DOWNLOAD PDF STATE-LED ECONOMIC DEVELOPMENT

Chapter 1 : State capitalism vs the free market: Which performs better? | calendrierdelascience.com

Louisiana Economic Development is responsible for strengthening the state's business environment and creating a more vibrant Louisiana economy.

July 3, This piece originally appeared in Reuters Magazine. Some economists have even argued that, measured by purchasing-power parity, China has already pulled ahead. For the moment, at least, state-managed capitalism appears to be triumphant. Such appearances, however, are misleading. The appeal of state capitalism lies in its ability to withstand the occasional crises that afflict market systems, thus shielding the general population from politically inconvenient disruptions. It is a system in which the state uses state-owned enterprises, national champion firms, sovereign wealth funds, and politically loyal banks to dominate the process of domestic wealth creation. To be sure, this is not communism; significant segments of state capitalist economies are in private hands. China is not the only state capitalist economy producing impressive results. As the Arab world continues to contend with the risks of political turmoil, Saudi Arabia and the United Arab Emirates have stockpiled the cash they need to maintain stability by controlling much of the wealth produced by national oil companies. Even some emerging democracies have begun to flirt with limited forms of managed capitalism. State control is not the future of capitalism. It is a dead end from which China will have to free itself if it is truly destined to dominate the world economy. Its ability to stimulate growth and general prosperity is a secondary benefit. Forced to choose between public wealth and political survival, state capitalists will always protect their own interests first. In China, as elsewhere, commercial activity depends on access to information, and the Internet provides the best and most efficient access to it. The liberal capitalist model makes it possible for the workers, resources, and ideas invested in a dying industry to spontaneously recombine in novel configurations to produce goods and services that satisfy emerging demand. But the economic engineers of state capitalism fear any form of destruction that develops beyond their control. This is why state-owned companies, which build influence within government over time, often succeed in resisting the need to adapt to changing times. Then there is the question of openness. When such institutions can hide their failures, they are free to inflict much more lasting harm than they otherwise could. Managed capitalism also falls short when it comes to exploiting innovation, though government-directed investment can play an important role in the development of new technologies. The Internet arose from a U. History shows that over time state officials never value assets and allocate resources as efficiently as market forces can. Even in China, state officials understand that citizens are the engine of economic vitality.

Chapter 2 : The Developmental State

Market led development is built on a family of three foundations or principles - appropriate incentives, private property and a stable macro-economic environment. Development is the processing of empowering people to give them the capacity to pursue goals to improve their well-being, their environment and their destiny.

Follow TIMEBusiness For much of the past 30 years, the long-running, 20th-century contest between state and market had appeared settled. The strong, post-Reagan economic performance of the U. Free capitalism had emerged a clear winner. Or so it seemed. In the wake of the financial crisis, the debate over the proper role of the state in a modern economy has been reopened. In Europe, politicians are grappling with how to regain competitiveness through liberalization while still maintaining the extensive social protection of their welfare states. In emerging markets, however, a significant state hand in economic development is far less controversial. And it has not gone unnoticed among some analysts in the West that many of these same emerging markets have also generally maintained their growth despite the devastating global downturn. Is that really the case? The current economic crisis is testing our most cherished principles of market economics. Unemployment remains stubbornly high and growth stubbornly slow, and debt is an escalating problem throughout the developed world. Our economic predicament is not a temporary or traditional condition. Put simply, the economic model that drove the long boom from the s to , has broken down. And what have we found? The state is very much at the center of things. While it is true, of course, that no economy in the world today is a pure free market economy â€" all governments step into economic matters in one way or another â€" state capitalists do so in ways unthinkable in the U. For example, in state capitalists, governments influence bank lending, or outright own large and important segments of the economy. Their policymakers are more willing to guide the economy through bureaucratic fiat. All of these elements of state capitalism might sound just plain dangerous to many in the West. But the fact is that the failings of the advanced economies and the continued strength in emerging markets has made it much more difficult to claim free markets trump state capitalism. When leaders of free-market democracies diagnose the global meltdown, they now face the skeptical smiles of those who believe that the free market has failed and that the state should play the leading role in guiding national economiesâ€¦ The financial crisis and market meltdowns in America and Europe have given state capitalism a big boost. So, should we all become state capitalists? Is state capitalism a remedy for the ills the West is facing today? Yes, the economy continues to grow at a stellar pace, and a big reason why is the role of the government. The country powered through the Great Recession to a great degree because of government stimulus, credit from state banks and investment by state corporations. But state intervention is having a clear downside as well. Too heavy a state hand â€" through, for example, bureaucratic meddling in the financial system and government control of the value of the yuan â€" is creating an economy with serious distortions , including rising levels of debt, excessive investment, even more excessive external surpluses, and a potential banking crisis. The Persian Gulf emirates, often cited as another state capitalism success story, have experienced similar problems. Dubai, for example, is still sorting through the fallout from a gargantuan, debt-driven real estate bubble, which to a great degree was inflated by state enterprises. Under Prime Minister and formerly President Vladimir Putin, the state reasserted its authority, regaining its dominance over key sectors of the economy, especially the crucial oil and gas industry. Putin also redistributed oil money by increasing government spending and the size of the civil service. That sparked a pre-crisis consumer boom, but today the story is much different. State enterprises, favored by overbearing bureaucrats, are crowding out the private sector. World Bank surveys show Russia is becoming a harder and harder place to do business. Endemic corruption has soured the investment climate. Private capital is fleeing the country. So even though it is true that free capitalism has fallen on hard times, a better system has not yet emerged. State capitalism is not the solution. Subscribe Popular Among Subscribers.

