we have identified a significant need for knowledge and skills development and broader capacity building. However, we can believe the emphasis at present has to be on the need for more knowledge, education and training in the region. Starting with an awareness of the issues, moving on to developing strategies for stakeholder dialogue and then implementing and evaluating CSR initiatives are all areas in need of much more attention. Clarity regarding the costs and benefits of CSR is clearly needed.

#### *2.1.2 Indian Context*

CSR is a globally applicable concept but its interpretation will vary from country to country, industry to industry and company to company because of differing local situations and differing demands of stakeholders in different locations and industries. It is clear that for many people CSR is very much part of a Western agenda item. In the post liberalization scenario India is emerging as an economic super power in the third world. After the ending of 10th five year plan the growth rate is 8.5 to 9 percent<sup>11</sup>. This is a significant change in country's economic scenario. Many companies have started their operations from India. All top 100<sup>12</sup> companies have set up their units. Simultaneously their CSR initiatives also have been taken up. In the recent trend top 10 public sector undertakings also started their CSR activities in the country. This is an indication of strengthening of PSUs in post globalization. To learn the full



impact of the standards in the CSR Frame of Reference for India based companies in general, it was necessary to look at companies of different sizes, business sectors and with different type of activities. These companies either had direct CSR activities in India, by means of a subsidiary, joint venture or partner, or had an indirect link with India by means of a supply chain or investments. The group of 40 companies operated in different business sectors, among others agriculture, energy, ICT, automobile industry, tourism, financial services, leather and chemicals. These companies were asked about their CSR performance with respect to the social, environmental, economic and operational principles incorporated in the CSR Frame of Reference.<sup>13</sup>

### 3. CSR in Management Education Institutions

After entering into the new millennium drastic changes have taken place in corporate sector. That impact resulted in their CSR initiatives towards targeted goals. The United Nations (UN) formulated Millennium Development Goals<sup>14</sup> (MDGs). These goals have provided new dimension to development sector. The community priority areas have given new indication to focus the issues. After MDGs formulation all MNCs and other industries are started their CSR activities on large basis. Many trusts and foundation came into force on behalf of institutions. Then the charity became the responsibility and the fashion changed to profession.

Whenever the CSR started on big basis there is a lot of requirement of qualified professionals. These professionals need to mould from management institutions particularly from Business Schools. Now these days many institutions or business schools have started CSR focused curriculum. The curriculum designing and teaching again become a new task. In these situations CSR curriculum needed much focused. Moreover many management education institutions started their own CSR units or foundations.

#### 3.1 Curriculum

The CSR curriculum is designed in different ways in each institution. The programme may consist of classroom work, which includes lectures, discussions, student presentations, seminar discussions with subject matter specialists, observation study of social and related organizations, etc., Concurrent and block field work under supervision provides opportunities to develop practical skills in corporate social responsibility. Thus, at the end of the two years, the MBA in Management with CSR specialization will be armed with a range of competencies to work in the fields of social work, social welfare and social development processes in corporate companies initiatives. The nature of work covers a continuum of interventions from service delivery to organizing people for change to program development and influencing policy.

##### 3.1.1 CSR Practices

In a developing country like India the government and Non government (including CSR) activists are implementing in all over the country. However the government is the major service provider in carrying out development activities. Less than 10%<sup>15</sup> activities of social development activities are performing by the NGOs/CSRs in government development work<sup>16</sup>. The implementation part becomes a practice in CSR units. If say broadly we can define the development activities like Community issues cover a broad range of activities, including community assistance programs; supporting educational needs; fostering a shared vision of a corporation's role in the community; ensuring community health and safety; sponsorship; enabling employees to do voluntary work in the community; philanthropic giving etc.... There is a growing belief that MBAs are well placed to manage effectively and to lead corporations today. They are discerned to bring not only expertise in traditional management and financial skills to their employers, but also a sensitivity to all forms of CSR and the ways in which corporations need to interact with governments. European business schools are actively taking a lead in fostering good CSR management practices.

The CSR as a legal entity Governments have responded by spearheading the implementation of binding legal requirements relating to CSR in local laws. U.S. Congress recently enacted legislation mandating CSR systems within public corporations, with increased disclosure requirements and penalties for malpractice by corporate officers. The European Commission has been slower to respond. The EC has issued a Green Paper on CSR and has created a European Multi-Stakeholder Forum on the topic, though legislation has yet to result. It is apparent that in today's business practice, CSR is entwined in many multinational organizations strategic planning process. The reasons or drive behind social responsibility towards human and environmental responsibility is still questionable whether based on genuine interest or have underlining ulterior motives. Corporations are fundamentally entities that are responsible for generating a product and or service to gain profits to satisfy shareholders. However a business still comprises people those posses both the humanistic and naturalistic view points. The humanistic view is that a deteriorating environment and planet is of no relevance in sustaining human life let alone a business. There is highly visible change in behavior among corporate stakeholders as a result of high publicity on environmental and human right movements in present times. With global warming, and corporate behavior so publicly available to broadcast, there appears to be a trend in social behavior slowly changing from an individualistic mindset to a more holistic and collective reasoning. The Kyoto Protocol is an example of societies coming together and seeing the need for change on a global level.

### 3.1.2 Need of CSR curriculum and research in Business Schools

Introducing corporate social responsibility activity we can broadly divided into two dimensions in business school, they are; i) theory and ii) practice. In first type at business school level conducting classes, offering electives as compulsory and optional subjects. Initially the CSR focus will be started with understanding society social work, social welfare. Community Development, Planning etc...In the second type few activities can be taken up like involvement of students in various kinds of development activities, organizing events like blood donation camps and other related activities<sup>17</sup>.

In the end of the semester –III students can be taken up the block placement in any rural or urban locality. It will give an exposure about how to work and mingle with community in development process. Few students can be engaged any NGO as short term intern to learn NGO working style and dynamics. The Corporate Social Responsibility activity may lead to pioneer in helping marginalized and under privileged sections of people. Till now the social work education and practice and has over the years responded to the needs of the poor. The social work curriculum has been dynamic and changing with the emerging concerns in the era of globalization.

### 3.1.3 Importance of CSR Focused Curriculum

The MBA curriculum in business schools need to be redesigned to equip the management students with sound theoretical knowledge about social work, social welfare and development concerns of the poor, and help the students to develop skills and insights into working with people at the individual, group and community levels, and their representatives, and network with other groups and professionals working on similar issues. The electives include: Business Law, Corporate Financial Management, Corporate Reputation and Competitiveness, Corporate Social Responsibility and Business Ethics may be taught in business schools.

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial things. There is a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or programme. The business case for CSR within a company will likely rest on one or more of these arguments:

There is a lot scope in business schools to initiate innovative teaching methods and research works. Many international organizations and few government welfare departments are offering research projects on development of community. Based on research findings only the Government and international organizations are providing funding or support to implement various programs at grass root level.

### 3.1.4 CSR and Developing Issues

Protection of Environment and prevention of HIV/AIDS are present burring issues. Majority of the funding agencies are focusing on these two issues only. There is a big scope to do research in HIV epidemic. Frequent surveys, social dynamics and latest findings are changing the dynamics in implementation strategy. In the context of globalization the Corporate Social Responsibility turned as fashion to profession. Whenever it is treating as profession automatically it will come under management course. So there is a need of involvement of management institutes especially business schools to make good corporate social responsibility managers in future.

## 4. CSR as mandate for MBAs

The CSR curriculum as mandate in MBA course will lead to a positive impact in corporate sector in a long run. Due lack of efficiency many companies lost their image and moreover targeted community was neglected. There have been a great many instances of poor corporate social responsibility (CSR) in recent years in businesses around the world. The most widely reported cases have been the World Com and Enron collapses<sup>18</sup>. Directors of public companies were actively hiding losses in offshore accounts to boost their reported profitability<sup>19</sup>. The Geneva International Organizations MBA programme specializes in CSR, providing an opportunity for students to integrate their MBA studies with internships in international governmental and non-governmental organizations in Geneva. To address this public demand for greater accountability, many corporations, particularly those with famous brands, have adopted voluntary codes of conduct.

## 5. Emergence and Future of CSR

Now a day many of the national and multinational corporate companies are imitating some social development activities in different ways. Almost all corporate companies have started their separate wings to perform their 'Corporate Social Responsibility (CSR)' activities. They are engaging separate professionals from development sector and NGOs to do some sort of social activity on behalf of respective company. Few companies have started in the name

of the foundation to identify their company's name also. Many CSR activities are performing in collaboration with local level action groups, Non – Governmental Organizations (NGOs) and few government departments. Few CSR units limited to advocacy type of activities in an identified localities only. Many CSR units are doing their activity through designed projects. Especially Multi National Software Companies are involving activities like supplying free software and providing computers to schools and colleges. According to observations majority of CSR activities are implementing in urban pockets. Only few companies CSR units are doing interventions in rural areas only. This is treating it as Social and Human Face of the company. Few corporate banks started micro finance and entrepreneurship development as part of their regular operations and claiming it as social responsibility.

### 5.1 Emerging Trends in Developing Countries

Corporate Social Responsibility concept is gradually emerging in developing countries. This process has been rapidly occupying key position in corporate sectors in India. Many industries and corporate companies are opening their CSR units and positioned few staff. Now a day every company is doing some interventions either directly or indirectly. Many CSR units are collaborating with similar agencies to do activities for marginalized. The debate about CSR has been said to have begun in the early 20th century, amid growing concerns about large corporations and their power. The ideas of charity helped to shape the early thinking about CSR in the developed nations. The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. The term stakeholder, meaning those impacted by an organization's activities, was used to describe corporate owners beyond shareholders from around 1989. Many large companies and institutions now issue a corporate social responsibility report along with their annual report. The CSR report concentrates on their non-financial societal activities (usually positive contributions in nature).

