DEVELOPMENTAL STATES: RELEVANCY, REDUNDANCY OR RECONFIGURATION?

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Nova Science Publishers, Inc.
New York
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Circulation: Luis Aviles, Raymond Davis, Cathy DeGregory, Melissa Diaz, Ave Maria
Gonzalez, Marlene Nunez, Jeanine Pappas, Vera Popovic and Frankie Punger

Library of Congress Cataloging-in-Publication Data

p. cm.
Includes index.
ISBN: 1-59454-143-4 (hardcover)

Copyright © 2004 by Nova Science Publishers, Inc.
400 Oser Ave, Suite 1600
Hauppauge, New York 11788-3619
Tcle: 631-231-7269 Fax 631-231-8175
E-mail: Novascience@aolink.net
Web Site: http://www.novapublishers.com

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Printed in the United States of America

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PART 1: THEORETICAL AND EMPIRICAL OVERVIEW OF DEVELOPMENTAL STATES
Chapter 1

INTRODUCTION AND OVERVIEW

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INTRODUCTION

The literature is extant on the origins and evaluation of East Asian developmental states and some Southeast Asian ones, drawing differentiations and variations between the first- and second-generation developmental states. The common issue is that what had worked has become less effective as domestic and external conditions have changed, the latter as much influenced by globalisation, information communication technology, knowledge-based new economy and deregulation in the global economy. Developmental states are clearly not static, but dynamic and transitional over time.

One critical question is thus how transformative capacity to achieve a more flexible, contemporary developmental state has been so difficult, from Northeast to Southeast Asian developmental states. Another question is how developmental states avoid being captured by special interests to allow the developmental elite to enjoy relative autonomy, have a powerful, depoliticised and insulated economic bureaucracy, has been weakened. These questions raise further issues of democratisation, civil society and other socio-political developments affecting embeddedness and economic and social life with new political interests. A “paradoxical divide” is suggested here that while some Asian developmental states may have crossed over from underdevelopment to become first world economies, they have not quite made it politically and socially, that is, they still have the third world socio-political culture.

The global political economy has changed with evolving geoeconomic and geopolitics since the first-generation Northeast developmental states. Accelerated, compressed industrialisation and modernisation is complicated with crony capitalism in Southeast Asian developmental states. Whether the role of the state and industrial policy can have the kind of potency and effectiveness in Southeast Asian developmental states in a later context, is another question. This external and time dimension together with domestic factors including ethnic politics and institutional structure and organisation may affect Southeast Asian
developmental states' performance. These second generation developmental states may be charged as not quite measuring up to those in Northeast Asia which also had a different political culture.

Asian culturalism as underpinning the developmental state, Confucianism or Neoconfucianism as a development ideology, constitute further issues. So is the quality of interventionist states including state capacity and institutional structure and process.

The theory of the developmental state and model appears to be dismantling with neoliberal models, new democracy, new social movement, civil society and such. A new or refined theory of developmental states has to be identified if the Asian developmental state is to survive and be sustainable as globalisation as a shorthand expression to the emerging trends identified, has rearranged the architecture of the world economy and socio-political order. New bases of wealth creation and accumulation have emerged and how the new developmental state works in a more open, deregulated and competitive environment is an immense challenge.

While the pioneer developmental state is indubitably Japan heralding other first-generation one in Northeast Asia, one wonders if it need be confined to East Asia because Asian culturalism and neo-confucianism underpinning the developmental state.

From successful developmental states in France (Loriaux, 1999), Mexico and Brazil (Schneider, 1999), to India as a failed case (Herring, 1999), the spectrum is not just East Asian (Woo-Cumings, ed, 1999). The case of Ireland (Andreasso in Chapter 12 in this volume) seems to have proven otherwise which then widens the debate and study of developmental states especially in contemporary times and contexts. If industrial policy and the developmental state are no more than an extension of Alexander Gershenkorn's late industrialisation thesis which is much facilitated in Asian authoritarianism and culture, it may follow that a strong or desperate state as in Ireland may also suit.

This volume has three main objectives. First, as the title suggests, the relevancy and resilience of developmental states, especially in Asia is questioned. The Asian crisis seems to have turned the economic miracle economies to a fast meltdown (Clark and Chan in Chapter 2 in this volume) with Japan (Araki in Chapter 5 in this volume) still in a profound stagnation which puts the faith and credibility of developmental state at stake, both its rise and fall (Besson in Chapter 1 in this volume). As the Asian crisis triggered or precipitated the meltdown, a second, objective is to explore the reasons and factors for the breakdown or redundancy of developmental states, distinguishing between domestic transformative capacity and external global factors as identified. A third objective is to collate experiences and lessons beyond East Asia. With many transition economies in Central and Eastern Europe beside China and Indochinese states (Tin in Chapter 11 in this volume), the theory and practice of developmental states may be a useful bridge. These are by no means exhaustive and comprehensive aims, questions and issues. For individual developmental states covered in this volume, country-specific lessons may also be drawn for them to be reconfigured to stay relevant. The most important consideration for this volume is to value-add to the literature, both the theory and principles of the Asian developmental state as well as empirical observations observed elsewhere.

DEFINITIONS AND CONCEPTS

In theory, a developmental state is defined as one which promotes long-term entrepreneurial perspectives among the industrial elite comprising key business groups and resists growth-compromising demands from special interest groups (see Johnson, 1982). The definition of a classical capitalist developmental state features two characteristics of "state-guided capitalist developmental system ... a plan-rational economy with market-rational political institutions" (Johnson, 1995, p 28). The features of a developmental state thus include an authoritarian, paternalistic government, usually hegemonic in a commanding height to mobilise economic and political resources. The developmental state has some state-business relations institutionalised formally or informally in an embedded autonomy (Evans, 1995). The state-society in the embedded state provides a check-and-balance insofar as the state-business relations do not "capture" the developmental state. State-social relations provide an effective "double movement" espoused by Karl Polanyi (1957) with the society bearing on politics when the state turns roguish, embedded autonomy is preserved.

Alternatively, a developmental state is defined as embedded in local social groups (usually, although not necessarily, capital) through close associational ties between state bureaucrats and domestic social classes among other social groups, but the state avoids being captured by social class interests by retaining its autonomy (O'Riain and O'Connell, 2000, p 313). When either state-business or state-society relations deviate from their optimum, or the developmental state is captured and loses its embedded autonomy, it is no longer a developmental state, but vice versa. Trouble begins in as in East Asian developmental states, whatever the reason which triggered or upset the balance. The developmental state fails if its transformative capacity is missing without adaptive flexibility to reorient the developmental state to respond to challenges and changes. Rigidity is thus the greatest danger made worse with authoritarianism underpinning the political system.

The potency of a developmental state lies in its capacity and capability to anticipate and respond to economic change. Transformative capacity, in particular, is to adapt to external shocks and pressures by generating new means to govern the process of industrial change (Weiss, 1998, p 4). Transformative capacity augments a society's insatiable surplus rather than redistribute existing resources. There is a need to balance business, legitimise state's contribution, fine-tune the institutional coalition with institutionalised ties to labour and other groups, and a continuous restructuring of embedded autonomy with geopolitical change. A virtuous circle of institutional change and transformative capacity would allow the active co-producing state to build social capital (Putnam, 1993), engage communities to make more demands which in turn push state agencies toward greater accountability, responsiveness and organisational innovation.