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Chapter 3 : Are state-led economies better?

Developmental state, or hard state, is a term used by international political economy scholars to refer to the phenomenon of state-led macroeconomic planning in East Asia in the late twentieth century.

States and Economic Development: Verena Fritz, Research Fellow, ODI Description Based on his research and on his first-hand engagement with development challenges and processes, Professor Mushtaq Khan discussed the role of the state in economic development, and the potential and risks involved in pursuing more state-led policies. For the past 20 years, donors have advised and often pushed governments of developing countries to reduce their direct engagement in the economy â€" to liberalize their markets, to privatize state owned enterprises and utility companies, and to focus the role of the state on policy development, regulation, and the provision of basic services. In contrast to these principles, a number of emerging economies have been successful in stimulating development based on more state-interventionist models of both capitalist and communist stripes. Moreover, in order to make poverty history and to achieve the MDGs, and also to develop the necessary infrastructure to provide clean water and to facilitate export-led growth, a re-expansion of the role of the state appears as an essential ingredient. However, as the history of many developing countries in the s reminds us â€" when state-led development reached its zenith - interventionist policies harbour great risks, and can deteriorate into crippling degrees of rent-seeking. Downloads Prof Mushtaq Khan Presentationpdf Prof Khan began by setting out what he sees as the three phases of post colonial development policy: Post- war policy which saw a consensus of interventionism; s focus on neo-liberal policies to cut back subsidies, reduce inflation and encourage market led growth; s economic policy focus especially on market-led economic growth. Prof Khan then went on to present figures on the correlation between growth and good governance measured in terms of the property rights index. He said he felt these highlight his proposition that good governance is not the main vehicle for growth that it is widely believed to be. Through the figures he identified that there is no evidence to prove that good governance spurs growth: Rather, developing countries that are falling behind diverging first need to gather steam for an economic transformation before they can address governance reforms and move towards being developed countries. He continued by examining the difference in growth patterns among developing countries. He argued there are three types of growth strategies: Prof Khan then went on to describe important roles for the state that are not in accordance with the classic view of good governance: Management of non-market transfers is critical. He argued it is almost impossible for developing states to enforce property rights, and that it may in fact be counterproductive. The protection of property rights is costly and consumes considerable resources in developed countries ; and it may be counterproductive to protect property rights in situations where many assets are not yet used productively. The cost of political stabilization can be high and to finance these may require off-budget transactions as fiscal systems play a more limited role in developing compared to developed countries ; while a minimum amount of political stability is absolutely critical. Catching up requires learning-by-doing. This will see productivity levels rise and thus competitiveness in the international market. He then raised the question as to why contestable property rights are the norm in developing countries. He asserted that non-market transfers become necessary due to the informal pre-capitalist economies being unable to produce surpluses to protect themselves. He challenged the typical view that non-market transfers have to be negative in the form of theft or seizure; arguing that non-market transfers can create emerging capitalists who aspire to use assets more productively. He did highlight, however, that unproductive groups capturing resources can have the opposite effect. Prof Khan argued that it is important to make patron-client networks help to create a class that is structured and organised, creating politically-driven groups who build off-budget resources and create a capitalist accumulation. He emphasised that not all catching-up strategies are successful and that the management of rents such as those generated by the subsidization of catching-up industries are important factors. He gave China as an example of a country where items have been sold for less than the production costs due to heavy subsidization. The subsidization is not indefinite but once an industry becomes productive, effective rent management leads to a situation of "benign" profit sharing with public officials; while in turn promoting continued productivity increases. Not all developing countries followed this path, however. Where effective rent-management is lacking, what emerges is what Khan calls a "malign" situation of rent-absorption by socially powerful actors who are inefficient and do not foster increases in productivity. Prof Khan concluded by stressing that he was not opposed to good governance per se and agreed that it is desirable; but emphasised that recognising the importance of different structural, economic and social reforms are imperative. Discussant Chris Stevens reacted to the points raised by Prof Khan by highlighting two key issues: Stevens highlighted his belief that there should be no expectation that Africa will follow the same path as East Asia. He made an explicit point of agreeing with Prof Khan and highlighting the importance of rent capture and the links between government and industries. He emphasised the need to facilitate better links between government and industries to ensure productive rent capture. The following points were covered in the discussion: The importance of governance: Prof Khan argued that it was important but it must be seen as a facilitator for development Models of developmental success: Taiwan highlights the importance of strong state capacities in development Donor engagement in volatile political arenas for development issues only:

Chapter 4 : About LED | Louisiana Economic Development

State-led economic development is an institutional approach to development emerging from cold war-era debates about how poor countries can achieve economic development. Drawn largely from the experiences of successful developing countries in Asia, state-led development is now a more coherently defined approach that late-developing countries.

The remarkable thing about China was that it managed to shift from a Soviet-style command economy, wherein the government owns all major industry and directs all production, to a state planning model wherein the State shapes and facilitates the economy with a much lighter touch. To understand the implications of this legacy of state planning for the future of China, we have to understand not only the history of state-led development, but the ways in which it is used to support Party rule and the obstacles it faces today. It has used tariff barriers to encourage import-substitution. Development toward a market economy becomes a national project that focuses on developing certain key capabilities to ensure national economic strength and competitiveness. The Chinese version of economic planning has also relied on the more decentralised entrepreneurship of local officials. The mechanisms of state planning and their effects in shaping and encouraging economic development are felt at a local level. At the township and county levels, enterprises compete for a place on government enterprise lists, which in turn confers preferential assistance from the state in securing land, capital and other inputs needed for growth. Under the cadre responsibility system, township mayors sign contracts with the county which include economic productivity measures. This process was not without problems. Although highly successful at cultivating growth, the decentralised approach to state planning meant not only that lower government levels tended to coddle inefficient industries and become corrupt themselves, but that government itself grew in proportion to the economy. Adaptation and Restructuring Beginning in , the state began to release all but the most profitable State-Owned Industries, and in began a series of programs designed to reduce government size and improve the efficiency of economic regulation. Although these reforms did liberalise large parts of the economy, they do not represent a transition from a planned economy to a market economy, but rather a new concentration of resources in strategic areas. State Agency If this seems strange, the mental leap we have to make is that the state itself is viewed almost as an enterprise, competing globally for the public good of its citizens. We can carp about unfair practices all we want, but the truth is that nations which adopt this principle will tend to gain the high ground and every Western nation does engage in protectionism in one industry or another, as the Chinese are quick to point out , while others get left behind. Propaganda Chinese scholars persistently argue that the transition from command planning to reform economic planning was possible in China because of the continuing strength and coherence of the Party. Authoritarianism and the Developmental State There is absolutely no question that the Chinese approach to development has worked incredibly well, or that the Party has gained enormous legitimacy with its people because of it. But when we ask about the future of the developmental state, we have to remember how the Party uses it, both ideologically and materially. This is democracy or butter. For many of us, his comments about an uncaring political establishment incapable of consistent policy-making for the public good despite democratic process may strike very close to home. The Party has won a great deal of legitimacy by providing public goods, and it has certainly bowed to the wishes of the public in many instances. The former regime was overthrown by a minority of educated urban people. The new government has been put in place largely by the vote of the rural poor, whose basic needs have always been met more by the Muslim Brotherhood than by the state. Like many books about China, it is filled with tales of all the issues on which the Party is not listening to the people- unequal laws, gender discrimination, unequal development, unjust land laws, discrimination in social services and education. And even many of these issues come second to the issues of labour abuses, environmental degradation, corruption, censorship and so many others that plague China. As premier, Wen Jiabao spent ten years telling the people that these problems must be dealt with. They never were, and the new administration is unlikely to change that. The Chinese government reaches its highest adaptive potential when motivated by the need to maintain legitimacy though the provision of a public good, whether that be economic prosperity, economic sustainability or environmental health. No crowds are assembling in China to campaign for democratic reform, no new student movement seeks to topple the government. Those who campaign on issues like corruption or labour are effectively canalised within their own special interest. The government and the Party will make concessions in specific instances to keep a lid on popular protest- but it will not reform the system. And why would it? They benefit from a loyal military, as well as the resurgent nationalism of a China that, thanks to the Party, is again truly the Middle Kingdom. The Party experiences no immediate threat to its existence, as it did when reform and opening began. And without that, it has no reason at all to go the distance in satisfying the desires of the people to the detriment of the expensive lifestyles of its own higher cadres. Lacking that will, state-led development will hit a dead end. The Party might find itself trying to control a country on overload, and sooner than it thinks. But even if the Party falls or is forced to radically reform, it is doubtful that state planning will ever entirely disappear. The people understand that a country the size of China must be managed, one way or another.