The increased awareness of CSR has also come about as a result of the United Nations Millennium Development Goals, in which a major goal is the increased contribution of assistance from large organizations, especially Multi-National Corporations, to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. There is a lot of potential for CSR to help with development in poor countries, especially community-based initiatives.

### 5.2 Future of CSR

The Corporate Social Responsibility has increased in importance around the world. The world becomes a global village in the information technology era. Sharing and accessing of information become very easy. All big companies are expanding their business opportunities all over the world. Simultaneously the CSR activities also expanding speedily where company initiatives started. Now these days every company feels CSR is unavoidable and responsible thing. Moreover companies allocating separate budget and deploying professionals for CSR initiatives. It shows that it is emerging as a powerful thing in social development sector.

The Corporate Social Responsibility (CSR) is high on every corporate agenda. Social commitment is an essential part of every company. Corporate social responsibility involves the aspiration to make a positive contribution to the progress of the company and society. If a company initiates CSR wing the company concerned need to work hard consequently on a formal, coherent and transparent policy in this field. Then only the CSR will become a potential area for development of the society.

## 6. Conclusion

The rapid information technology innovations are changing the face of Corporate Social Responsibility. The concept of CSR is still debatable in democratic countries. There is a major criticism in all over the world is corporate companies are utilizing this concept to build their business expansion. Through this concept corporate companies are liaison and lobbying with higher bureaucracy in the government to get permissions/licenses to their companies easily. Many companies are getting tax exemptions by carrying out these social development activities.

After the new millennium there was a huge cry over globalization impacts all over the world. Civil Society activists, philanthropists, humanists were conducted World Social Forum and Asian Social Forum Meetings to fight against the globalization and corporatization. These forum meetings organized all over the world focusing globalization impacts. There was big criticism conducting these forums in large level with the financial support of Multinational and Corporate companies. To organize and sponsor such anti globalization campaigns the CSR units of the companies are using as their cushions. However there is a need of participation of all in the developing process to mainstream the marginalized community. These CSR initiatives certainly help to develop them socially and economically.

The increased awareness of CSR has also come about as a result of the United Nations Millennium Development Goals, in which a major goal is the increased contribution of assistance from large organizations, especially Multi-National Corporations, to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. There is a lot of potential for CSR to help with development in poor countries, especially community-based initiatives.

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## The Review on Non-linear Analysis and Forecasting Methods of the Real Estate Market in China

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### Abstract

The real estate market is a complex system. The scientific analysis and forecast are the premise of making correct decision. This paper gives a review of the research and application on the non-linear quantitative analysis and the forecast methods of the real estate market. Especially, its development during the recent years in China is discussed. It is in hopes of providing references to the researchers on this aspect.

**Keywords:** Real Estate, Nonlinear economics, Data analysis, Economic forecasting

### 1. Introduction

The real estate industry is an important industry for the development of the national economy, whose healthy development plays an important role on stimulating the economic growth, adjusting the industrial structure, and improving the peoples' living standards. In recent years, the trend of the real estate price receives attention from every walks of life.

The scientific analysis and forecast are the premise of making correct decision. The real estate market is a complex system, which is not only influenced by macroscopic environment such as politics, economy and so on, but also is related to many factors such as person's behavior, psychology, policy-making and so on.

The analysis and predict of the real estate market data is virtually to establish suitable mathematical model and to use it. The real estate system is an unstable stochastic process. When we analyze and the forecast the real estate market, many data show the remarkable nonlinear characteristic. It is very difficult to establish the simple linear mathematics relationship for this kind of time series data, which has brought lots of difficulties for the real estate price's analysis and the forecast. Therefore, when we analyze and forecast the real estate market data, we need to establish the nonlinear model which can well fit the data characteristic. It is an urgent demand for the current real estate industry development to research and apply the method of the analysis and forecast the real estate market. Thus, this paper introduces some methods which are used in the real estate market analysis and forecast recently that is in hopes of providing references to the researchers on this aspect.

### 2. Real estate market quantitative analysis and forecast method

Presently, there are some research and the application on nonlinear complex system's analysis and forecast methods in China and other countries. These methods are the nonlinear regression, the neural network, the grey theory, the wavelet arithmetic, the Bayesian method, the misalignment time series and the stochastic process, the misalignment dynamic model and so on. They had the preliminary application, and had made certain progress.

Now narrate them below according to the method classification.

#### 2.1 Neural network model

It had been several dozens years since the proposal of the neural network. Its research experienced a devious process from the prosperous development to fall into the trough and grows strong again. At present the neural network method is already accepted and applied by the numerous research workers. It becomes one of the important ways to solve

complex problem.

Many scholars use the neural network model to analyze the real estate market. Lan Guoliang (2003) used the artificial neural networks model to forecast the housing sales rate. A.Quang Do and Grudnitski and Gary (1992) has made the analysis to the housing property situation by using the neural network, and pointed out that to this kind of nonlinear unstable system's analysis such as the housing property, the neural network model is one kind of better choice.

Hu Zhangming (2006) has forecast and researched on the real estate price index by using the BP neural network and the RBP neural network, and has explained the RBF neural network and the BP neural network can approach any nonlinear function by the random precision. Owing to difference of using the excitation function and the training arithmetic, their capability of approaching the performance are also different. The BP neural network uses the Sigmoid function. It has the overall characteristic. Each node has the influence the export value in very wide range of the input value, and excitation function mutual influence in very wide range of input value. Therefore, the BP neural network's training consumes more time; moreover, it is very easy to fall into the local minimum trap.

What the RBF neural network uses is the partial excitation function, which has overcome some BP network's flaws to a great extent. It is not that each node has the non-zero value to each input value, but often only very few several nodes have the non-zero stimulant value. In this way, it only needs to change the weight of very few partial nodes, which makes the network training speed quickly and adapts to the new data more easily, and its astringency also easily guarantee comparing the BP neural network.

Based on the application of neural network, the researchers also had use all kinds of arithmetics which combined with neural network to analyze real estate and made good effect. Wang Jing and Tian Peng (2005) used the wavelet neural network to analyze and forecast the real estate price index. This kind of wavelet neural network integrated the merit of the wavelet analysis and the tradition neural network and has the time-frequency localization analysis and the capability of self-learning to the data, thus it has displayed the superior adaptiveness in the processing nonlinear data fitting and the forecast aspect.

They also has compared the forecasting result with smoothing method and the RBF neural network forecast .They explained that the wavelet neural network convergence rate is quick, the approaches in the fitting precision and the forecast precision aspect has the good effect by using MATLAB to simulation the fitting and forecasting process. The result indicated that in the big sampled data situation, using the wavelet neural network to forecast the real estate index is able to obtain the good effect.

## 2.2 Grey theory and method

The grey theory possesses the characteristic that only needs a few data which can make the system analysis, build the model, forecast the future, make decision to the behavior and control process. It had solved some economic problems such as unable research or studies with difficulty because of fewer data and information indefinite. At present, it has been applied widespread in many domains in the social economy.

In the area of real estate , Ma Haitao, Chen Lin and Lu Zhengnan (2007) discussed the gray forecast method—GM(1,1) model structure and the model examination question basing on the grey theory. They used Chinese real estate price index from 1999 to 2004 to establish the Chinese real estate price index forecast model and carried on the analysis to the real estate price index. The forecasting result of this model is good which can really reflect the change tendency of the Chinese house price. OuYang Jiantao (2005) used the nonlinear gray forecast model, and carried on the forecast to the 2004 and 2005's data by using some commercial housing's average price statistical data from 1996 to 2003 .They compare them with the actual data, and it has also made the good effect.

In recent years, there is not many literature to analyze the real estate price by using the grey theory and the neural network.. Some scholars used the model which combines the grey theory and the neural network to analyze some economic problems. Xia Jingming, (2004), Xiao Dongrong and so on proposed the combination grey neural network forecast model on the basis of the gray GM(1,1) forecast model. They used the grey model to forecast first, then revise its forecast residual with the neural network model, and analyze the actual economic problem. Finally the result indicated that this method increased the forecast precision and had better application prospect. In view of the fact that the real estate's price complexity and the misalignment characteristic, Cai Xiao, Ren Peiyu (2007) used Chengdu real estate price data and established Chengdu real estate price single item forecast model separately, and carried on the comparative analysis to the good and bad points of the single item forecast model by using the improvement gray forecast model and the RBF neural network model. Then they used the standard deviation method to carry on the weighted distribution, combined two models, and established Chengdu real estate price combination forecast model. This model has been used to forecast the real estate price of Chengdu in the future 5 year.

## 2.3 Bayesian method

Bayesian method is the system modeling method which developed in the recent several dozens years .Its basic idea is

that combine people's experience and knowledge which are regarded as the apriori information with the actual model, namely using the model information, the data message and the apriori information to carry on the forecast.

Due to practical significance, the research has a quick development in this area, especially in the social economy domain's application. It is said strictly the Bayesian method cannot belong to the nonlinear method. But in view of the fact that its technology to agilely choice a priori distribution and its unique superiority to deal with the complex economic problem, this article also gives the narration on it.

Bayesian method is an analysis forecasting technology based on statistics. Its research has increased day after day in recent years in China. But its development isn't still consummation and mature compared with overseas. Chiong Longguo (1997) used the Bayesian method to establish the house price exchange index model and carry on the comparative analysis to the former model data. He explained the different model might obtain the different error which can instruct scholars to establish the model when analyzing the real estate. Dnallele Lewis and Thomas M.Springer (2003) used the Bayesian stochastic edge model to carry on the analysis to the investment in real estates cost efficiency. Wen Haizhen, Jia Shenghua and Yang Zhiwei (2006) used the Bayesian method to carry on the analysis to the comparison and choice of the real estate project .They calculated expected revenue of the project under four kinds of external environment and Bayesian income value of 16 decision function. The Bayesian method can effectively choose the real estate project and can be propitious to reduce preliminary risk of the project development through the research analysis.