BETWEEN OLD AND NEW DEVELOPMENTAL STATE

Developmental capitalism is predevelopment. Transformative goals, a pilot agency and institutionalised government-business cooperation form the three essential ingredients of any developmental state. In the absence of first two criteria, state lacks an insulated coordinating intelligence and is vulnerable to capture by special interests. In the absence of third, state lacks embedded (quasi-corporatist) quality of effective policy design and implementation and is
vulnerable to information blockage and policy failure. This institutional set-up of governed interdependence in its most evolved form involves negotiated policy-making under government sponsorship. Control of key resources as in finance is important.

Both transformation capacity and ever-changing domestic and external environment suggest three additional features for the contemporary developmental state. One relates to an all-encompassing concept of development beyond economics to political economy and social. Thus, a developmental state is a “crucial stipulant and organiser of socio-economic progress” and “a major agent of social transformation” (White, 1984, p 97). The developmental state in terms of its social basis, institutional character, modes of operation and developmental potential is exemplified in the “guided market economies” of East Asian developmental states which has the state play a substantial role as “the executor of a national economic interest, but encourages a vibrant micro-economy operating in a competitive market context (White and Wade in White, ed, 1988, pp 2 and 25).

A developmental state is empowered by its autonomy from societal forces for its bureaucracy to devise long-term economic policies without interference from private interests and its strength or capacity to implement economic policies effectively (Koo and Kim, 1992, p 121). The “right kind of state” in terms of its autonomy from societal forces and capacity to implement policies as well as using the state to do “the right kind of thing” in terms of specific policies are two distinct elements which made the Asian developmental state successful (Clapham, 1996, p 162). In the context of the Asian society and developmental state, Asian states are deemed more culturally binding with culturalism underpinning some profound moral commitment based on a communitarian approach. African states in contrast, are more artificial in being their boundaries externally and arbitrarily determined with shorter experience of shared government.

A second feature is over time, the debate over market and government failures, state-market as adversarial or complementary remains, tempered by temporal maturity of the developmental state undergoing different phases of economic maturity and complexity. Institutionalism of both the market and developmental state occurs with rationality, regularity and predictability as the basis to minimise transaction costs (North, 1990). The temporal and dynamic dimension implies some sequencing of the roles of the market and developmental state in different areas of resource mobilisation, social organisation and control. The developmental state may have “strong thumbs” in contrast to market as “flexible fingers” (Lindblom, 1977) and different skills sets suit different vintages of the developmental state. Even Adam Smith’s “invisible hand” in laissez-faire capitalism may still need the government’s hand in being the rule-maker and umpire as there is nothing natural about laissez-faire and free markets (Polanyi, 1975, p 140).

A third contemporary feature of a developmental state is that the dualism between an international liberal laissez-faire arena and domestic interventionist Keynesian counterpart is harmonised (Hobson, 1997, pp 145-146). A dynamic developmental state it establishes as its principle of legitimacy its ability to promote and sustain development by, understanding development as a combination of steady high rates of economic growth and structural change in the productive system, both domestically and in relationship to the international political economy (Castells, 1998, pp 270-1 and Dent in Chapter 4 in this volume).

In other words, a truly transformative developmental state can remain relevant, not be redundant in reconfiguring itself to suit the challenges of globalisation, information communication technology and deregulation. The developmental state is transitory and in a

continuum, from comprehensive to limited and faces pressure to transform regardless of its success or failure in attaining economic development (Kim, 1997, pp 5-6). Even if successful, the paradox of a comprehensive developmental state is it being forced to abandon and change its structure and goals. The comprehensive developmental state provides long-term economic goals, capital and technology and indirect assistance as in mediating with multinational corporations for foreign investment, technology and markets to support the infant private sector. The limited developmental state can continue to perform these three functions, but in limited degrees as sectors become more market-oriented and government becomes more regulatory than developmental. The limited developmental state is far from laissez-faire or a protectionist state, still strong and committed to providing pro-growth services while trying to balance economic growth with welfare and foreign policy. Korea’s authoritarian developmental state declined with defiance from the chaebol and repressed labour movement.

To a certain extent, the East Asian developmental state may have become a victim of its success. The 1990s was a decade of wealth accumulation from unprecedented “miracle” growth. A healthy tension in a triangulation is of one, politics as represented by the state, two, civil society represents domestic private business, labour and consumers and three, multinational corporations and business under the broad scope or umbrella of globalisation. With transformative capacity missing or rigid as noted, higher echelons of corporate leaders and chief executive officers less concerned with the moral economy as they and accountants run into conflicts of interests with investment banks and financiers, some of the meltdown can be attributed to accounting standard and practice. If the investment arm of banks buying companies want to see high profit/price and the management is given shares of new companies acquired as remuneration or incentive, the psychology after the deal is made is generally one of high share price and buoyant optimism. With the expectation that the return on investment of the normal levels, the higher echelons of players comprising the management which wants to get rich and investment banks which want to be repaid for the high fees in assisting the merger and acquisition, become the culprits in creating the bubble and false optimism. Not only are there no reliable and consistent valuation rules1, criminal breach of trust occur with bad corporate governance.

1 Conventional measure can be based on revenue growth, sales multiples or subscriber multiples which tell nothing of profit in the immediate future, do not distinguish between profitable and unprofitable sales growth. Price/earnings or peg ratios lack any theoretical or empirical and fail to take into account the returns different companies earn on their investment. More controversial is earnings before interest, tax, depreciation and amortisation (“ebit” in accountant’s terminology), popularised in the media and telecommunication sectors during the bubble years. Some of the most flagrant US accounting frauds such as Worldcom lies in the reclassification of operating expenses as capital expenditure. “Ebit” obviously includes neither depreciation nor capital expenditure for any company which needs to reinvest in its business. It does not reflect capital expenditure, but a measure of depreciation which captures only inadequately the returns a company may be making on investment. Many misjudged acquisitions thus justified on spurious grounds that they would “enhance” earnings that investors are misled into. It also ignores changes in working capital and can mask, for example, a sharp increased in stock levels or deterioration in customer defaults. It remains useful only within its limitations, to compare companies with different capital structures and different depreciation policies. According to academic theory, the value of a company is the net present value of future cash flows it can generate. In practice, instead of discounted cash flow modelling, assumptions of future growth like compound annual growth or price/earnings ratio as rough rule of thumb version. Another measure fund managers use if free cash flow yield. Its advantages over “ebit” and price/earnings ratio is it looks into capital intensity change with each
A moral code of good governance should have five areas of concern, on directors (separate chairman from chief executive officer), remuneration (chief executive officer pay determined by non-executive directors, auditing, shareholders' relations and institutionalised role of shareholders. Corporate social responsibility and behaviour is best not regulated by law or rules as self-regulation is best. Corporate as embedded as the developmental state and should similarly also remain autonomous and not captured by extraneous factors. Since the Asian crisis, governance became the most critical problem in financial, banking and corporate restructuring, stretching into the public sector as well.

**RELATIONSHIPS AND LINKAGES**

The developmental state is related and linked to a number other concepts which make up the overall environment or operating system. These relationships with the developmental state will enhance its understanding and working further. Pairing capitalism with democracy, governance with democratisation, globalisation and new economy with the classical developmental state are further issues.

**Developmental State and Capitalism**

The developmental state in Southeast Asia, especially Indonesia, Malaysia and Thailand, is deemed ersatz capitalism for two reasons (Jomo 2001 and Jomo's chapter in this volume). One is their ersatz industrialisation relying on direct foreign investment and multinational corporations to develop their international competitiveness in industrial capacity. The consequence is fewer industrial and technological capacities can be considered as indigenous or under national control. The efficacy of industrial policy, is compromised as the primary determinant of ersatz industrialisation lies in the ability of different national economies to take advantage of the location of productive capacity of direct foreign investment and multinational corporations in the region. Industrial or investment promotion agencies must have the requisite developmental leveraging capability to tap technology, for instance, and ensuring its effective transfer and diffusion across the national economy. This is especially vital for local enterprises in an effective partnership rather than in a supplicant subcontractor role.