Chapter 5 : LED | Louisiana Economic Development

Both state-led and market-led approaches to development present substantial difficulties in implementation and costs. However, for a country striving for economic development and a better position in the international economy in the long run, the state-led approach seems more advisable. Admittedly.

The spice trade between India and Europe was the main catalyst for the Age of Discovery. The inscription shown, is a Sanskrit invocation of Lord Shiva. The combination of protectionist , import-substitution , Fabian socialism , and social democratic -inspired policies governed India for sometime after the end of British rule. The economy was then characterised by extensive regulation, protectionism , public ownership of large monopolies, pervasive corruption and slow growth. Evidence of well-planned streets, a drainage system and water supply reveals their knowledge of urban planning , which included the first-known urban sanitation systems and the existence of a form of municipal government. Both the Malabar and Coromandel Coasts were the sites of important trading centres from as early as the first century BC, used for import and export as well as transit points between the Mediterranean region and southeast Asia. Historians Tapan Raychaudhuri and Irfan Habib claim this state patronage for overseas trade came to an end by the thirteenth century AD, when it was largely taken over by the local Parsi, Jewish, Syrian Christian and Muslim communities, initially on the Malabar and subsequently on the Coromandel coast. These traders built a Hindu temple , which suggests commerce was active and prosperous for Indians by the 17th century. Villages paid a portion of their agricultural produce as revenue to the rulers, while their craftsmen received a part of the crops at harvest time for their services. Silver coin of the Gupta dynasty , 5th century AD. Mughal era â€" See also: Muslin trade in Bengal and Economy of the Kingdom of Mysore The Indian economy was large and prosperous under the Mughal Empire , up until the 18th century. The Mughal economy functioned on an elaborate system of coined currency, land revenue and trade. Gold, silver and copper coins were issued by the royal mints which functioned on the basis of free coinage. Key industries included textiles , shipbuilding , and steel , and processed exports included cotton textiles, yarns , thread , silk , jute products, metalware , and foods such as sugar , oils and butter. Indeed, at the beginning of the 20th century, "the brightest jewel in the British Crown" was the poorest country in the world in terms of per capita income. The British East India Company, following their conquest of Bengal in , had forced open the large Indian market to British goods, which could be sold in India without tariffs or duties , compared to local Indian producers who were heavily taxed , while in Britain protectionist policies such as bans and high tariffs were implemented to restrict Indian textiles from being sold there, whereas raw cotton was imported from India without tariffs to British factories which manufactured textiles from Indian cotton and sold them back to the Indian market. It also established a system of railways and telegraphs, a civil service that aimed to be free from political interference, a common-law and an adversarial legal system. However, at the end of colonial rule, India inherited an economy that was one of the poorest in the developing world, [] with industrial development stalled, agriculture unable to feed a rapidly growing population, a largely illiterate and unskilled labour force, and extremely inadequate infrastructure. Subsequently, the policy of discriminating protection where certain important industries were given financial protection by the state , coupled with the Second World War, saw the development and dispersal of industries, encouraging ruralâ€"urban migration, and in particular the large port cities of Bombay , Calcutta and Madras grew rapidly. Economic historian Prasannan Parthasarathi presented earnings data which showed real wages and living standards in 18th century Bengal and Mysore being higher than in Britain, which in turn had the highest living standards in Europe. Licence Raj Indian economic policy after independence was influenced by the colonial experience, which was seen as exploitative by Indian leaders exposed to British social democracy and the planned economy of the Soviet Union. Steel, mining, machine tools, telecommunications, insurance, and power plants, among other industries, were effectively nationalised in the mids. Figures are inflation-adjusted to International Geary-Khamis dollars. They expected favourable outcomes from their strategy, involving the rapid development of heavy industry by both public and private sectors , and based on direct and indirect state intervention, rather than the more extreme Soviet-style central command system. Tata