#### *2.4 Regression, time series, stochastic process and fuzzy*

The traditional statistics and mathematical model such as Regress, time series, stochastic process, fuzzy and so on has the widespread application in any economic analysis and the forecast domain. The real estate market is not an exception. Usually we may select the different model according to the different analytic purpose.

Ou Tinghao (2007) used the ARMA model and carried on the demonstrative analysis on the quarter data from the first quarter's real estate price index in 1998 to the ones of the third quarter in 2006.. Then they used the established model to make the forecast to the real estate price index of the fourth quarter in 2006 and the first quarter in 2007 and gave the precision magnitude of error which had received the good effect. Substantively, what he used was still a linear method.

W. Miles (2008) proves that the GAM model surpasses ARMA and the GARCH model in the forecast aspect when analyzing house price which is nonlinear system through experiment. Particularly, its application has better effect in the high price tradition housing market which is in existence of soaks the desert.

Zhang Suodi and Li Bin (2007) has researched that it is possible by using nonlinear dual stochastic process model (AR(1)-MA(0) the model) to explore the law of development and the future condition of the real estate price. They obtained the real estate price predicted value in certain range. Based on this, they carried on demonstrative study on Taiyuan commodity house price housing price from 2001 to 2005 and made forecast appraisal of it. This model has fitted the historical data well. The appraisal result confirmed that this method had the well feasibility and precision.

Wang Laifu and Guo Feng (2007) pointed out that the influence of the monetary policy on the real estate price will be a long-term dynamic process and the change and impact of the money supply and the interest rate level will have the long-term influence to the real estate price. Through establishing the VAR model, they used the pulse response function and the variance decomposed method to study that money supply and the interest rate change attacks bring dynamic effect to the Chinese real estate price. The analysis result indicated that the money supply change will have long-term continues positive influence to the real estate price. The increasing of money supply will cause the real estate price rise. The interest rate change has the negative influence to the real estate price, but its dynamic effect weakens gradually in the long-term and returns to the origin finally. The contribution rate of the money supply change is bigger than the interest rate change to the real estate price change and the former assumes ascensive trend, but the latter gradually reduces. Based on this they has given the related policy suggestion.

Wu Honghua (2005) proposed a method of the real estate price stochastic-fuzzy regress evaluation using the fuzzy mathematics and random theory. This method has the scientific and the accuracy nature. It is simple and practical. At the same time it has the broad application prospect. Finally he used an example to explain practicability of this method.

#### *2.5 Other idea and method*

Billie Ann Brotman (1990) has made the predictive analysis on four important housing characteristics by using the nonlinear model. The result indicated that the nonlinear model is in surpassing of the linear model in the real estate analysis. John Okunev, Patrick J Wilson (1997) have made the synthetic evaluation on the relevance between the housing market and Stock market by using the nonlinear method which has good effect.

In the 1990s, about researching the complex nonlinear system, Ott from Maryland University in the USA and 3 scholars firstly proposed the chaos control thought to realize the analysis to the nonlinear system.

Ma Junhai and Mou Lingling (2005) carried on the analysis to the house price by using the nonlinear gambling model

and pointed out that when the land price adjustment parameter changed, the government and the real estate businessmen's gross revenue and the marginal revenue had the possibility to enter the chaotic state.

Through joining the external control signal in the model, they could control the state variable value, which may make the land price and the house price converge quickly and effectively to the Nash equilibrium point from the starting value. The government and the real estate businessmen's gross revenue may also enter the chaotic state from the stable state separately. Comparing government accumulation income uncontrolled with the one controlled, they found that after the control, government accumulation income grew 25.2% and gave out the corresponding numerical simulation result. This method has the good application value in the housing market regulation aspect.

There are other methods in the real estate market nonlinear quantitative analysis aspect. Yao HongXing and Wang Guodong (2008) introduced the limited rational dynamic Gunuo model into the real estates investment based on our country real estate market which has not been mature. Considering the complexity of the investment in real estates, they has established the investment model under a nonlinear cost function which made this model conform to the actual utilization nonlinear theory well. They analyzed the stability of the model singular point and theoretically analyze the influence of various parameters on the stability of investment process Through theoretical analysis and numerical simulation, they discovered when the certain parameter of the model varied to certain extent, the Nash equilibrium point would become unstable which caused the system become unstable. They has given this system's stability region, analyzed the influence of the parameter to the stability of the invest process, and gave the economic explanation to each kind of situation the system appeared. They attempted to provide theory reference to the investment behavior.

Sun Yun and Nie Qibo (2001) proposed to construct the real estate price hierarchical structure system by using the AHP method, constructed the fuzzy relationship the comparison matrix by using 1-9 scales which compared with each other, and reckoned the similar degree between the estimating real estate and the similar real estate. Then they estimated the real estate market price through the price and the similarity fitting function. and pointed out that using the AHP method's estimate model to compile the computer program. They developed "the real estate estimate information management system". It not only could balance the estate price quickly but also realize the standardization evaluation mode, which provided the effective tool for the real estate price appraisal in our country by using consistent and scientific program and criterion.

## Conclusions

There are lots of achievements at present about the analysis, the research and the application of the nonlinear economic system and it is still consummating and developing. In analyzing the housing market, we may select and establish suitable model according to the different purpose and the different data characteristic. We should notice that when analyzing to the housing market in reality, any model is only reflecting or describing the phenomenon and the characteristic from a certain aspect. Inevitably, it exists in the limitation. Therefore, we should examine the model promptly according to the change of the influence factor to the real estate market, revise analysis and the forecasting result and unceasingly improve and consummate the model and the method which is in order to reducing the model's limitation, enhancing the analysis, the appraisal and the forecast effect, providing the correct policy-making basis for the real estate market related department and instructing our country real estate market to develop well.

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## Assumption on the Reform of Social Security of Migrant Workers from Rural Areas From an Angle of Unified System in Urban and Rural Areas

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### Abstract

China is making efforts to improve the social security for migrant workers from rural areas and that for farmers in rural areas. However, due to the strong mobility of migrant workers, the efforts are hard to coordinate. To establish a unified social security system for urban and rural areas is the most reasonable objective and can be put into practice at present. This system should cover a wide and comprehensive scope. In China, no matter whether city or countryside, every citizen should possess an only integrated account for social security. The account must move together with the citizen. The initial account of a migrant worker can be established in either city or countryside.

**Keywords:** Migrant workers from rural areas, Social security, Harmonious development of urban and rural areas

Problems about migrant farmers' social security are mostly discussed from the viewpoint of urban governments. In other words, we always want to solve these problems in cities. Although ideas are good, they are hard to put into practice and seldom take effects, because there are original defects in these ideas.

It is well-known that governments' control over citizens' social affairs is based on their residences or registered regions. For each individual, he or she always positions himself or herself in the registered region. As a group with strong mobility, migrant workers from rural areas work in cities seasonally or temporarily. Surely some work for a long period. However, nobody knows who will work for a long period in cities because it depends on many uncertain factors. Unfortunately, as most scholars or governments put forward or make up policies, they always suppose all migrant farmers work and live in cities for a long period, based on which they design a perfect set of social security measures for the sake of migrant workers, such as five insurances (endowment insurance, medical care insurance, work-related injury insurance, childbearing insurance, unemployment insurance), housing fund, education of children, and social security houses. In a word, they intend to provide comprehensive citizen treatments for migrant workers from rural areas according to city standards.

However, how is the effect of these measures? Who really does possess the five insurances and the housing fund among those migrant workers who work in restaurants or construction cities? Although many local governments and even the central government try to guarantee the five insurances and the housing fund for migrant workers by laws, regulations, or policies, as a matter of fact, few migrant workers can really enjoy these insurances. For the most optimistic prediction, only few migrant workers can enjoy one or two of these insurances. Up to now, the author has never heard of any migrant worker who completely possesses all insurances listed in policies. For the migrant workers who have already possessed one or two of these insurances, whether they can feel a sense of dependence in mind? The answer is no. Not mention the low social security degree and the hardness in payment, for the migrant workers who want to improve living conditions as soon as possible, few pensions and the kinds in several years later are far from sufficiency. If employers choose to deduct payments for relevant insurances from wages, migrant workers will earn less money and employers will regard it as a rise of expenses. Therefore, employers do not cooperate with the insurance policies, neither migrant workers do. It is not so surprising to find that all insurances regulated in policies fail to be carried out.

In other words, even if all migrant workers apply and pay for all insurances according to policies, whether it will be right? Whether there is social fairness? The answer is still no.

First of all, the strong mobility of migrant workers will inevitably bring about many troubles. For a great amount of migrant workers, after completing all insurance procedures, they may come back to rural areas soon or come to other cities or change jobs in the same city. How many troubles will these changes bring to the employers, themselves, and local governments? How many human resources and materials will it waste? How many costs of time and expenses will it increase? What's more, the standards of insurance payments and the degrees of social security are various in different

cities. How will it realize the continuousness of insurances? Similar problems are more than above.

To the least, even all those troubles can be solved technically we must face another more important problem. That is, concerning the fact that the government tries to improve the social security degree of migrant workers from rural areas on one hand, and on the other hand it has to improve the social security degree of farmers in rural areas, how does it deal with the relationship between them? If a farmer will never work in cities, he or she can join in the rural social security. If a farmer works in cities for a long period, he or she can join in the city social security. However, the problem relies in the mobility of farmers. If a farmer joins in both rural social security and the city one, it will generate overlapped insurances. Therefore, no matter what it is the government making up policies or scholars advancing countermeasures, the problem should be studied from the angle of unified social security in rural areas and cities.