The second reason for the ersatz nature of both capitalism and industrialisation is government intervention in industrial policy compromised by considerations beside economic growth and late industrialisation. In a word, the developmental state is “captured”, especially in redistribution and rent-seeking in less healthy ways and results. In consequence, industrial policy varied in nature, scope, quality, effectiveness and efficacy across the Southeast Asian developmental states without capitalism, market competition and efficiency at work or industrialisation propelled by indigenous capability or at least, local enterprises can take technology transfer beyond into more sustainable growth.

Table 1.1 shows some variations of the capitalist developmental state in East Asia with their patent success accompanied with increasing political pluralism even when authoritarianism is a key aspect of the industrial strategy (Palan, et al, 1996, p 97). Economic success influences regime legitimacy. Plan rationality is hard to duplicate with external restraints. Relative success in second-tier Malaysia and Thailand is partly explained by leadership's pragmatism. Autonomous economic technocracy is also hard to replicate, implementation difficult. The external environment was more favourable for postwar Japan, Taiwan and Korea colonized by Japan. The blurring of public and private for national interests becomes harder with market and globalisation. The competitive advantage of social democracy, welfare policies in education and training, high wages forcing better management and guaranteeing income protects society from sudden change (pp 104-5). Rather than negate globalisation, regionalism also helps domestic restructuring as the competition state translated itself into a series of political structures embedded in the state. East Asia has begun to realise that regionality or “regionalism” matters as regional macroeconomic stability or loss of that as during the Asian crisis do affect regional production networks as part of global production networks, as in electronics and automobiles.

**Table 1.1 Deans' five-fold definition of capitalist developmental state in East Asia**

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public-private distinction</td>
<td>Separation of public and private realms is far from apparent, often blurred or indistinct</td>
</tr>
<tr>
<td>State ideology &amp; paternalist capitalism</td>
<td>Mobilisation of nationalism and use of manipulation of culture</td>
</tr>
<tr>
<td>Developmental legitimacy</td>
<td>Development forms most important legitimising principle of state</td>
</tr>
<tr>
<td>Plan rationality</td>
<td>Role of state in market and way in which this is institutionalised</td>
</tr>
<tr>
<td>Autonomous economic technocracy</td>
<td>Existence of technocratic elite committed to economic reform, autonomous from specific interest groups</td>
</tr>
</tbody>
</table>


**Developmental State and Political Economy**

Given the embedded autonomy implicit in a successful developmental state the political economy environment in which it operates is important. Four prototypes of political economy are identified (Clark and Chan, eds, 1992, pp 12-4). The first three comprising the US which exemplifies a regulatory state, pluralist society, capitalist economy and commitment to a strong national defence, the former Soviet Union and China as command economies with centralised planning and Mexico which combines corporatist state with capitalist economy,
are not quite relevant. The fourth is, namely, the East Asian developmental states committed to rapid industrialisation and export promotion, professing capitalist market ideology, but resorts to a variety of measures to promote specific industries, owns and operates large enterprises while encouraging technological upgrading, economies of scale and orderly private sector competition (Amsden, 1989 and Haggard and Moon, 1989). Late industrialisers are compelled to have state industrial policy to systemically catalyse outward-oriented industrialisation which is liberal in harnessing foreign capital and technological integration with some selective decoupling of the bundle of foreign capital, technology, management and operations to protect domestic firms and market shares.

The developmental political economy is in transition, from late industrialisers and Gerschenkron developmental statism buttressed by economic nationalism to a combination of state-stratified national economic development, neo-mercantilist policies which created relatively closed Northeast Asian economies. However, new realities and twin imperatives of globalisation and neoliberal advocacy in particular are sources of neoliberal advocacy strengthened both domestically and externally. Domestic sources of neoliberalism advocacy from two factors: "ideological osmosis" (Woo-Cumings, 1991) with dominance of Japanese-trained technocrats in Northeast Asia, gradually also US-trained and democratization process. External sources of neoliberal advocacy also softened neocorporatism of Northeast Asia with deepening participation in the World Trade Organisation, International Monetary Fund, Organisation for Economic Cooperation and Development, World Bank and others in the international political economy (Dent, 2003, pp 126-9).

The Asian crisis has two implications for political economy. One is contrary to mainstream assertions, crises did not represent demise of state-led developmental model. In fact, economic practices come closer to Anglo-Saxon, US model, IMF conditionality a blessing in disguise. Not crony capitalism that caused crisis, quite the opposite as fewer social ills with high growth in contrast to Western low growth and market-led liberal model. First post cold war questioning of globalisation model and Asian scepticism of Anglo-Saxon capitalist model. Two, is the Asian crisis may enhance prospects for continued East Asian development as opposed to Pacific in the region with more Asian than the Asia Pacific Economic Cooperation solutions emerging. More economic regionalisation than political regionalism which is informal, elusive, de facto than de jure (Bustelo, 2003, pp 145-6).

Developmental State and Democracy

The primacy of politics is because states conceptualise and shape development which in turn is influenced by the character, structure and capacity of states (Leflwick, 2000, p 4). Political development and democratic good governance are emphasised while noting that the third world and new democracies may not have the conditions to ensure democratic consolidation, coalition building and end up as pseudo democracies. Politics and development converge in the developmental state which can be widely interpreted as state capitalist, intermediate and state socialism (White, 1984), from Germany to failed developmental states in India, Brazil and Mexico to the sui generis variety in East Asia.

The major components of the developmental state model include determined developmental elite, relative autonomy, powerful and insulated economic bureaucracy, weak and subordinated civil society, capacity for effective management of private economic interests and an uneasy mix of repression, poor human rights, legitimacy and performance (Leflwick, 2000, p 160). Developmental state is not static and transitional. Developmental democratic state, not democratic developmental state is to makes the distinction with non-developmental democratic state sharper and stress developmental capacity more than democratic credential or practices. Developmental democratic state must satisfy two sets of independent criteria to qualify as being both developmental and democratic. The primary developmental criterion is annual average gross national product per capita growth of at least 4% for 25 or 30 years. The secondary criterion for democracy in its minimalist electoral Schumpeterian sense refers to national political system in which people, political parties and groups are free to pursue interests in peaceful, rule-based competition, negotiation and cooperation within institutional arrangement for arriving at political decisions in which individuals acquire power to decide. Free, regular elections, peaceful succession, low barriers to political participation and protection of civil and political liberties are practised. The two criteria taken together imply an implicit correlation between economic growth and democracy.

Two propositions, taken together define the central contradiction which makes developmental democratic states difficult to establish and sustain (Leflwick, 2000, p 174). First is democracy once consolidated and stabilised, especially in its minimal representative form is a conservative system of power as in normally involving inter-elite accommodation, compromise, consensus and incrementalism, seldom popular participation. Second is development by both definition and practice is a radical and commonly turbulent process concerned with far-reaching, rapid change in the use and distribution of resources. If successful, the fundamental structures of economic and social life are transformed, generating new political interests, challenging established ones. Both propositions can be virtue or vice of development for some, problem is they rarely coincide.

To fulfill both democracy and development, the contradiction is that democratic developmental states must contain and resolve the rules and hence the practices of stable democratic politics which tend to restrict policy to incremental and accommodationist requirements. On the other hand, developmental requirements pull policy in direction of sharp, unpleasant economic, social changes. The structural contradiction is between conservative requirement of democratic survival and transformative logic of economic growth that new or old democracies must survive and ultimately transcend if they are to become effective developmental democracies. Unconsolidated and unstable democracy has high probability of restraining or undermining economic growth. It is not about is democracy good or bad for development.