, on the Indian regulatory system, [] Since , the use of high-yielding varieties of seeds , increased fertilisers and improved irrigation facilities collectively contributed to the Green Revolution in India , which improved the condition of agriculture by increasing crop productivity, improving crop patterns and strengthening forward and backward linkages between agriculture and industry.

Chapter 6 : The â€˜Developmental Stateâ€™ and Economic Development

In his book, Johnson writes that the Japanese state chose economic development as a way to ensure national survival: for most of the twentieth century, economic development was a means for 'overcoming depression, war preparations, war fighting, post-war reconstruction, and independence calendrierdelascience.com' (20).

The equating of a booming economy with a developmental state becomes problematic in cases where economies are heavily dependent on external factors, such as export of primary products or aid inflows. The Japanese use of market mechanisms for developmental goals has been successfully emulated in South Korea,Taiwan,Singapore, and Hong Kong. A comparative analysis of the Newly Industrialized Countries NICs allows variations of the developmental state to emerge from the background of the astonishing economic growth in East Asia. In his book, Johnson writes that the Japanese state chose economic development as a way to ensure national survival: Nationalism was therefore a reality born from struggle with a stronger external power. State control of finance, Johnson argues, was the linchpin of the developmental state, followed by labour relations, autonomy of the economic bureaucracy, the combination of incentives and command structures, and the existence of the zaibatsu or the Korean chaebol, or Chinese business groups. In Japan and South Korea, the state controlled interest rates and bank loans were the primary sources of industrial finance, as opposed to equity capital The Japanese state substituted for a missing capital market in the post-war period, simultaneously helping to induce transformative investment decisions. The Ministry of International Trade and Industry MITI had the authority to approve investment loans from the Japan Development Bank, to allocate foreign currency for industrial purposes, to seek imports of modern technology and machinery, to provide tax incentives, and to regulate competition in industries. However, such financial structure was intrinsically unstable for several reasons. First, the interest subsidy created an incentive for firms to borrow heavily instead of tapping the public markets. The high leverage meant that bankruptcy was a constant threat and firms were vulnerable to fluctuations in earnings. Banks often ended up carrying a large amount of non-performing loans; if these were incurred by conglomerate firms, the state often had to bail them out, in effect creating a moral hazardâ€"an accountability deficitâ€"for the firms. Second, because in this system, any institution large enough to be a significant factor in the community can turn to the state for a bailout, it is in the interest of the firms to expand in size, to empire-build so that the possibility of bankruptcy would pose a social threat. Third, the Korean economy, even more so than the Japanese, relies exceedingly on export; hence excessive investment in export industries increases its vulnerability to exogenous shocks. Thus, state interventionism in the market is a double-edged sword. While the developmental state can achieve its goals by manipulating the financial structure, it also socializes risk, either through inflationary refinancing monetary means of nonperforming loans to bail the firms out, or through increase of the state equity share of the banks fiscal means. Profits and investment depend on decisions made in the state. Furthermoreâ€"and this is where East Asia diverges from Latin Americaâ€"the bureaucracy is a powerful social group of bureaucrats with predictable and coherent interests In Japan, the small, elite state bureaucracy is recruited from the top ranks of the best law schools; appointment is made based on national examinations and is unaffected by election results. The responsibilities of this bureaucracy are to devise broad industrial policy and the means to implement it, and ensure highly regulated competition in selected sectors. Thus, the public-private cooperation between the bureaucracy and business is one that has been developed and refined through institutional adaptation over time and responds flexibly to changing new realities In his book Embedded Autonomy, Peter Evans invokes this amalgam to describe the developmental state in Northeast Asia. In Japan, the highly selective recruitment of civil servants and long-term meritocratic rewards create commitment and a sense of corporate coherence. As such, the behaviour of bureaucrats is bound to the pursuit of collective goals rather than individual opportunities presented by the market, allowing the state to act with autonomy from certain societal pressures. Internal networks refer to the ties among classmates at the elite universities from which officials are recruited, fundamentally dependent upon the strict selection process. The fact that formal competence, as opposed to clientelistic ties or loyalties, is the chief requirement for entry into the network makes it all the more valued among loyal members. More significantly, on the external front, the administrative web is woven extensively into Japanese society, as industrial policy relies on the relationship between ministries and industrialists. Ties between bureaucracy and private corporations