Presently, although the government tries to realize the economic and social development regarding rural areas and cities as a whole and the differences between farmers and citizens in the register aspect disappear, all specific social policies are made up or carried out respectively in rural areas and cities, no matter what it is the central government or local government. Take the social security policy for example. One set of policies and standards are for cities, and the other for rural areas. So do the medical care policies. For migrant workers who are not pure farmers or citizens, relevant policies are more unclear and hard to put into practice.

Considering the present situations, the social security for farmers covers a small scope and does not form a complete social security system. There is a big gap between the urban social security and the rural social security.

In rural areas, since the collapse of collective economy, the former collective insurance and cooperative medical care system becomes useless. Farmers have to come back to the only traditional dependence on families. Although in recent years the rural cooperative medical care system develops fast and few caring houses and nursing houses appear in rural areas, the investments in rural people's health are far from sufficient, which makes public health and preventive care more impossible. Because of the fewer investments, poor financing abilities, lack of government supports, and weak anti-risk abilities, the cooperative medical care is not capable of providing medical expenses for serious diseases. Farmers have to afford most medical expenses for their lives. As a result, many farmers may come back to poverty due to diseases. In contrast, most citizens in cities join in "public medical care" or sorts of "medical care insurances" to different degree, or at least have insurances for serious or chronic diseases. A survey shows that the average transfer income (including pension, social assistance, etc.) obtained by rural residents in Shandong province from different social fields is 116.67 Yuan per capita, and urban residents 1301.47 Yuan per capita. The distance is more than ten times (2004). In the social security aspect, a huge gap exists between urban areas and rural areas.

Although foundations of social security in urban areas and rural areas are different, to establish a unified social security system for urban and rural areas is the most reasonable objective and can be put into practice at present, from a view of realizing the social fairness and the primary functions of social security system. Otherwise, if not put its organization and implementation on the agenda as soon as possible, present social security measures for migrant workers will become hard to put into practice. So does the great objective, constructing an overall well-off society (includes urban and rural areas) in China before 2020. Apparently, without the well-off rural areas, there is not a well-off China. In other words, without a unified social security system for urban and rural areas, the gap between urban areas and rural areas will never be shortened, and the social fairness and common prosperity will never be achieved.

As we discussing this issue, somebody always fights back with unbalanced economic development, unbalanced local development, and unbalanced income in urban and rural areas. Let's examine a simple instance. Presently most companies pay workers' wages by banks. Everyone likes this convenience with a bank card (or a bank pass book). Are the wages of workers same? For example, in a university there are professors, associate professors, instructors, assistants, workers, presidents, section chiefs, and department staffs whose wages are various. But that does not affect the unified payoff and management.

Therefore, there is a simple and practical method. Every citizen in China should possess a social security account that includes several sub-accounts. The government should provide social security for all citizens at the same level, no matter who it is President, academician of CAS (Chinese Academy of Sciences), entrepreneur, migrant worker from rural areas, or unemployed man. The central government can establish and adjust the common standard of social security according to the national economic development. For the part of payments, namely the payments for social security paid by agencies (enterprises, institutions, governments, social associations, communities, villages, and sorts of cooperative organizations) and individuals can completely reflect differences of urban and rural areas, regions, agencies, and individuals. This kind of payments is chiefly based on personal wages and incomes, which begins from the start of a job and stops till retirement. It also allows interruptions, such as the unemployment period, or losing the ability of work). The social security provided by the state starts from the very beginning and does not allow interruptions as long as a citizen is alive. Therefore, the social security account should be established at the same time with the citizen's household registration. How much one citizen can enjoy certain item (namely the sub-account, such as medical care insurance) of social security is determined by the total payments (the account balance at certain time point) of the

government, agency, and individual.

Other assumptions for constructing a unified social security system in urban and rural areas:

Establish a unified minimum living security system in urban and rural areas, which should take in the five-guarantee system and the social support system for the old and lonely people;

Establish a unified endowment insurance system in urban and rural areas;

Establish a unified medical treatment and health system in urban and rural areas (includes medical care insurance system). Carry out same medical treatment and health management policies.

Establish a unified unemployment register, employment service, and unemployment insurance system.

Construct a unified work-related injure insurance and childbearing insurance system based on same standards in all companies (include private enterprises) in urban and rural areas.

Establish a unified minimum wage standard for all workers in companies in urban and rural areas.

Establish a unified housing fund system in all companies in urban and rural areas.

With bases of the National Council for Social Security Fund, construct the national social security bank and take it as the exclusive bank that can open social security accounts for all citizens. Set up local branches that are in charge of managing the social security fund.

For all systems mentioned above, each citizen should apply an only integrated account (be identified by ID card number or personal code) for payments and funds. Different items (sub-accounts) should be listed in the integrated account respectively. In this aspect, we can take reference from the design of bank card.

Surely, the establishment of these systems is a complex project and could not be realized in a short period. Therefore, we must make up programs and create conditions in order to put them into practice as soon as possible.

In these systems, migrant workers can join in social security in their registered hometowns. The integrated account is effective in urban and rural areas and moves along with the citizen. The company which a citizen works for must pay for his or her social security. During the unemployment period, independently creating career period, and further learning period, citizens can pay insurance fees by themselves or stop it temporarily according to relevant regulations. This account is as convenient as a current bank pass book for national deposit and withdrawal. All citizens, no matter who they are migrant workers or urban residents, can print their bills in social security bank.

By this way, the gap between urban areas and rural areas is broken, so do the gap between enterprises and institutions, and the gap between different enterprises. Under the present social security system, if a person quits from certain institution and takes a job in an enterprise, he or she will have to deal with complex procedures to keep his or her continuous social security. In addition, the social security in power, communication, military, and civil aviation industries is independent from that in local areas.

What the most important is that will solve the social security account's continuousness problem caused by population flow and make government's management on social security sections simpler and easier, reducing troubles in sorted-group management. Only in this aspect it will absolutely save numerous costs of management. Once finish the system design, Chinese social security bank will exercise most functions that is originally employed by social security administrative departments, personnel departments, and health administrative departments respectively. The government merely exercises the supervision function. By this way, not only are the costs of administrative management reduced, costs of technologies are also reduced by thousands of times. Take the medical care insurance for example. At present, different and independent sets of technological management systems are respectively developed, maintained, and operated for urban workers, urban residents, administrative institutions, and rural residents. In contrast, according to the new system designed in assumption, only one set of system can make it. This system has a simple structure and could be established by reforming the deposit management systems in present banks.

Besides, because of the unified rules, all parts, especially enterprises, can simplify their internal financial management, labor management, and human resource management, saving costs.

Reduce costs of social law-execution greatly. Citizens' social security becomes clear and simple, and easy to be safeguarded.

In a work, technically this assumption is practical.

Especially, the Ministry of Labor and Social Security is engaged in studying the transfer and continuousness of migrant workers' social security. On 7th, Sep. 2004, in the press conference for the issue of white book "China's Social Security and Its Policy", Zhaoxi Meng, the director of social insurance administration, Ministry of Labor and Social Security, said that China would make up relevant policies for transfer of workers' social insurances in different regions. The Ministry of Labor and Social Security embarks in solving the transfer and continuousness issue of migrant workers'

social security. By constituting relevant policies, no matter where migrant workers join in social security, their social insurances can be moved together with them to their new work places or rural areas (2004). However, in our opinions, there are obvious limitations in the government's studies on this issue. That is, what they focus on is merely the transfer of floating population's social security. They do not think about an integrated solution for urban and rural areas. Therefore, they can not find out a perfect method that will solve the transfer issue of all citizens thoroughly, including not only floating population but also non-floating population.

It is well-known that no matter who they are rural residents or urban residents, people can not be absolutely classified into floating population and non-floating population. A person may stay there in this year, but he or she may move next year. For ten years stay, but move in next ten years. It is almost impossible for a person who never moves all the time. Therefore, it is necessary and practical to construct one fixed lifelong social security account for every citizen that breaks up the limits between urban areas and rural areas, and different regions.

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## The Relations between Products Design and the Space Environment

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### Abstract

The products have merged the plural culture in the world organically, which built out the space environment with the characteristic of different regions and different design styles, thus make the products satisfy different spiritual purposes as much as possible and reach the sympathetic response of the spiritual level. To the consideration of the relation of the product and its space environment, that is to meet the demand of human oneself. As a specific sense of "the space environment", the product is subordinated to the space environment and has extremely close "symbiotic, coexistence" relationship with space environment, in the modern society, the product design has played important role to the formation and development of the space environment.

**Keywords:** Product design, Space environment, Relations

People are living in a certain space environment, various space environments, including natural and social environment, all of them have a major impact on human life. The scope of environment is enormous, and all artificial things that are formed is the factors of the space environment. In modern society, product design has played an important role to the formation and development of the space environment.

For many years, the definition of excellent product design is that the performance is outstanding, the usage function is fine, the production process is simple as well as the safe and pleasant appearance, the relative importance of these criteria has some differences because of the product diversity. The definition of new excellent product design will include the consideration of the space environmental factor.

Then what is the product design? The product design is a shape activity that people take industrial products as main object for the survival and development; it is the important field of pursuing function and the value of use, it also is the medium of people and nature.