The features of developmental democratic states include a dedicated developmental elite, relative autonomy for state apparatus, competent, insulated economic bureaucracy, weak and subordinated civil society, capacity to manage effectively local and foreign economic interests and varying balance of repression, legitimacy and performance which appears to succeed by offering tradeoff between repression and delivery of regular improvement in material circumstances (Leflwick, 2000, pp 175-6). The democratic spectrum ranges from a dominant-party to coalition or consociational developmental democratic state to Indian exceptionalism in coalition politics, democratic with the Hindu rate of growth (Herrin, 1999). Different kinds of politics and regime-type are decisive in differentiating developmental from non-developmental states with four types in all, democratic or partially democratic in both developmental from non-develop mental states.
Democratic or non-democratic, developmental or not, the developmental state is a product of history and politics. Primacy of politics means the major task is to map patterns of politics and state to identify developmental implications. Two inappropriate approaches are to depoliticise associated with neoclassical economics of politics or rational-choice and the official approach to politics emphasizing technical innovation and improvement through better governance, public sector management, institution building and capacity enhancement. Equally naive is a view of politics which opposes prevailing discourse of development and argue for another development, another politics or post-development era. State remains central force in politics of development notwithstanding local and self-organising community groups and inroads to state sovereignty due to globalisation.

In resisting myopic interests and rent-seeking activities of social groups, bureaucratic cohesion and depoliticisation enable developmental state to select optimal policies on basis of organizational consensus and economic merit (Chan, et al, 1998, p 2). Strength, embeddedness, efficacy and adaptability are statist arguments for success. With bourgeoisie of the postmaterial generations, democratisation and success, value added beyond the developmental state may be in privatisation, political more than economic liberalisation, technology and social policy.

One empirical observation of Asian developmental states is the paradoxical divide defined as some of the Northeast Asian first-generation pioneers having crossed over to be first world economies, even as members of the Organisation for Economic Cooperation and Development like Japan and Korea, but still somewhat with a third world political culture and democracy. Whatever the debate about democracy and Asian values, the paradoxical divide is more real than apparent. With education and human resources development not just for economic development, but has socio-political development in commensurate, civil society and non-government organisations as social partners and in regular and meaningful dialogue, has to be part of the equation. While Japan and Korea have succeeded tapping their civilisational and cultural roots in shedding Westernisation as modernisation occurred, democracy even as defined in terms of political participation of the mass, social responsibility and human rights are essentially the Asian variety. How this hampers, obstructs or constrains the developmental state is difficult to assess. Despite the US influence and tutelage in various ways, even Japan and Korea has not crossed this paradoxical divide or come up with an alternative to the divide.

Developemental State and Human Resources Development

The developmental state controls both the supply of skilled labour to the marketplace and the demand for skills to varying degrees through its industrial and trade policies and education and training are linked at the highest and most strategic level with the formulation of economic policies (Ashton, et al, 1999, pp 7-25). The developmental skill-formation model has the state exercising a palpable influence on employers' demand for skills through its industrial and trade policies and deploying a range of mechanisms to ensure an appropriate supply of skills. The four tiger's model of skill formation connects the stage of economic growth with development of education and training system, the sequencing of skill-formation policy and institutional development parallel to that of the economy (Ashton, et al, 1999, pp 123-46). Intervention by the developmental state over market adjustment process is potentially superior with the political elite's objective to match skills supply to skills demand as satisfactory to the bureaucracy in being able to read and anticipate market trends as and being egalitarian to Confucian values which make even the poorest to deploy resources for education. The tradition of a political economy approach that material relationships of the economic system are central to the society is served with the state relative autonomous from both the economy and civil society so long as it delivers.

Despite democratisation and economic liberalisation weakening ways in which the state linked changes in skills demand with skills supply, there remains some comparative advantage for states to manage skill formation. The model may be more successfully diffused or exported elsewhere by elements rather in totality as through Singapore's regionalisation policy (Sung, 2004). Going beyond the traditional developmental state theory, the developmental worker in the socio-context means the workers' skills formation process is embedded though innovative worker stake-holding while explicitly recognising the importance of workers' social commitment to growth.

Developmental States and Globalisation

States are neither disappearing nor declining, but transformed with globalisation (Weiss, 2003, p 245). Globalisation threatens the limits as social and ecological consequences of previous growth phase unravels for repressed and disenfranchised middle class, poor alienated from the "economic miracle" built on their backs and environmental degradation (Hoogvelt, 2001, pp 220-2). While conventional quality of life measures may be up, those of social progress as in income inequality and poverty levels are subject to interpretation and dispute, further confused since the Asian crisis. The developmental model is dismantling and is replaced by the neoliberal model with new democracy, new social movement, civil society. For all its fragmentation, heterogeneity, diversity and decentralisation, social movements may come together in a broad social alliance which can oppose neoliberal order. Globalisation has rearranged the architecture of world order and is polarising the model of accumulation in which domestic market is no longer strategic to development. Regional economic integration seems strategically logical. Marketisation is consistent with global division of labour. Universal and inclusive credo, not exclusion is neither a production or consumption function, but represents a fundamental shift in social policy away from redistribution toward residualisation.

"Constrained" state and "erosion of national capitalism" as international political economy has radically restricted policy choice and forced policy shifts which play to preferences of global investors and mobile corporations rather than to needs of domestic political economy and citizenry (Weiss, ed, 2003, p 2). Given the growing interdependence and interconnectedness due to globalisation, the " circularity of argument" and other features of "win-lose", constraining-enabling and global-national constitute the logic of globalisation, confounded by some elements beyond measurement. The scope for an institutionalist approach, both hardware and software, is, however, indicated to offer states more room for manoeuvre in the global political economy than globalisation theory allows. The character of domestic institutions matter, like Thailand's once developmental effectively to clientelistic institutions whose weaknesses are not similar as the US and Japanese approaches to telecommunication reform. No common law tradition in Asia, not that legal traditions and
institutions determine nature of state or economic development (Woo-Comings, 2003, p 200). Rule of law is not an elixir to fix contemporary problems, good policy as effective tools to realise the substance of arm-length third party governance is the real world. Ways to achieve admirable goals of transparency, accountability and disinterested justice without mimicking as set of institutions is a matter of creatively using inherited “wrong” institutions which were a source of past developmental success. Quality of institutions charged with responsibility of enacting laws and regulations means working within existing government systems to increase influence of rule of law.

Managing nationalist globalism in India as civilisational grandeur and hegemonic rivalry with China. Neither Korea (Inwom’s chapter in this volume) nor Taiwan (Deans’ chapter in this volume) developmental states are assassinated by globalisation (Weiss, 2003, pp 247-70). Adaptive rather than thorough going transformative change is perceived in neo-developmental states like Japan, Korea, Taiwan, Singapore (Low’s chapter in this volume) and even Hong Kong (Chu’s chapter in this volume). The causality is clearly the developmental state being transformed by globalisation in terms of national governance, institutional conditions which blunt or sharpen the effects of interdependence and the impact of globalisation on institutional change (Weiss, 2003, p 293). The developmental state is under the scrutiny of global markets, especially with ersatz industrialisation and industrial policy bringing in direct foreign investment and multinational corporations. Benchmarking and best practices from technological competency and management to labour relations and employment also come into consideration in international competitiveness measures and rankings.