are reinforced by the role of MITI alumni, who often end up in crucial positions in corporations, industry associations and quasi-governmental organizations. Given a sufficiently coherent, cohesive state apparatus, connectedness thus serves to increase state competence instead of capture The state is a catalytic agency and managers respond to the incentives and disincentives the state establishes. This is not to say that such a framework is not flawed. An oft-cited criticism, especially during the throes of the Asian Financial Crisis in , has been that the Japanese and Korean structures have resulted in rampant corruption, as industrial policy has also been commonly used to promote vested interests over national development. The developmental state is in effect a paradise for big business. The oligopolistic nature of the keiretsu or chaebol means that private power and domains are immense: The combination of lack of transparency, close ties between the state, banks, political parties and firms, government-directed lending, high corporate debt-to-equity ratios, and national industrial policies toward establishing globally competitive sectors, may be vulnerable to moral hazards that foster corruption and irresponsible corporate investments. This view, however, ignored the fact that the Asian development model had existed for decades prior to the crisis, during which the region had experienced spectacular economic growth that lifted million people out of poverty through hard work, the establishment of competitive niche markets internationally, and high household savings that were reinvested into the domestic economy. Hall 73, The Japanese developmental state model has been emulated, in varying degrees, by South Korea, as cited above, Taiwan, Singapore, and Hong Kong. As discussed above, while Korea demonstrates the importance of bureaucratic traditions, it also reveals the vulnerability of bureaucracy. It was not until Park Chung Hee ascended to power that the Weberian bureaucracy was revitalized. The junior officers involved in the coup were united by strong reformist ideological convictions and close interpersonal ties based on service experience. Diverging from the Japanese prototype, the Park regime aimed for dominance over private capital. The Korean state does not have the same generalized institutional relation with the private sector the MITI system had; therefore it never fully avoided the risk that the particularistic interests of individual firms might lead to unproductive rent-seeking Evans Diverging to the opposite direction from the Japanese model is Taiwan. Like Japan and Korea, the Taiwanese state has been just as crucial in industrial accumulation, channelling capital into transformative investments, inducing entrepreneurship, and bolstering the competitiveness of firms in the global markets. The legitimacy of the state also depends on a Weberian bureaucracy that is meritocratically recruited and reinforced by ties to external organizations. The experience of being undermined by the particularistic interests of private speculators has instilled a fundamental distrust of private capital. The KMT opted for state-owned enterprises SOEs as instruments of industrial development, especially in basic and intermediary industries. The state enterprise sector also serves as a training ground for economic leadership in the central bureaucracy, keeping the private sector largely out of economic policy networks. Importantly, the Taiwanese state is highly selective in its interventions, preferring to conserve its bureaucratic power rather than overextend the state apparatus. Evans In the s, Singapore developed its economic bureaucracy to revise investment incentives, in order to lure new investment away from labour-intensive sectors and toward higher value-added ones. Through incentives, the state can induce TNCs to invest in higher value-added operations and generate high-wage jobs. The Ministry of Trade and Industry MTI is responsible for soliciting foreign investment, directing this investment into strategic sectors, and maintaining ties with international business clientele. State enterprises are required by law to break even and are subject to fiscal and monetary restraints. The autonomous Monetary Authority of Singapore MAS is in charge of regulating the financial sector and holds monetary stability as its top priority. The incumbent government elite has had a successful track record in dealing with external economic fluctuations and possesses an institutional capacity for long-term bargaining with all the major sectors of society. During an economic downturn, economic officials can obtain the cooperation of these sectors with tightening policies, which allows Singapore to manage its national economy effectively in light of global economic changes. Transnational banks, which dominate the financial sector, are mostly self-regulated and help shape the liberal regulatory environment conducive to their offshore banking operation Chu The government thus succeeded in warding off the speculative attacks by keeping the price of stocks high. In East Asia, patterns of state-society relations are fundamentally different from those in the West. East Asian states pervade into society; as a result, the lines between public and private, government and market, are often blurred. The state establishes incentives and disincentives to direct private investment; the success of enterprise in turn reinforces state legitimacy. Such attributes of the developmental state model have contributed significantly to the highly successful economic development in Japan and the NICs seen in the recent decades.