The Japanese Chuan made a vivid description in his book "what is the product design": "The mankind places oneself in the nature, there have produced two kinds of contradictions in the process of gradually breaking away from the natural. The first kind of contradiction is that mankind doesn't care oneself is a member of the nature, and bravely challenges the nature; The second kind of contradiction lies in that the mankind was born solitarily, and also died solitarily, but a person can't survive alone. In order to overcome the first kind of contradiction, the mankind created tool; In order to solve the second kind of contradiction, the mankind invented language". This section is just the abundant expression of the meaning of "Design": The mankind designed various products in the world of tool for the sake of the relation of contacting person and the nature; The mankind created mark, symbol in the communicant world for the sake of coupling interpersonal relation; In order to mediate the relation between human society and nature, and make it prone to equilibrium, then the space environmental design appeared. Among them, there are very close relations in the product and space environment.

### 1. The space environmental design is the important component in the knowledge system of product design

The science of product design was constructed synthetically by the knowledge system of various fields such as nature, humanity and psychology, etc. Among them, man-machine engineering, mechanical engineering, design methodology, the material and processing technology, design psychology is being applied extensively. Now I briefly introduce the study content of some correlated curriculum.

#### 1.1 The man-machine engineering

The research contents and range of application of man-machine engineering is extensive, but the basic research direction of this discipline is to insure optimization of overall performance of the man - machine - environment system by opening out the regulation of interrelations among the man-machine-environment. As regarding product design, it also surrounds the basic research direction of man-machine engineering to make sure a concrete research contents, and

it is the important content of man-machine engineering to research the relation between the product and surrounding environment.

### *1.2 Design methodology*

The problem that should be solved first in the methodology of industry design is the combination of technology and art. In the process of the combination of technology and art, design science became "soften", and art has got the materialization, just in the middle of this, the product design has been developed. And the second basic problem of the study of design methodology is correctly handling the relation between function and form. Product design doesn't only research the relation of man-machine, and should expand to artificial environment of the whole human. Paying close attention to the harmony of human society and living environment on the whole is the main trend of the development of product design. So the third basic problem of the methodology of industry design is to study the relation between macroscopic and microcosmic. We can understand that one of the important research contents of design methodology is research the artificial environment of the products.

### *1.3 Material and processing technology*

Through studying to this course, we can know that people received experiential understanding from material performance, craft and use characteristic over a long time, it changes to research the fundamental science from internal structure of material. Our science consciousness of the material changes to practical application of the material in social production and living. And these happen to show that design has become the tie that meets the needs of society through the technological means. In the process of product design, applying correctly to the material also involves the relation between products and surrounding environment, for example in the environment with moist dark, the material characteristic of the product should be able to bear tide and anticorrosion etc..

### *1.4 The space environmental design*

The space environmental design is the design that bases on the whole society and the mankind and takes the nature space as the centre, also call space design, it is the material medium between nature and the society. Because the "space" range of the space design is too great, should be limited in a certain range, i.e. the place where the mankind can survive and live. This place must possess the requirement that the mankind survive, and fully meet the need of human life. Space environmental design regards living space as object to come on. The products are essential material condition in the living space, the research of space environmental design facilitate the understanding of the relation between product and space environment, thus set up the thought of system design.

It can be found out from the disciplines above enumerated, the study on space environment around the products is the important research contents of these disciplines. The space environmental design is the important component of the knowledge system of products design.

## **2. The product is a kind of particular meaning of "the space environment"**

It should have a correct and overall understanding to the concept of the environment at first to understand the space environmental factor in product design correctly. So-called environment is surrounding everything experienced and felt by us, it includes the sum total of various nature, artificial factor or function that closely-related with human and influence the survival and development of human. That is to say, the environment not only includes the combination of various natural main factors but also includes the combination of different ecological relations formed by the interaction of person and its activity and natural main factor. Regarding the living environment of human that can be divided into two major types: I.e. material environment and social environment.

So-called material environment is the environment formed by various material factors; it can be divided into two kinds: natural environment and artificial environment.

The natural environment is the sum total of various natural factors in the nature, for instance mountains and rivers, lakes and seas, atmosphere, biosphere, lithosphere, etc.. It is the natural environment that offers the most basic material condition for the existence and development of human. The artificial environment is the living environment of human that is formed by the mankind utilizes and transforms the natural environment, it includes the material civilized world that mankind touch and design. The range of the artificial environment is extremely enormous, all artificial things are the factor of the artificial environment, even as big as city, building, or as small as various industrial products and physical factors such as sound, light, heat, etc. that constitute indoor space. In the modern society, the product design has important effect on forming and developing the artificial environment, and product is a kind of factor that constitutes artificial environment, it's also a kind of "space".

## **3. The product and space environment exist the very close relation of "symbiosis, coexistence"**

It should know the relevant factors that product exists at first to understand the relation between the product and its space environment. The factors related to product mainly reflect in three aspects: user, environment for use and existing society.

### 3.1 User

The relation between products and user mainly reflects in three aspects. First of all, the closest relation is the man-machine relation. Man-machine relation is the core of product design, why the products form, how is the state and how value behavior is, all of these make concrete appraisal around man-machine relation, design behavior also naturally get back to these basic point, i.e.: the symbol behavior, the contact behavior, dimension behavior, the range behavior, the manner behavior, operation behavior. How to better solve the man-machine relation for guiding the product design, in the knowledge system of product design, mainly applied to man-machine engineering. Secondly, the relation between product and user also reflects in the purchasing power of the user, this will require correct localization to the products that are designed, and develop the corresponding products to different consumption crowds. Finally, consumers' taste is a factor of guiding product design too, this demands that design should have original creation and leading side, and also be accepted by the user of today.

### 3.2 Environment for use

The relation between product and using environment reflects at peripheral product on one hand. People usually not only use a kind of product to finish a certain behavior in daily life, it is also very important to coordinate the relation between the products well to the design of product; The relation between product and environment for use also reflects on the space that is used, the size of the space will influence the use of the products too, so according to different space requirement, the design of product will have certain restriction; The environmental state around the products is also a respect of the relation between products and environment for use, physical environment such as the noise, illumination, humidity, temperature, atmospheric pressure, dust, radiation, force field, magnetic field, etc. are restricting almost all the respects of product design seriously, there are also structure, shape, material, craft, function, operation, etc.. There are some products such as the warm kettle, the design of travel type and household type are different, though their final function are all used for holding water, the former have to be portable besides holding water, but this problem does not exist in the household type, so long as it is convenient to take and fetch. For another example the design of the clock, wall clock, desk-top clock, floor desk clock, wrist-watch, because the use environment of them is different, its form of design has a very great difference. Every kind of product has environment in conformity with it to exist, while carrying on the product design, we should design the products according to the particular environment where the products exist in. The products should also reflect the characteristic of the surrounding environment to a certain extent, thus can combine with the surrounding environment harmoniously.

### 3.3 Existing society

The behavior of the social attribute of product in the whole development of human society in the future will be more and more distinct. The products that are from forming to giving play to the role of function are influenced and determined by every factor in the society constitute, politics, economy, folk custom, art, science and technology, religion, humanity, every factor of them refracts all sorts of phenomena out in the stage of society all the time, such as putting out different idea direction and main rule of constitute to composition and regeneration of the artificial thing, the low exhaust mini-car under the leading factor of the social ecological view, the new dynamical solar cell, research and development the fuel of hydrogen for family cars, etc.. As long as there is existence of the society and then will have a cultural phenomenon, the spirit of humanity performance that permeates out from every material of the society. The product is the outcome of the development of social humanity, each product also reflect the new contribution of the cultural development of mankind at the time of symbolizing new technique means that bring benefit to mankind. In the product design, the social humane factor is acting on localization and development of the products from the soft side constantly, and pays close attention to the developmental tendency of each cultural mainstream of the society, the important content which the product design reveals the competitiveness is to turn the cultural consciousness of conception into the means of design behavior in time. The ones that influenced product design directly in the view of social humanity are as follows, social aesthetic, product function value, regional folkways and customs, culture background cognition, etc., they constitute main contents that product humanity display. In addition, there are close relations between questions and product design such as social regulation, taboo, public hazards, etc.

We can know from above, design should be limited by certain condition, it is not the beauty pursued by designer's subjective judgment, and design will be limited by user and environment for use, will be limited by the market and selling mechanism. The product can not get away from the environment where it exists and the environment is the condition that the product depends on. Product also reflects the era characteristic of the space environment and the living level of people. The products have merged the plural culture in the world organically, which built out the space environment with the characteristic of different regions and different design styles, thus make the products satisfy different spiritual purposes as much as possible and reach the sympathetic response of the spiritual level. To the consideration of the relation of the product and its space environment, that is to meet the demand of human oneself. Therefore we can know that the products subordinate to space environment and exist the very close relation of "symbiosis, coexistence" with it.



#### 4. Our products should be designed with space environmental awareness

The products serve the people and take "people" as the center of a circle to launch, however, product design not only needs to consider people, but also consider the space environment that people locate. The definition of lately outstanding product design will include the consideration of the environment.

The design activity of mankind not only created the mankind's material environment but also constituted visually cultural landscape of human life. So the space consciousness in the design should also include from people's physiological and psychological need to set out, and in view of different culture background of society, design aesthetical factors of vision meticulously such as the color, shape, material in the space, etc., should avoid the pollution of design, create the beautiful living environment of human with coordination. The coordination of the visual factor included the coordination between the artificial things and surrounding environment on the vision, also include the coordination of different visual elements in artificial environment. While carrying on the product design, it should not only coordinate with the natural environment on the ecology, but also obtain tacit understanding with nature on the vision, and try hard to avoid the destruction to nature with forming the relation of "symbiosis" with nature. The organic building that was designed by Wright who is a famous designer in U.S.A. is the model in this respect. His organic building is "the natural building", the nature is the organic whole, the designers should get enlightenment from the nature, house should like plant, is "a basically harmonious key element at the ground, subordinate to the natural environment, grow out from the field, in face of the sun." The flowing water villa that Wright designed reflects the ideal of the organic building, it stands on the flowing water merrily and lightheartedly, the platform stretches into the surrounding space unevenly, size and material contrast finely with topography, wood, mountain stone and flowing water, building and nature are melted as an organic whole.

