Key terms + ideas

- comparative advantage
- Developmental state
- NICs
- Import-substituting industrialization
- Inclusive vs. extractive political institutions
- Washington consensus

Key questions

Q: How did the East Asian NICs develop so quickly?

A: The readings and Professor Levitsky's lectures highlight how the NICs (Japan, South Korea, and Taiwan) were able to industrialize so quickly because of (a) an autonomous civil service that was professional and cohesive, (b) an hands-on bureaucracy that facilitated technology transfer while successfully picking winners and losers, (c) business-friendly policies that protected certain domestic industries and favored capital holders over labor.

Q: What theoretical paradox does Johnson highlight? What is his response?

A: According to neoclassical economic theory, high-speed economic growth does not occur under intrusive political regimes (i.e. regimes with centrally-planned economies). Looking at the cases of the Newly-Industrialized Countries (Japan, Taiwan, South Korea), Johnson argues instead, that the developmental state facilitates high-speed economic growth because it provides predictability and stability while pushing for the regime's developmental goals.

Q: What trade-offs to the developmental state do Johnson highlight?

A: Johnson argues that while the developmental state achieves high-speed economic growth and bureaucratic development, this often comes at a cost of broad political participation.

Q: What state institution is crucial in Bates's story? Who won and who lost from the process of industrialization he describes?

A: In Bates (1981) he identified the marketing boards as the key institutions in the process of African industralization. Since these institutions were agriculture monopsonies, they were able to raise revenue by buying cash crops at below-market price. Farmers suffered the costs of their (from the market's viewpoint) inefficient transactions, while domestic industrial firms and urban consumers benefited from the appropriation of resources through the provision of investment capital or low food prices.

Q: Per Bates, why doesn't the model of the developmental state apply to the cases he studies?

A: Like other cases of late developers, Bates observes that governments shield domestic industry from international competition to promote industrialization. In his cases, however, the protected firms remain inefficient because they have large market share and (often) government-owned. These inefficiencies preclude full industrialization because they cannot export manufactured products that compete on the global market.

Week's readings

- Chalmers Johnson, "Political Institutions and Economic Performance" pp. 136-164.
- Alice Amsden, "Asia's Next Giant", pp. 3-18 and 79-85.
- Robert Bates, "Markets and States in Tropical Africa" pp. 11-44, 62-77.
- Kiren Aziz Chaudhry, "Myths of the Market and the Common History of Late Developers," pp. 245-258 and 264-266.
- Daron Acemoglu and James A. Robinson, "Why Nations Fail" pp. 7-63; 70-83.

Review questions

Check your understanding of this week's material and key ideas with the following questions.

1. How do the other readings this week conform to or push back against the neoliberal paradox that Johnson identifies?
2. What are the positive contributions that the state can make to development and what are the potential risks of state intervention? What are the costs and benefits of state-led development?
3. Is there a trade-off between democratic institutions and development? In what ways can democratic politics constrain the developmental state, and is it a bad thing?
4. Thanks to Elon Musk, Mars' citizens have decided to appoint me president of the planet. I named you my economic council and asked you to put together a development plan.
5. How would dependency theory explain the NICs?

References

Bates, Robert H. (1981). *Markets and states in tropical Africa: the political basis of agricultural policies*. eng. California series on social choice and political economy ; [1]. HOLLIS number: 990005346550203941. Berkeley: University of California Press. ISBN: 978-0-520-04253-7.