Chapter 7 : state-led development | BeyondDefence

This new development pattern, dominant in the large and mid-sized economies, was characterized by a focus on industrialization, a significant expansion of the role of the State and an orientation toward the domestic market; the latter feature tended to change with the opportunities to export manufactures and renewed access to private external.

Thailand, for example, has grown at double-digit rates most years since the early s. China has been the world leader in economic growth since It is estimated that it took England around 60 years to double its economy when the Industrial Revolution began. It took the United States around 50 years to double its economy during the American economic take-off in the late nineteenth century. Several East and Southeast Asian countries today have been doubling their economies every 10 years. For example, poverty has dropped dramatically in Thailand. Research in the s showed that 60 percent of the people in Thailand lived below a poverty level estimated with cost of basic necessities. By , however, similar estimates showed that poverty there was around 13 to 15 percent. Thailand has been shown by some World Bank figures to have had the best record for reducing poverty per increase in GNP of any nation in the world. These "development states" have the will and authority to create and maintain policies that lead to long-term development that helps all their citizens, not just the wealthy. Multinational corporations are regulated so that they may follow domestically mandated standards for pay and labor conditions, pay reasonable taxes, and by extension leave some profits within the country. Specifically, what is meant by a developmental state, is a government with sufficient organization and power to achieve its development goals. All of this is important because the state must be able to resist external demands from outside multinational corporations to do things for their short-term gain, overcome internal resistance from strong groups trying to protect short-term narrow interests, and control infighting within the nation pertaining to who will most benefit from development projects. Thailand[edit] In the late s a study was conducted in which the researchers interviewed people from 24 large factories in Thailand owned by Japanese and American corporations. They found the working conditions in all 24 companies far from conditions reported about Nike in Southeast Asia. These subcontractors remain more invisible, making it more easy to bribe local officials to maintain poor working conditions. When multinational corporations set up business in countries like Malaysia , Taiwan , or Thailand , their visibility makes much less likely employees will have wages and conditions below the standards of living of the country. Here, a development state must be able to tell multinational corporations that goods will be imported, if at all, with tariffs as high as 80 to percent to prevent these goods from competing with goods made in at least at first less efficient infant factories in the poorer country. Only a development state can have the influence to enforce such a policy on rich multinational corporations and their governments , and only a development state can have the influence to enforce such a policy against the demands of their own rich citizens who want the imported goods and want them then at a cheaper price, not waiting for infant industries to produce suitable products. Thailand began placing tariffs of percent on important automobiles , but at the same time telling the foreign auto industries that if they came to Thailand to create joint ventures with a Thai company to build carsâ€"and thus hire Thai employees, pay Thai taxes, and keep some profits within Thailandâ€"the auto company would get many forms of government assistance. Thai bureaucrats started rules such as those demanding a sufficient percentage of domestic content in goods manufactured by foreign companies in Thailand and the 51 percent rule. The result is that a Thai company with 51 percent control is better able to keep jobs and profits in the country. Countries such as Thailand have been able to keep foreign investors from leaving because the government has maintained more infrastructure investment to provide good transportation and a rather educated labor force , enhancing productivity. Singapore[edit] Singapore is a relatively young city-state and it obtains a title of developed country. Despite the fact that it has a lack of natural resources and an intense competition geographical environment, it has been growing its nation in the form of developmental state. In , Singapore successfully became independent from Malaysian Federation, and later it changed its Fordism production oriented city state to a developmental city state in less than half a century Kwon, As a result, many multinational corporations MNCs invested in Singapore and soon Singapore came to be a solid manufacturing base Sung, For example, in , the Vocational and Industrial Training Board VITB was launched to provide technical education for workers who dropped out of secondary school. The economy is planned by the government; it arranges the market demand of labor on one hand and provides the supply of labor on the other hand. It is because that the population of Singapore was much less than other surrounding countries, so soon its manufacturing status would be replaced by other Asian countries like Indonesia, Vietnam, China, etc. Also, other Asian countries could provide relatively cheaper and greater labor force and more raw materials of production could be exploited. Therefore, Singapore was vulnerable of facing such surrounding threats. However, the Singapore government has adopted a special view of new international division of labor; it has placed itself as a global city in the Southeast Asian region. Like other "late industrializers" Amsden, such as Taiwan, Economy of South Korea was led by the bureaucratic governmental state that controlled and manipulated the market system. Korea at the early 60s was lacking capital and technological basis, so the only competitive advantage the country had was the low wage. Long-term loans and credits were given for higher competence in global market, thereby increasing export. Foreign exchange rates were often manipulated to stimulate export or import the raw materials at lower cost. Due to such subsidies on exports and manipulation by the government, the relative prices in Korean industry diverged from the free market equilibriums. Big business groups in chosen industries were supported and invested by the government, thereby forming intimate economic and political ties. Such groups grew to account for a large portion of GNP and became the Chaebols. Korea first adopted an ISI but followed a Developmental state growth strategy. Korea after their independence in lead to end of economic ties with Japan which they were heavily relied upon. During the Korean war, the country was devastated both physically and mentally. After the Korean war, South Korea focused on exporting primary products such as crops, minerals while imported manufactured goods from US. In the beginning of ISI ear, Korean industries were successful in textile and light consumer good industries Charles, South Korean state has more autonomy over the regulation of economy, the state created conditions favorable for rapid economic growth, for example, the state provided long-term loans for industries with higher competence in global market which eventually increased the exporting sector Chibber, One pioneer in this experience has been Medellin , whose experience with a local development state has been highly praised by researchers at the Overseas Development Institute. Despite claims at the end of the s by some, such as Hernando de Soto that micro-enterprises would lead economic growth, this has not come to pass. The United Nations Development Program , for example, published a report in April which focused on good governance in poor countries as a key to economic development and overcoming the selfish interests of wealthy elites often behind state actions in developing nations.