Any product design has its particular using space, so while carrying on the product design, we must consider the relation between the overall environment around and the product in such aspects as function, shape, color etc. fully, make design meet the requirement in use and style of the overall environment, and willing to be the supporting role, can't be distracting. If a certain product is merged in the whole space, become an inalienable part in space, and then this product design is "admitted" at least. In a sense, the space environmental awareness is to overcome the desire of self-expression but give attention to both the whole and the overall situation. Moreover, in many production and living environment, a lot of products form the product system because of the relation of using function, such as the series of electrical home appliance in the integrated kitchen and the series of modern official working instrument that is used in the office, etc. While carrying on the design of this kind of product, we should consider their intercommunity on the shape style and the coordination relation in space dimension, make the same series of products can constitute harmonious, unified function and visual environment but be unlikely to produce conflict. If we lack this kind of space environmental awareness, emphasize the full play of individual character and creativity unboundedly, then there may produce chaotic situation. Ronny who is a designer put forward, the design of any single-item product must all be incorporated in the integrated environment with unified style, otherwise the thought that designers wanted to express will have all gone in the conflict of the element.

The space environmental awareness of the designer still embodies in obtaining the biggest using value with the cost of resource as small as possible, and making the pollution of produces reduce to lowest in the process of production, use and recycling, then attain to make the product possess competitive ability in market, and friendly to the space environment.

#### 5. Summary

The space environment that the products exist in has very important influence on product design, the use environment of the product while loading and containing product also restricting and guiding it. How to hold the trend of product design on the whole in the complicated cultural world of design, find out "the position" of product in the space environment in various restriction is obviously the designer's important subject. This require designer must keep sensitive, distinguish his position in the nature and society constantly, and coordinate people, product with society, nature among corresponding level and relation (including the material level and culture level), Such products will coordinate and have vitality with space environment all the time.

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## Demographic Factors Affecting Employment in Pattani and Songkla Provinces of Thailand

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### Abstract

This study investigated the effects of demographic factors on the employment of people in Pattani and Songkla Provinces of Thailand. The outcome variable is binary employment status (employed or unemployed). The determinant variables are education completion level (none, elementary, secondary, high) and the demographic factors gender, religion (Islam or Other), seven 5-year age groups (25-29 to 54-59), and district. We used data from the 2000 Census of the National Statistical Office. The analysis method involved first stratifying by religion, gender and district and then fitting logistic regression models in each stratum to determine odds ratios for the association between the outcome and the education completion level factor after adjusting for age group, and then combining these odds ratios using meta-analysis to obtain the overall independent association between education completion and unemployment in each province. The results showed that in Songkla province persons who had completed secondary education had no advantage in gaining employment over those who had completed only elementary education. And in Pattani province, those who had completed secondary education had a substantially higher unemployment rate than those with only an elementary education.

**Keywords:** Unemployment rate, Education completed, Age group, Religious affiliation, District, Logistic regression, Odds ratio

### 1. Introduction

The total population of Thailand increased from 55.8 million in 1990 to 62.3 million in 2000. In November 2000, 53.3% was in the labour force while about 24.8% were over 13 years old but not in the labour force. The rest of the population (21.9%) was under 13 years of age. Among those who were employed, only 2.7 percent were employers, while 40.3 percent were employees and 57 percent were classified as other workers.

According to the *Thailand Development Research Institute (TDRI)*, the total number of unemployed in the population in the third quarter of 2001 was 930,000. Among them, 381,000 (41%) were new graduates, 325,000 (35%) were in the informal sector, such as those who were self-employed and farm workers; and 223,000 (24%) were public officials and company employees. The unemployment rate is usually high during the third quarter since this is the cultivation season (National Statistical Office 2001).

The quality of the labor force is one of the most important determinants of Thailand's long-term growth prospects. It will take a sustained commitment to rectify current weaknesses. For example, 80% of Thailand's labor force has only elementary education or less, compared with 60% and 50% for Malaysia and the Republic of Korea, respectively. Although the Government has made considerable efforts to expand education opportunities, elementary school completion rates have actually fallen in recent years (to 69% in 1996). About 5.5 million people in the 6-19 year-old age group are not in school or any form of training. For rural people, participation in education or skill development programs remains strikingly low. For those who do participate, standards are poor. Low quality and low enrolment appear to be strongly correlated. With regard to training, only 1% of the labor force participates in formal, institution-based programs. In-house and on-the-job training schemes have been increasing, but skill shortages have been one of the main factors impeding Thailand's transition to higher value-added industries.

Thailand's success in making elementary education compulsory has not been replicated in secondary and higher levels of education. Although the transition rate from elementary to secondary level has improved from less than 50% in the 1980s to about 90% in 1996, the enrolment rate has remained very low at 34% of the population aged 15-17. Also, there has been little improvement of quality in secondary education, especially in science and mathematics (Asia Development Bank 1999, page 6).

Of the five southern border provinces north of Malaysia, four (Pattani, Yala, Narathiwat and Satun) are different from other areas in Thailand. Their people have a different language, religion and culture to the rest of Thailand. The fifth of these border provinces, Songkla is the only one of the five with a non-Muslim majority (77%). Muslim people comprised 80% in Pattani, 82% in Narathiwat, 80% in Yala, and 68% in Satun (National Statistical Office 2006). Furthermore, Songkla had different education completion rates. At the 2000 census, of the population over 25 years of age, 27.6% in Pattani had not completed elementary education compared with only 14.6% in Songkla. Arguably, such education completion rates affect the individual's stability of occupation, income, and employment status. The negative consequences of unemployment affect not only the individual, but also society at large. Joblessness is connected with negative impacts on the personal perspectives of life, political opposition and integration problems (Strasser 1997).

These considerations prompted us to study the influence of education completion level on unemployment status and compare these associations in Songkla and Pattani, two of the southern Thai provinces with differing levels of educational completion and demographic characteristics. The results of this study could be useful for deciding policy and action in education, for better employment and social integration outcomes.

## 2. Materials and Methods

### 2.1 Study design and variables

The study is cross-sectional, based on population data selected from the 2000 Population and Housing Census of Thailand.

Because of the substantial proportions of young persons in education and of older persons in retirement, persons aged 0-24 and 59+ years were excluded from the analysis. Also excluded were those whose level of education completed was not recorded and others whose occupational category was recorded as 'not stated'. Thus full-time students, early retirees, unpaid carers within a family and others who did not consider themselves unemployed were excluded from the data. As a result, the focus of this study is very close to the usual definitions of 'labour force', those people seeking employment, whether unemployed or employed in any of the three broadly defined occupational categories (agriculture, elementary, professional). In this classification *elementary* includes plant, service, and various unclassified occupations. The 'unemployment rate' is thus defined as the number of unemployed as a percentage of the total number in the labour force. The total study sample was 232,220 persons for Pattani and 551,695 persons for Songkla. Table 1 shows unemployment rates by age group and occupational category in Pattani and Songkla.

The determinant variables are demographic factors consisting of gender, religion (Islam or Other), age group, education level (none, primary, secondary, high) and district. Data from smaller geographically proximate districts were combined to avoid zero counts in the statistical analysis, reducing the number of regions from 12 to 7 in Pattani and from 16 to 11 in Songkla, as illustrated in Figure 1.

### 2.2 Statistical methods

The specific aim of the study was to examine the association between unemployment status and completion of education, and to compare these associations in the two selected provinces, after taking into account demographic factors (age group, gender, religion, and location of residence). Since the unemployment outcome is binary and the education completion determinant is a categorical variable with four factors, this association may be described by a set of odds ratios, and logistic regression (see, for example, Hosmer and Lemeshow 2000) may be used to adjust these odds ratios for the demographic factors. To facilitate comparisons with respect to different levels of education completion, we chose completion of elementary education as the referent level. This allows the results to be expressed in terms of three odds ratios: none versus elementary, secondary versus elementary, and high versus elementary.

Preliminary analysis involved using the logistic regression model to compute separate age-group adjusted odds ratios for each combination of gender, religion and location in each province, giving 44 (2 x 2 x 11) such odds ratios for Songkla province and 28 (2 x 2 x 7) for Pattani province.

Further analysis involved using meta-analysis to combine these odds ratios within each province, and thus obtain overall odds ratios showing the associations between unemployment and each level of education completion. Since odds ratios are more symmetrically distributed when expressed on a logarithmic scale, and logistic regression routinely provides estimates and standard errors of natural logarithms of odds ratios, we did the meta-analysis on the logarithms of the odds ratios, using a method described in McNeil (1996) as follows.

Denote the estimated log odds ratio in stratum  $g$  by  $y_g$ , its standard error by  $\sigma_g$  and define the weight  $w_g = 1/(\sigma_g)^2$ . Then the overall (combined) estimate of the log odds ratio is the weighted mean

$$\bar{y} = \frac{\sum w_g y_g}{\sum w_g}, \quad (1)$$

and its standard error is

$$\sigma_{\bar{y}} = \frac{1}{\sqrt{\sum w_g}}. \quad (2)$$

The overall odds ratio estimate is thus obtained by exponentiation as  $\exp(\bar{y})$  and its corresponding 95% confidence interval is given by  $(\exp(\bar{y} - 1.96 \sigma_{\bar{y}}), \exp(\bar{y} + 1.96 \sigma_{\bar{y}}))$ . Confidence intervals for the individual odds ratios may be plotted together with the combined results as a meta-analysis plot (see, for example, Moja et al 2007). The statistical analysis was performed using R (R Development Core Team, 2007).