**DEVELOPMENTAL STATE IN WEST AND EAST ASIA**

Variations on a developmental state theme are provided by both neoclassical German 19th century political economist, Friedrich List, neo-List theory for East Asia and neo-Marxist traditions (Hoogvelt, 2001, pp 220-2). Both East Asian capitalism and developmental state differ from those in the West as a second case of successful industrialisation combining growth with equity and has also been exceptional with public authority and state intervention in the lead. The authoritarian developmental states have Confucian-derived values mixed syncretically with other religions to create a unique system of ethics characterised by diligence, respect for authority, familialism and positive attitude to world affairs. In contrast, the Marxist international political economy emphasises structural factors as in geopolitical and historical as legitimising basis for government, that is, US Pacific dominance, not Confucian cultural values. Government intervention from the UK, France to Germany and Italy, pursues supply-side policy like the developmental state, but the European Union Single Economic Market or Common Agricultural Policy are structural by design (Karagiannis, 2002).

To what extent is Asian model culturally or historically-specific (cold war and post-cold war) may determine both the limits of the Asian developmental model and future of developmental states, including emulation by second-generation industrialisers. If colonisation is relevant to late industrialisers, four postcolonial conditions or situations are identified (Liit, 2003). One is exclusion and anarchy as in sub-Saharan Africa with a weak patrimonial state and a mosaic of ethnic fragments and failure to move from juridical to an empirical state. Two is anti-developmentalism of fundamental Islam with its long history of cultural confrontation with the West. Three is state-led Asian developmental states catapulting into the heartland of the reconstructed global capitalist system. Finally, Latin America with its long intellectual tradition of absorption, experimentation and revolt against Western models which has helped to politicise the process, but in opposition and exclusion in its other world into the global economy. Latin America as the testing ground for neoliberal policies for globalisation, privatisation, democratisation and civil society for intellectual and political renewal is perhaps, not as suited for developmental states as in Asia.

If culture and value are relevant to the Asian developmental states, some Rawlsian consideration and judgement as imperatives of an ethics of development, incorporating normative, moral issues may a philosophical start. The welfare model of human good holds economic policy to be designed to maximise social welfare as a sum of the achieved utilities of a group of individuals (Little, 2003, p 3). Basic needs, wants (preferences) and primary goods as what every rational being is presumed to want are closely related in defining and operationalising quality of life or standard of living. The Aristotelian model follows too the traditions of Hegel and Marx to Mill and Rawls to derive a powerful and compelling vision of the meaning and fullness of human life, articulated in Amartya Sen’s (2000) concept of capabilities and Kant’s intrinsic social democracy which obliges society as a whole to establish institutions which assure all citizens a decent minimum standard of living is distinguished from producers’ or workplace democracy where owners and workers either act in conflict or consensually. Democracy is crucial for freedom, autonomy, dignity and rights. Neoconfucianism may be a development ideology, but the quality of interventionist states and state capacity makes both the ability and commitment of officials, durability and effectiveness of institutional structures, matter (Tipton, 1998, pp 404-7).

**Developmental States in Japan and Korea**

The developmental state as plan rational, giving precedence to structure of domestic industry while promoting the nation's international competitiveness and strategic industries is neither liberal nor democratic with comparative weakness of organised labour (Liu, 1995, pp 52-4). Japan managed to escape the trap of protecting domestic industries. Japan is skeptical of complete market principle even if it imparts efficiency as it offers no guarantee of broader social, political or economic security. For optimal outcomes, the visible state hand, epitomised to Japanese society as the source of collective identity, guarantor of continuity, guardian of common interests and main vehicle for collective goals, works with the invisible hand of the market. Japan is not like the Russian authoritarian welfare state which made people dependent on the state for job security, political promotion and economic improvement. Limited pluralism and pluralistic participation from both opposition parties and mass interest groups including labour ensures a corporatist model governing state-business relationships. While the state as market player may decline, the state remains a powerful regulator and mediator among market players.

Japan and the Asian newly-industrialising economies with openness, small government see efficiency as general operating principle for growth and transformation. Developmental state emphasises government intervention in context of role of market and state with strategic planning as supply side strategy. Modern state intervention has Developmental state undertake selective strategic intervention based on strong administrative capacity, attract best
managerial talent to bureaucratic elite, small in number by international standard. Bureaucratic autonomy and close government-private sector cooperation. Transfer of development state strategy and policy to new environment self-defeating without political and institutional conditions for effective implementation. Asian developmental state is product of historical circumstances with logical corollary that its transferability and replicability in alternative national context is not as important as its approach to the problem. Compatibility with political liberalisation and democratisation, whether good governance or democratic governance is just good administrative, judicial or electoral practice, miss entirely the point: few societies resolve deep development problems without intervention.

High quality intervention, demand management, inequality, disparity and unevenness, developmentism, emphasis on accelerators in technical, technological progress, fiscal policy, industry as growth engine, strategic planning, decentralisation and participation, finance and learning right development lessons. The Korean developmental state underwent “comprehensive” to “limited” transformation (Kim, 1997). A comprehensive development state which is plan rational, regulatory, industrial policy take priority over foreign policy rather than market rational is transitory with inherent limits to reduce interventionist tendencies with pressure to reform, accommodate policy goals other than development. The contradictions and limits were further hastened by heavy industrialisation, industrial policy which favoured big business over medium and small-sized enterprises. Being authoritarian as the governance style being antithetical to democracy is delimiting in and of itself as political culture and maturity rise in commensurate with growth and prosperity, from economics of scarcity to surplus. Dialectic developmental process of social change, state and business working together to attain economic development and in the process, relations are transformed. Chaebol are not complacent rent-seekers and the success of largest chaebol did not rely solely on state. The comprehensive developmental state is the provider of long-term goals for the economy, provider of capital and technology and provider of indirect assistance, mediating with multinational corporations for direct foreign investment, technology transfer, trade promotion, tax incentives and ease regulation, the latter to support private sector in infancy (Kim, 1997, p. 32). Korean transformation is from developmental to regulatory. The reprioritisation of industrial policy with welfare and foreign policy introduced in 1980s, economic liberalisation and internationalisation. Success lies in agility and flexibility in taking advantage of and overcoming domestic obstacles in changing international political economy.

Japan’s model is new in being state-led, attempt to modify existing technology rather than invent is research and development. A learner’s role gave room to develop faster and catch up aided by a unique social and cultural structure. Korea is strongly influenced as former Japanese colony, but its takeoff is in a changed international marketplace, domestic Korean institutions different from Japan’s, being more authoritative, developmental state comprehensive and like Taiwan, provided no new developments in technology and labour processes while Japan did. State-business alliance in chaebol is much stronger than in Japan and Taiwan. The difficulty to emulate both authoritarian and comprehensive developmental state by developing countries, including an efficient and effective state bureaucracy, autonomy from social classes and groups, not relying on domestic capitalist class for political fund and capital resources, disciplining private sector, repressing labour instead. Democratisation is delayed or obscured ala Asian style, labour pays the price as in Korea.

Second-Generation Developmental States

Compressed modernisation, productive corruption or crony capitalism in Southeast Asian states reconnecting to the historically determined rather than culturally, economically or socially specific East Asian developmental states (Masina, ed, 2002, p 5). Impressive Northeast Asia while Southeast Asia does not quite measure up as in land reform, state control of finance, macroeconomic management, industrial policy, agriculture and rural livelihoods, incomes policy and social organisation. “Productive corruption” in Southeast Asian developmental states which did not adopt all of classical Northeast prototypes and chose only what they want to copy is epitomised in crony capitalism as coined for the Philippines (Masina, ed, 2002, p 15).