Chapter 8 : state-led - definition and meaning

But the economic engineers of state capitalism fear any form of destruction that develops beyond their control. This is why state-owned companies, which build influence within government over time, often succeed in resisting the need to adapt to changing times.

This guide explains the concept of a developmental state and the role it seeks to play in economic and social development. It contains the following sections: A developmental state plays an active role in guiding economic development and using the resources of the country to meet the needs of the people. A developmental state tries to balance economic growth and social development. It uses state resources and state influence to attack poverty and expand economic opportunities. In all countries the state plays some role in shaping the structure and output of the economy. States in different countries use a variety of instruments and policies like the regulation of industry and trade, the redistribution of incomes and assets, the use of fiscal and monetary policies and direct state ownership of key industries. The degree of state intervention depends on whether a government chooses to leave economic development and redistribution to the whims of the free market, or to be a more interventionist or developmental state. In South Africa, we have committed to building a developmental state that efficiently guides national economic development by mobilising the resources of society and directing them toward the realisation of common goals. We place the needs of the poor and social issues such as health care, housing, education and a social safety net at the top of the national agenda. A developmental state must be able to direct and support economic development through building a strong public service, creating an investor friendly environment, supporting small business development, using state owned enterprises effectively and driving strategic investment initiatives. The State has to play a role in keeping our economy competitive and close to the leading edge in the global development of knowledge and technology. The State has to be able to control its vast resources and directly apply them to the strategic tasks that will enable us to meet our goals. The State needs strategic, organisational and technical capacity to play its developmental role. The developmental state must be able to unite the public sector, business, labour and civil society in a partnership geared to implement this shared programme. The developmental state must also play a much stronger role in establishing clear, measurable and time-bound targets for common programmes, and for monitoring their implementation. Organisational and technical capacity The State needs the organisational capacity to ensure that it has the most effective and efficient structures and systems to realise its goals. It has to improve systems and structures within each sphere of government, and national government has to provide the necessary cohesion to deliver the results needed. Economic growth and development need high quality and reliable government services â€” ranging from water and sewage to electricity generation, to transport and spatial planning. It has to make effective use of intergovernmental and integrated planning across spheres of government and between different government departments. Our approach to governance places strong emphasis on building a broad front for development that involves a strong relationship between government, labour, and business as well as other organisations that are formed by different groups of citizens civil society. In South Africa we understand that government alone cannot grow the economy, solve all the community problems or deliver all the services to bring about a better life for all our people. Government needs to work together with all social partners and involve everyone in the effort to develop our country. Government will work with all sectors in our society to build a better life for all. They are much better placed than government to reach their members and address moral issues that will help re-build our society. When we want to address job creation and the economy, government has to work closely with business and trade unions.

Chapter 9 : Economy of India - Wikipedia

Joseph Wong (University of Toronto) analyzes the advantages and disadvantages of China's model of state-led economic development for the evolution of the country's domestic life sciences sector.