### 3. Results

Table 2 gives the estimates and standard errors of the age-group adjusted log odds ratios after fitting the logistic regression models separately in each of the 44 demographic cells defined by combinations of gender, religion and district in Songkla (lower panels) and Pattani (upper panels). Since no non-Muslim males who had completed only secondary education were unemployed in the region comprising Panare, Saiburi and MaiKaen districts of Pattani province, the odds ratio for this group is zero and its logarithm cannot be calculated. For meta-analysis calculation the values for this cell were replaced by the corresponding values for high education completion. Figure 2 shows meta-analysis plots for the comparison between secondary education completion and elementary education completion. Table 3 shows the overall odds ratios and corresponding 95% confidence obtained by applying formulas (1) and (2) to the individual values given in Table 2.

### 4. Discussion

The individual's level of education is an important determinant of occupational success. (Isengard, 2003) and in Thailand there is a compulsory education scheme until the end of elementary education, at grade 6 level, and usually encouragement to continue on to complete secondary education. In most parts of Thailand most students may enter public or private secondary school after completing elementary education. The curriculum of the secondary education was designed to offer various fields of academic knowledge as well as fundamental occupational skills students can use as a basis for working in their future careers. Findings of this study in Pattani and Songkla provinces are partly in agreement with Isengard's statement and partly inconsistent with it: partly showing that employment is an incentive for completing more education but also revealing some disincentive. At the extremes of 'no education' and 'high education', there was general agreement, but an intermediate level of education (secondary education) did not significantly increase likelihood of employment in either province, when compared with elementary education only (OR = 1.348 for Pattani, and 0.997 for Songkla).

The statement by Isengard, and assumptions of a positive association between education level achieved and improved employment outcomes, were made in the context of western post-industrial economies where education is needed for entry to specialized service sector employment and where relatively few people work in agriculture. This contrasts with the situation in parts of southern Thailand, at least in both Pattani and Songkla provinces, where the percentages of the labour force employed in agriculture were approximately 42.6% and 34.0%, respectively (From Table 1). Experience and skills from working in agriculture, rather than the completion of secondary education, might be more valued and more likely to lead to employment in agricultural occupations. The relatively high dependence on employment in agriculture in the region might be part of the reason why completion of secondary education appears to be of little or no employment advantage in the two provinces. This possible explanation, that the agricultural economic base of these provinces, especially of Pattani Province, leads to secondary education being of little, or even negative, value for employment, could be further tested by examining age distributions in various occupations and so invites a follow-up study. It would also be useful to investigate the supply/demand situation for workers in agriculture and other sections in Pattani, and whether or not secondary education raises work goals to a point where some choose unemployment rather than laboring work.

Differences between the two provinces deserve attention. In Pattani those who had completed a secondary education were actually more likely to be unemployed, more likely than for any other level of education. There are differences in the economic bases and occupational structures of the two provinces. In Pattani, compared to Songkla, a greater proportion of the labour force is involved in agriculture and a lower proportion is in professional positions (18.5% compared to 24.1%). Both provinces have some employment opportunities for professionals, providing employment for some who complete the 'high' and 'secondary' levels of education required for entry to these occupations, but this was more-so in Songkla. If true, then together these points might explain some of the variation between Pattani and Songkla, in the results of this study.

Even if the economic structure is a factor, it cannot fully explain all of the differences between the provinces. In Songkla Province there was no clearly statistically significant relationship between the level of education (elementary or secondary) completed and unemployment, for any gender or religious group. However, in Pattani Province the Muslims differed from non-Muslims in employment outcomes associated with secondary level of education. Figure 2 reveals that, in Pattani it is Muslims, not non-Muslims, who are more likely to be unemployed after they have completed secondary education when compared to those who completed only elementary education.

In Pattani Province in general, completing secondary education after elementary education made it less likely that unemployment would be avoided, however, in some districts completing secondary education clearly was an advantage in gaining employment, at least for the non-Muslim segment of the population. In three districts of Pattani Province (Mayo, ThungYangdeang and Kapho) none of the non-Muslim population who had completed secondary education were unemployed. Most of the population in Pattani is Muslim whereas most of the population in Songkla is non-Muslim, but this study did not examine the significance of the relative ratios.

Various aspects of Muslim culture in southern Thailand deserve further attention. One is that a significant and increasing proportion of Muslim students attend Muslim secondary schools in Pattani Province. The question of whether or not the different curriculum in those schools influences employment prospects invites further study.

Further investigation of the education/employment relationship is especially important because where unemployment follows secondary education there is likely to be increased disillusionment and lack of social integration into the broader society. This might worsen the political situation in southern Thailand.

## 5. Conclusion

The conclusions are as follows:

- a) Students in Thailand are usually encouraged to continue on from elementary education to complete secondary education. This appears to have some justification in light of the findings of this study, that completing 'no education' led to less likelihood of being employed, and completing a 'high' level of education led to a greater likelihood of being employed, when both were compared to having completed elementary education.
- b) However, in this study it was found that in Songkla Province that there was no significant employment advantage in completing secondary education and in Pattani there was actually a statistically significant disadvantage for gaining employment, based on comparisons with completion of elementary education only, associations measured by estimated Odds Ratios. The finding for Songkla was surprising. It was even more unexpected to find that in Pattani the completion of secondary education was associated with the highest rate of unemployment, higher than for those who had completed elementary education and also higher than for those with no education completed.
- c) Further study of this education and employment relationship in more detail is desirable. If this issue is not addressed then for many in southern Thailand there might be limited incentive to complete secondary education and also limited social integration.

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Table 1. Employment rate by age and occupational group in Pattani and Songkla Province

Age group	Unemployed		Agriculture		Elementary		Professional	
	Pattani	Songkla	Pattani	Songkla	Pattani	Songkla	Pattani	Songkla
25-29	20.5	16.6	33.6	25.5	28.1	31.1	17.8	26.8
30-34	14.8	12.4	39.5	29.9	27.1	32.7	18.6	25.0
35-39	12.4	10.7	41.0	32.4	26.2	31.3	20.4	25.6
40-44	11.1	10.0	42.6	34.4	24.1	29.5	22.2	26.1
45-49	10.8	10.3	49.4	39.7	20.7	27.0	19.2	23.0
50-54	13.1	13.1	52.5	43.7	18.0	23.8	16.4	19.3
55-59	17.6	18.0	55.8	47.8	15.1	19.0	11.6	15.2
Total	14.6	12.8	42.7	34.0	24.2	29.1	18.6	24.1

Table 2. Means and standard errors of age-group adjusted log odds ratios associating unemployment status with education completion by gender, religion and region in Songkla and Pattani provinces

	region	Muslim						Other					
		mean			standard error			mean			standard error		
		none	second.	high	none	second	high	none	second.	high	none	second.	high
male	P1	0.881	0.231	0.644	0.090	0.085	0.087	1.277	0.477	0.669	0.246	0.123	0.107
	P2	0.539	0.457	1.225	0.182	0.147	0.189	1.894	-0.114	0.606	0.214	0.130	0.116
	P3	0.477	0.522	1.197	0.103	0.119	0.177	1.712	0.194	0.096	0.434	0.211	0.219
	P4	0.685	0.593	0.913	0.100	0.086	0.115	2.541	0.324	0.127	0.230	0.154	0.154
	P5	0.551	0.607	1.446	0.109	0.104	0.148	1.283	-	-1.393	0.892	-	0.470
	P6	0.602	0.349	0.468	0.106	0.101	0.142	1.068	-0.577	-0.510	0.445	0.331	0.297
	P7	0.114	0.294	1.047	0.102	0.098	0.123	1.791	-0.894	-0.230	0.651	0.362	0.312
female	P1	0.133	0.027	-0.865	0.053	0.055	0.066	0.570	-0.472	-1.787	0.124	0.057	0.056
	P2	0.205	0.970	0.746	0.106	0.105	0.176	0.760	0.387	0.374	0.147	0.090	0.079
	P3	-0.140	0.404	-0.254	0.060	0.098	0.185	0.558	0.324	-0.838	0.311	0.132	0.120
	P4	0.052	0.325	-0.187	0.050	0.058	0.102	0.480	0.103	-0.771	0.189	0.105	0.099
	P5	0.298	0.787	0.961	0.069	0.087	0.150	0.996	1.012	-0.438	0.861	0.312	0.305
	P6	-0.147	0.481	-0.464	0.055	0.064	0.098	-1.087	0.170	-1.082	0.498	0.216	0.204
	P7	-0.207	0.751	0.154	0.058	0.071	0.118	0.282	0.410	-0.928	0.476	0.186	0.175
male	S1	1.291	-0.740	-0.604	0.143	0.120	0.138	1.176	-0.401	-0.597	0.096	0.044	0.043
	S2	1.163	0.365	1.617	0.172	0.142	0.164	1.928	0.175	0.792	0.176	0.122	0.115
	S3	1.291	0.887	1.514	0.370	0.276	0.388	1.848	0.467	1.294	0.234	0.156	0.152
	S4	0.846	0.303	1.207	0.170	0.167	0.196	2.176	-0.067	1.225	0.249	0.205	0.170
	S5	0.721	0.500	1.996	0.210	0.292	0.323	2.082	0.646	1.281	0.273	0.200	0.204
	S6	1.019	1.353	3.924	0.621	0.462	0.476	1.782	0.490	1.047	0.113	0.064	0.066
	S7	1.887	0.745	1.575	0.308	0.257	0.266	1.738	0.492	1.074	0.181	0.119	0.116
	S8	1.403	0.219	1.059	0.167	0.169	0.202	1.379	0.262	1.003	0.128	0.102	0.099
	S9	0.966	0.041	0.467	0.181	0.127	0.134	1.262	0.175	0.340	0.071	0.042	0.039
	S10	1.234	0.293	0.443	0.302	0.225	0.321	1.713	0.180	0.919	0.244	0.192	0.190
	S11	1.395	0.338	1.302	0.178	0.214	0.249	1.736	0.538	1.131	0.168	0.101	0.110
female	S1	0.611	0.109	0.001	0.132	0.113	0.112	0.325	-0.067	-0.979	0.060	0.033	0.030
	S2	0.605	0.264	0.482	0.085	0.096	0.149	1.059	0.369	0.589	0.114	0.092	0.078
	S3	0.126	1.146	0.889	0.191	0.186	0.345	0.438	0.583	0.683	0.146	0.093	0.093
	S4	0.229	0.343	0.309	0.095	0.108	0.156	0.812	0.609	0.736	0.171	0.129	0.120
	S5	0.375	0.835	1.780	0.140	0.219	0.264	0.645	0.304	0.783	0.203	0.177	0.158
	S6	-0.484	0.367	0.220	0.449	0.277	0.454	0.622	0.335	0.188	0.078	0.048	0.048
	S7	0.195	0.826	0.746	0.199	0.167	0.204	0.574	0.726	0.693	0.127	0.093	0.090
	S8	0.117	0.067	-0.096	0.095	0.102	0.139	0.374	0.794	0.595	0.066	0.053	0.056
	S9	0.171	0.201	-0.198	0.100	0.075	0.085	0.271	0.139	-0.459	0.037	0.024	0.022
	S10	0.029	-0.068	0.309	0.177	0.154	0.234	0.578	0.578	0.490	0.165	0.144	0.159
	S11	0.137	0.231	0.224	0.119	0.147	0.207	0.859	0.323	0.493	0.105	0.078	0.076