Indonesia, Malaysia and Thailand fall into theories of dependency, international political economy, developmental state and late industrialisation (Abbott, 2003 and Abbott’s chapter in this volume). The capitalist developmental state as encapsulated in either directly or indirectly Weberian, neo-Weberian or indirectly in emphasising the role of the bureaucracy in formulating and implementing long term economic goals. They conform to the capitalist developmental state when historically-specific factors are considered, but cannot neglect the dynamics of regional and global political economy which make them manifest themselves differently. Neopatrimonial Indonesia has a strong predilection toward state management since Suharto manipulated and fostered traditional cultural images in patron-client linkages to legitimise a very personal and authoritarian style of government.

Malaysia manages foreign capital with the public-private distinction, plan rationality, autonomous economic technocracy to achieve concomitantly economic development and ethnic redistribution. Malaysia’s plural society has moved to political pluralism as it is no longer ethnic politics between Malay and Chinese per se, but a Malay-Malay problem which has created the diversity in developmentalism as a cultural corollary of the developmental state. Globalisation and information communication technology have increased participatory democracy and cultural liberalisation as a new socio-political ferment rise to challenge the developmental state from the socio-political and cultural dimensions.

Thailand has moved from a bureaucratic polity, managing public-private distinction, plan rationality and autonomous economic technocracy to the politics of corruption. Thakonomics and corporatised governance heralded a new form of governance featuring business management style and culture which marginalised bureaucratic elitism, civil society and more rural-rooted non-governmental organisations already impacted by marketisation and economic globalisation. In both Thailand and Malaysia, the role of the middle-income class, generally more professional and educated, the rise of the civil society and non-governmental organisations as the non-formal political realm, not just in the formal electoral political realm, may be surprisingly faster and sharper than in more developmental state of Singapore.

All three Southeast Asian economies with the automotive industry feature ambiguous uneven development, some more developed than others with autonomous industrialisation restricted because the capitalist-industrial mode of production is invariably constrained by a capitalist development which originated in the core of international capitalism. Clustering, key technologies, staged development allowing indigenous small, medium-sized enterprises to develop with Fordism as a socio-economic model synonymous with modernity and economic development make automotive industry attractive and desirable. All have ancillary firms start as joint ventures or technological licence majority large with some dualism
between suppliers of original equipment manufacturing and firms which supply the replacement market as in repairs. Components industry has grown but not in core technologies with lack of indigenous success apparent necessitating continued reliance on foreign technology. Historical specificity matters in an accurate portrait of different sectors, government, society, local, regional and global political economy. Dependency remains relevant.

**Developmental State in China**

China is an exceptional dual developmental state moving from central legislative to local political institutions, between the People's Congress which makes laws for governing and market creation and supervision of government and the judicial branch nested in a two-tiered central/local synergism (Xia, 2000). Chinese deviations from classical developmental state meant a network approach and embedded autonomy to understand linkages, connectedness and ties between states and societies, political and industrial elites and capital and bureaucracy. One common institutional feature is networks and networking. State capacity as the government's ability to get its job done, including mobilising society, extract resources, steer development and legitimate regime is another characteristic of the classical developmental state. China has maintained state capacity even with decentralisation and legislation to reduce transaction costs and empower created markets. In creating a market-oriented economy, China has intentionally adopted and emulated the classical developmental state with necessary adaptations owing to its territorial and demographic size and communist background. Marketisation has institutionalised the core centre-periphery relationship, providing the context to shape structure, styles and characteristics of processes. While the West is an analogical framework, Eastern Europe and East Asia provide a frame of reference as bureaucratic, authoritarian, industrialising and capitalistic regimes.

Four characteristics of the dual developmental state include (Xia, 2000, pp 27-30), 

- **an active role for the state and a collaborative relationship between the state and economy where “a state committed to development must ... develop a market system (Deyo, 1987, p 141) and strong, active states are market-fostering and facilitating, not passive. Two the state provides an industrial policy as the “development, guidance and supervision of industry” (Johnson, 1995, p 64) and deepening industrial policy means the state's ability to “move in and move out of sectors, to promote this or that industry” (Cumings, 1987, pp 74 and 81). “South Korea, Taiwan, and Singapore all have dirigiste bureaucracies capable of extracting and channelling resources to targeted industries and selectively altering and sequencing the system of industrial incentives, including those for foreign investors (Deyo, 1987, p 102). These a dictatorship of development be it a group of Japanese ruling elites, Park Chung Hee, Chiang Ching-kuo or Lee Kuan Yew who are in control, fear full democracy which spins countries out of control and thus conscientiously delayed. (Johnson, 1995, p 48). Instead, authoritarianism works as political arrangements in a “four-part model” where an elite group dominates the ruling establishment, interest groups are limited and weak, political decisions based on market mechanism as means of intervention is emphasised and national pride and nationalism are nurtured, but not as a constitutional development (Johnson, 1995, p 47). The state is insulated from social forces, autonomous, strong and effective in a neautoritarian, soft authoritarian, paternalistic way (Johnson, 1987, Berger and Hsiao, 1988, p 83).**

Meritocracy ensures social equity and legitimacy is based on economic accomplishment and performance, dot democracy. Finally, executive dominance over legislative institutions or administrative guidance is a typical institutional feature, emphasising the role of bureaucracy rather than legislature and local government.

The Asian crisis was a wake-up call for all, but the slew of corporate and financial reforms with or without the behest of the International Monetary Fund in both Southeast and Northeast Asia were not genuine; The logic behind Korea's corporate reform programme is fundamentally flawed, incurred huge costs and will result in significant reduction in growth dynamic in the longer-term (Shin and Chang, 2003, p 4). Gerschenkron's 'patterns of industrialisation' for Britain, Germany and Russia in 19th century applied to the US, Japan and Korea in 20th differing in latter two adopting substituting strategies basically of nationalistic or mercantilist character focused on building internationally competitive "local" industries. Singapore and Taiwan took complementary strategy with state employ a broad range of industrial policy measures and continually led structural changes of economies. Catching-up patterns differ from Gerschenkron's schema, reflecting technological, international environment and acceleration of globalisation in 20th century. Singapore's internationalist model is through government-linked companies. Taiwan's nationalistic path rely on three pillars of public enterprises, guangxiqiyi (local business groups) and small and medium-sized enterprises. State-bank-chaebol nexus in Korea Inc or Japan Inc's iron triangle have transition costs, if at all they can transform. Korea needs a second-stage catching-up system as do Japan to maintain its first world industrial momentum.

**By Way of Conclusion: Happiness, Progress and Welfare**

Happiness, broadly conceptualised may be "good-that-one-seeks-as-an-end-in-itself-and-for-no-other-reason", seems a self-sufficient in itself and the purpose of government is to facilitate this pursuit of happiness of its citizens (Murray, 1988, p 15). John Maynard Keynes’ essay called "Economic Possibilities for our Grandchildren", noted, that for most of history, there had been no great change in people's average standard of living. There had been ups and downs, certainly, but no progressive improvement. That changed drastically when the industrial revolution broke out. Despite big population increases, Keynes said, average living standards had risen fourfold in the US and Europe since 1800, and he predicted they would rise another four to eight times in the following 100 years. Instead of the struggle for subsistence, Keynes said humankind's real permanent problem would be to use its freedom from pressing economic cares to live wisely, agreeably and well. The benefits of increased prosperity have not been evenly spread. Even in the rich countries of the west, large numbers of people are still in poverty and many others struggle to make ends meet.

An explanation for society's broader melancholy may lie in the "hierarchy of needs" that Abraham Maslow, a behavioural psychologist, drew up in 1943. Maslow asserted that the highest level of human motivation was the need to achieve self-fulfilment. Below that were other levels of need, each of which had to be satisfied before people could progress to the next. At the bottom of Maslow's pyramid of needs were the basics of life such as food, water, and material comforts. Next were safety and security needs. Then came love and belongingness, including the desire to feel accepted by the family, the community and
colleagues at work. After that came the need for esteem - both self-esteem and other people's respect and admiration. And then finally, at the top, came what Maslow called self-actualisation - the point at which people achieved the happiness that came from becoming all they were capable of becoming. At this level, people might seek knowledge and aesthetic experiences for themselves and help others achieve self-fulfilment. Clearly, money is very important in satisfying the pre-conditions for happiness. Without it, people cannot satisfy their basic needs and are unlikely to progress beyond the lower levels of Maslow's pyramid.

The trouble is, having spent almost their entire history in the struggle for subsistence, people and their governments, have come to believe that greater prosperity is the key to greater happiness even beyond the point at which basic levels of comfort have been achieved, while Maslow's pyramid suggests otherwise. Interestingly, happiness studies support Maslow's proposition. They show that, while people on very low incomes become significantly happier when their earnings rise, once they reach a quite modest level of income, as little as US $10,000 a year, further increases in earnings bring very little extra happiness. As for individuals, so for nations, unsurprisingly, people in rich countries report higher levels of happiness than those in poor ones. But once countries reach a certain level of economic development, roughly the stage Britain reached in the "you've never had it so good" era of the 1950s, further increases in national wealth make very little difference.

In fact, happiness can even decline, be it the counterculture revolution as that of the hippie movement of the 1960s or whatever ailed the British empire long before that. But it is a different matter to suggest that, beyond a certain point, societies do not grow happier as they get richer. For at least half a century, governments have used gross domestic product (or its near relative, gross national product) as a proxy for well-being. Yet, if the link between gross domestic product and happiness no longer exists, one of the key objectives of government policy, keeping gross domestic product on an upward trajectory, is called into question. What money, time as "the new money" could not measure by gross domestic product and worse, gross domestic product often counts as gains things that actually make people more miserable as in the second layer of Maslow's pyramid - people's need for safety and security and increased spending on surveillance systems and fighting crime, mean people's happiness declines because they feel less secure. Similarly, rising divorce rates, increased spending on lawyers, counselling and multiple households, rising levels of depression now plaguing western societies greatly lower people's self-esteem.

Like Keynes, one can extrapolate gross domestic product growth and see where it takes mankind 100 years hence. Thanks to the miracle of compound growth, an annual increase of 2% would make the world seven times better off by 2103. An annual increase of 3% would make the world an almost unbelievable 19 times better off over the same period. Generally, gross domestic product remains a core figure, but adjusted for the notional cost of economic "bads" that detract from human well-being, is the Index of Sustainable Economic Welfare, first developed by former World Bank economist Herman Daly and theologian John Cobb (Daly and Cobb, 1989 and 1994). Another index called the Genuine Progress Indicator, calculated by a US not-for-profit organisation called Redefining Progress, takes a similar approach but also adds the value of voluntary work in the community and subtracts a figure for the loss of leisure incurred by people who work excess hours.

In the UK, a similar phenomenon occurs with the Index of Sustainable Economic Welfare. Once in place, a new measure of progress could produce big changes in government priorities. The relentless drive for higher productivity, for example, could yield to pressure for compulsory limits on working hours to encourage people to spend more time with their families and communities. An effort to reduce income inequalities could imply a clampdown on corporate greed and higher taxes on the wealthy. Big increases in taxes on the use of non-renewable resources could help finance solutions to environmental and social decay. Such controversial moves would likely find greater favour among centre-left proponents of social engineering than among advocates of free-market capitalism. But as Keynes predicted, the rich countries of the west have reached a turning point, and as we move into a post-materialist era, happiness is moving up the political and cultural agenda. Hedonistic psychology, or the study of happiness, is becoming a boom industry from Daniel Kahneman, joint winner of the Nobel prize in economics in 2002 to Richard Layard who described gross domestic product as a "hopeless measure of welfare". Among other things, there seems a case for state intervention to boost life satisfaction or the pursuit of happiness.

While not capacity-reducing, the state's role in taxation, social welfare and industrial governance are broad areas for wealth creation and social protection in the pursuit of happiness and satisfaction for all. Institutional mediation of global interdependence as in trade competition is a challenge to upgrade production and technology, administrative structures, governing elite and government-business linkages, the constellation of norms, rules and organisational arrangements are all part of government political institutions. Welfare retrenchment in context of rising financial interdependence is traced to different normative and organisational features of institutions, programmatic structures as means-tested or universalistic benefits. The mediating power of embedded social norms, shared norms cannot be underestimated.

Elite cohesion enables greater insulation from both domestic and external pressures, institutional persistence as sources of such cohesion are important to adapting to change. It is not in independence which drives social spending to compensate for openness, but institutions of competitive politics which explains "mean" oligarchic Singapore versus democratic Korea and Taiwan. Institutional impact of global markets is tendency to weaken statist forms of rule and encourage domestically, the growth of various forms of governed interdependence which entails a variety of public-private partnerships and alliances, policy networks, information exchange and self regulation under state's goal setting auspices without supplanting statist or liberal pluralist state-society relations. The character of global markets as in strong systemic risk, of competition and of existing domestic institutions affect constraint-transformationalist globalisation and governance.

OVERVIEW OF CHAPTERS

This volume comprises 13 chapters in two parts. Part 1 (Chapters 1 to 5) surveys the theoretical and empirical overview of developmental states while Part 2 (Chapters 6 to 13) covers nine country-cases, with Abbott's chapter on the automobile industry doubling for the developmental state's experience in Thailand and Malaysia.

Following this, in Chapter 2, Mark Beeson reviews the rise of the developmental state, its desirability and appropriateness given the experiences from pioneer and exemplar Japan to other developmental states in Northeast Asia. Beyond a "certain critical point", the Northeast Asian developmental state seems to have "done its job", but Beeson is not declaring it dead as the developmental state "does still play an important and useful role in directing the course of
development ... still play a critical role in other parts of the world". Beeson concludes optimistically that after discounting how the debate about the developmental state is misconceived, "all states are developmental".

Chapter 3 by Cal Clark and Steve Chan takes the developmental state in the context of the Asian crisis, the "before" and "after" lessons from the Asian flu. Beside the usual suspects of neoclassical arguments about both market government failure and speculative excess, some generational distinction of the "late-late-late" industrialisers like Hong Kong and Singapore where their respective states played very different roles, are noted. While the archetypal developmental state, Japan's performance may be deteriorating, Hong Kong, Taiwan and Singapore may be differentiated to reject the neoclassical argument that the Asian crisis discredits the developmental state's role. Indeed, better policy is needed and a less deterministic perspective is pleaded by the authors. The developmental state "deserves neither all the credit ... nor all the blame" before and after the Asian crisis, respectively, a case of "market failure abetted and exacerbated by the absence of effective government policies". The authors lend some support to the "paradoxical divide" thesis in that the archetypal model of the developmental state has come under increasing pressure and challenge even in Asia ... model has never really evolved in Southeast Asia". The more substantive research agenda for political economists is on positioning a political economy strategically in the global economy, not on natural, even inevitable periodic setbacks like the Asian crisis.

The differences between the two generations of Northeast and Southeast developmental states, particularly, the latter's erts industiralisation, reliant on direct foreign investment and multinational companies instead of indigenous firms and capabilities, form the theme in Chapter 4 by KS Jomo. Chapter 3 provides a broad, but useful sweep of Southeast Asian developmental states as "paper tiger" in contrast to those in East Asia. Jomo may not be as forgiving as Clark and Chan on the Asian crisis being not quite self-inflicted, but inevitable periodic setbacks. However, he concurs on the effects of globalisation, technical change and new role for the state with economic liberalisation. "Strategic pragmatism should prevail, not dogma" and both selective intervention with effective coordination presume consistency with the "road-map" of policy goals.