Table 3. Odds ratios and 95% confidence intervals for overall associations between unemployment status and education completion in Songkla and Pattani provinces

	education completed	Odds ratio	95% confidence interval
Songkla	none	2.088	(1.998, 2.182)
	elementary	1	-
	secondary	0.997	(0.969, 1.026)
	high	0.684	(0.665, 0.702)
Pattani	none	1.226	(1.181, 1.272)
	elementary	1	-
	secondary	1.348	(1.301, 1.398)
	high	0.811	(0.777, 0.847)

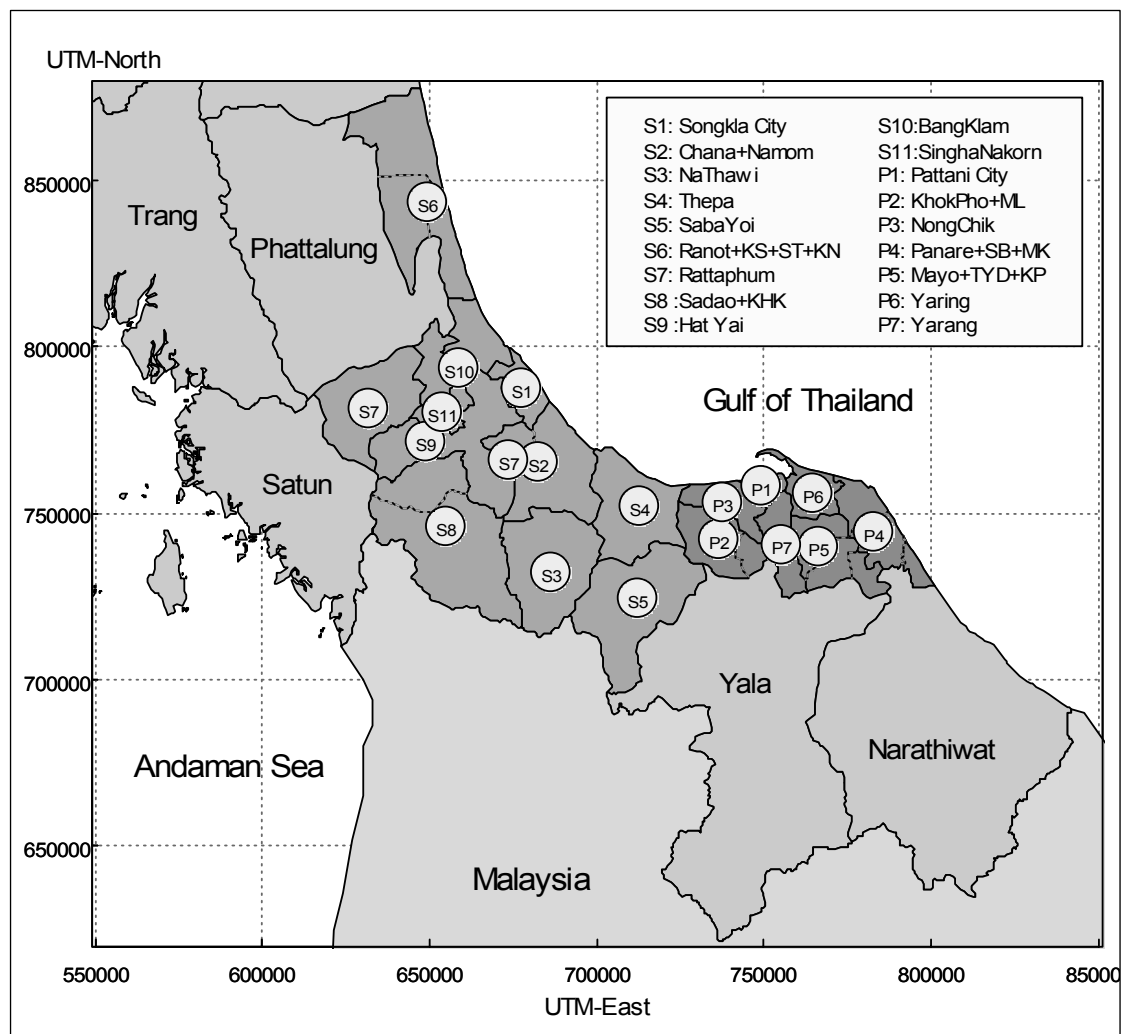


Figure 1. Districts in Songkla and Pattani Provinces with study regions defined by aggregation



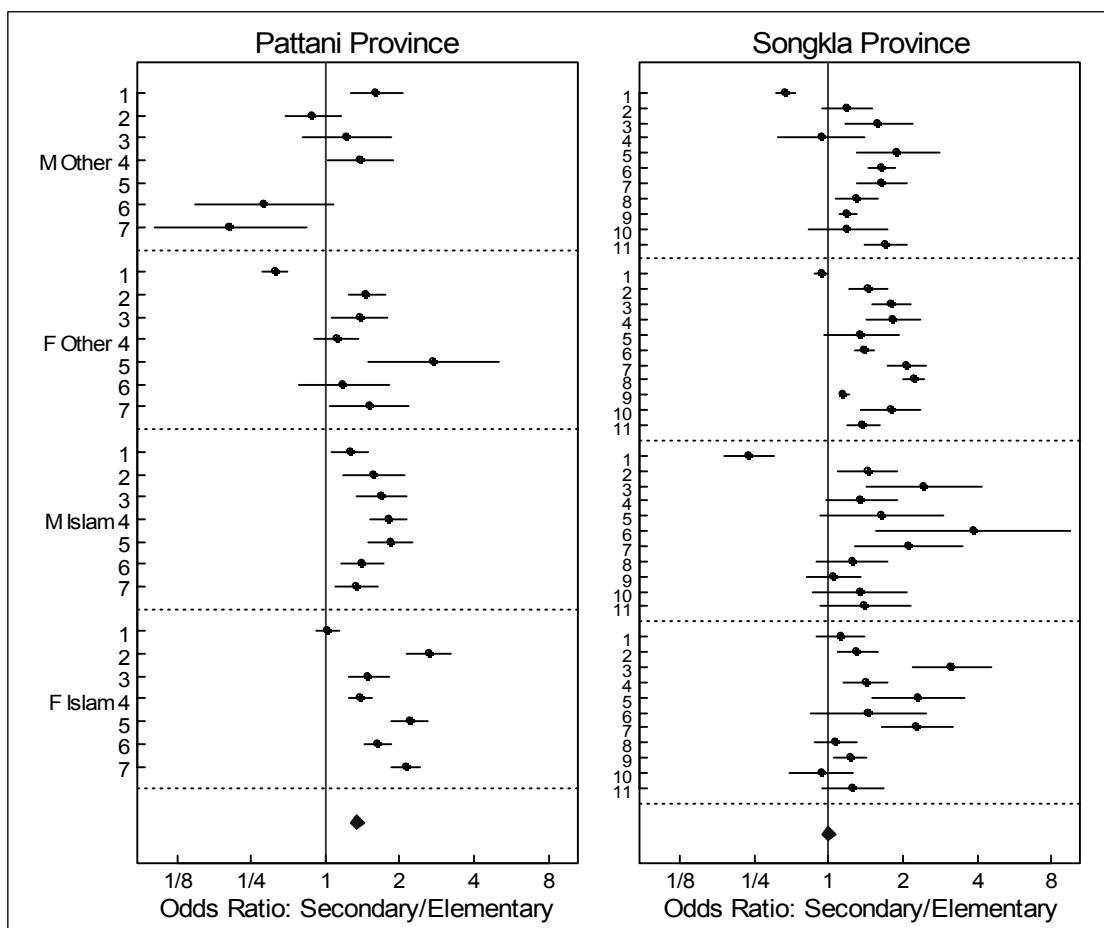


Figure 2. Meta-analysis plots showing the associations between unemployment and secondary versus elementary education completion in Songkla and Pattani provinces

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