In Chapter 5, Christopher Dent takes the East Asian developmental state further into the new international political economy context, with "creative destruction" dynamic to foreign economic policy structure and process. Dent goes beyond the classical definition of the East Asian developmental state with Singapore, Taiwan and Korea considered comparatively beyond their domestic setting to take into account their international political economy or foreign economic policy. Thus, neoliberal consideration, economic security, technical and actors, are relevant in the continued challenges of globalisation and regionalism. A brief, but important comparison of the three East Asian developmental states offer insights for the transformative capacity of the new developmental state. Quintessentially, foreign economic policy and international political economy must be taken seriously in both the technical and relational dimensions of the new developmental state. The Asian crisis was an erstwhile catalytic trigger for "creative destruction" of both the developmental state and East Asian regionalism.

A refreshing, insider's view is provided by Ichiro Araki in Chapter 6 which update's Johnson's classic Ministry of International Trade and Industry (MITI) to Ministry of Economy, Trade and Industry (METI) since 2001. The Kodak-Fuji case-study illustrative of MITI's explanation of its industrial policy to the world. Notwithstanding MITI's transformation to METI, the conclusion that the developmental state way of thinking dies hard" is one view of the author which seems to reflect Carpenter (2003), that given Japan's special corporations and bureaucracy, it cannot reform as well as other developmental states featured in this volume.

Chapter 7 by Kyun Kim and Inyoung Park see the Asian crisis as the trigger for reform of the Korean developmental state and search for new growth engine. Whether crisis-induced regime change or not, the "state-guided developmental model" the shift to a "neoliberal model" under more transparent and democratic auspices raises the debate of Anglo-American capitalism or Asian capitalism as more suited to Asia. A "participatory government" is seen as the reform of developmental states faced with internal and external changes, together with labour market flexibility, innovation-driven national competitiveness and a more balanced income distribution and a fair socio-economic system for Korea. The Korean government should turn from planner to mediator as a market-friendly environment is best. Specifically, the authors call for the state to "step down to the auditor's position and the market order take over the chief executive officer's chair" in Korea Inc. This seems a call applicable for all Asian developmental states in the next stage of globalisation, information communication technology and deregulation.

Chapter 8 by Phil Deans make the People's Republic of China a differentiated product compared to other Asian developmental states. Apart from the initial conditions and communist regime compared to capitalist developmental states elsewhere, China's social version still has the three institutional criteria as in transformative goals, an insulated pilot agency and institutionalised government-business relations. Its membership in the World Trade Organisation as a limitation of state policy tools also sets China's developmental state out differently. Rather than "plan rationality", Deans asks if the perestroika in 1978 was as planned as thought or a case of dysfunctional development. Dealing with the four segments of the corporate sector, especially state-owned enterprises is not as straightforward with other developmental states' relations with business. With autonomy, decentralisation, liberalisation also-known-as WTO commitments reducing China's "developmental space", the protection cover enjoyed by other Asian developmental states is thinner. The Internet revolution and resulting new social classes juxtaposing a post-socialist state with a capitalist developmental state makes China constitute further challenges.

- In Chapter 9, Chu Yin-Wah poses Hong Kong as an anomaly as its colonial government did not pursue industrial policies comparable to those in other Asian developmental states, putting faith instead on laissez-faire. Since the Asian crisis, market-leading economic policies have strong state "interventionist" experiments, ranging from housing to innovation and technology. The Special Administrative Region is between a rock and hard place, caught between China and globalisation as both threats and challenges. Unemployment induced by the Asian crisis and structural dislocation have caused the major rethink. But the continued domination of laissez-faire ideology and institutional and bureaucratic practices have made whatever "big push" state experiments unremarkable. Hong Kong may well have to accept an intermediary instead of a core part of the new economy given its competitive advantage in finance, trade and other producer services which continue to benefit from China's growing Spark Elite and institutional mindset change seem as important as in other Asian developmental states, the only difference is the direction of change from laissez-faire to some features of state intervention as developmental support becomes necessary.
In Chapter 10, Linda Low reviews the Singapore's developmental state which is about the most globalised and attuned to the new knowledge-based economy facilitated by information communication technology and deregulation. The political economy of the dominant one-party People's Action Party government since 1959 is another unique strength to Singapore's developmental state. The combination has two important implications, one that the old developmental state suited the old economy when big infrastructural and industrial projects in partnership with many multinational corporations called for the state which intervention in the "right" way, and two, a remaking to a new developmental state for the new economy is a works in progress. Considering the changes from both the Government of Singapore Investment Corporation and Temasek Holdings at the apex of Singapore Inc, the new developmental state as facilitator rather than regulator and proposals to distance and privatise government-linked companies from the government, notwithstanding "affirmative" relations of many Lees in top posts in Singapore Inc, have to be scrutinised more carefully. In the final analysis, the developmental state is likely to prevail in a more mature and sophisticated political economy. The People's Action Party government, Singapore Inc and developmental state as a package is not likely to disappear, but will morph sufficiently to be economically, globally and technologically relevant, not necessarily to the dictates of neoliberalism for a small city-state.

In Chapter 11, Jason Abbott's analysis of the automobile industry of Thailand and Malaysia as test cases of how they conform to the capitalist developmental state concludes with them as differential, not only with other Asian developmental states, but also different between themselves. While Malaysia's development approximated the capitalist developmental state, its ethnic politics means development has not been the only or even the major source of both government legitimacy and government policy. Thailand's escape from European capitalism, influence from Buddhism and the monarchy and frequency of political instability and military rule have created a differentiated role for technocracy which is not as autonomous as in Japan and Korea. Without a lead agency and technocracy falling prey to political factionalism, the Thai developmental model, like that in Malaysia as the rest of Southeast Asia has neither economic and social development evolved "naturally" with free market forces, but under specific localised responses and specific conditions. Organisationally, automotive manufacturing is the most global of manufacturing industries, making the discussion of the state's role in the Thai and Malaysian automotive case-studies doubly interesting and differential.

For Myanmar in Chapter 12, Tin Maung Maung Than gives a refreshing case of a failed developmental state by tracing its development experiences since 1948. A broad span of Myanmar's historical case shows its peculiar difficulties without the institutional and financial resources, the socialist and military regimes before the breakaway to a market approach and issues with the developmental elite and elusive legitimacy. Much as Myanmar has failed in its mimicking other Asian developmental states, the chapter concludes that with sufficient political will to garner the missing ingredients as identified, there is a chance yet for a rejuvenated Myanmar developmental state.

Outside of Asia, Chapter 13 by Bernadette Andresso-O'Callaghan on Ireland concludes the Irish state as a growth-promoter rather than a pure developmental state in the same catching-up industrialization process. While the Irish Industrial Development Agency may be as state interventionist as other state agencies in Asian developmental states, the socio-political culture in Ireland and in the European Union context have to be noted. However, Ireland suffers from the same inadequacies despite state intervention in industrialisation and human capital development as missing links are noted in social development, innovation and research and development to overcome Jomo's conceptualisation of ersatz industrialisation. Her conclusion resonates with other authors that state-led industrialisation is a necessary but not sufficient condition for Ireland to be truly qualified as a developmental state. Even its emerging indigenous software industry as an area of relative technological success is fragile. In conclusion, the state as growth promoter is less sustainable than the developmental model, but there are no clear and explicit recommendation of the prospects for the Irish developmental state such as it is. However, neoliberal participatory democracy is already there in Ireland.

**BIBLIOGRAPHY**


