The concept and evolution of developmental state essay

[Science](), [Biology]()

Fundamental to the design of the developmental state for these countries was the creation of an alliance between politics and the economy, which materialized In the establishment of a specialized bureaucratic apparatus that had ample powers and coordinated the developmental efforts, at least in their initial stages. The developmental state and its associated policies are not unique to Japan or East Asia. A similar type of model, albeit a more restrictive one, was also followed in Latin America during the period that lasted from he end of World War II to the beginning of the asses and, in some cases, the asses.

During this time, the state Intervened in a number of areas and Indeed made use of fiscal, exchange rate, monetary. And sector's polices to promote the Industrialization of Latin America. Neither are developmental state policies a feature limited to the twentieth century. European countries used the same policies throughout the seventeenth and eighteenth centuries and the United States during the Estates Praze Calculate Is an Economic Affairs Officer at the Economic Commission or Latin America and the Caribbean (ECLAT) In Santiago, Chile.

The opinions here expressed are the author's and might not collude with those of ECLAT. 27 28 International Journal of Political Economy nineteenth century. Moreover, other regions such as Latin America did very much the same thing in the second half of the nineteenth century. The available historical record suggests in fact that the developmental state and its associated policies are a recurrent feature of government policy during

different historical times, under different circumstances, and in deferent geographical locations.

Notwithstanding the recognized successes of the developmental state, the Latin America debt crisis of the asses, the spread ofglobalization, and the East Aslant financial carols In 1 997, Jointly called into question its usefulness. As things stand, the developmental state has been overtaken by a state preoccupied with macroeconomic stability, property rights, and contract enforcement and partial intervention ineducation, health, and pensions. A General Characterization of the Developmental State The term developmental state refers to a state that intervenes and guides the direction and ace of economic development.

The developmental state is mainly associated with the type of economic policies followed by East Asian governments in the second half of the twentieth century and, in particular, with the post World War II Japanese economic model. L Central to the developmental effort in the case of Japan was the creation of the Ministry of Trade and Industry (MIT) in 1949. Initially it coordinated the " Policy Concerning Industrial Rationalization," which sought to counteract the deflationary regulations of the Supreme Commander of the Allied Powers.

The MIT as also given the power to negotiate the price and conditions for the import oftechnologythrough the approval of the Foreign Capital Law. In 1952, the MIT gained further preponderance as it took effective control of the rights to import merchandise and of the foreign exchange budget. The

effective control of imports led the government to adopt a system of import control for the protection of domestic industry. For its part, the control of the foreign exchange budget allowed it to stimulate and foster export growth.

The MIT also widened and cheapened the access o credit facilities through the establishment of the Japan Development Bank. The Japan Development Bank pursued a credit policy to develop key domestic in- fall 2008 29 dustier (energy and metal production). This policy was complemented by a very generous lending policy involving both the Bank of Japan and commercial banks. This fostered vertical and horizontal concentration of firms producing the keiretsu, an industrial conglomerate reminiscent of the earlier subtask (Coates 2000). The example of MIT was followed by other " late industrialization" countries such as South

Korea. Following the end of the Korean War (1950-53), the South Korean government pursued a government-led, export-oriented policy. Following the example of Japan's MIT, it created the Ministry of Commerce and Industry through the adoption of the first five-year plan (1962-66). Through the ministry of commerce and, in particular, the recently created Economic Planning Board, the elected government adopted an exchange rate policy that combined periodic devaluations and export subsidies to make the exchange rate competitive for local producers. The management of the exchange rate regime was accompanied by the control of credit policies and financial resources. Toward this end, the government nationalized the major banks of the country, which allowed it to supply cheap credit to targeted industries. Finally the manipulation of interest rates was used to induce firms

to change production techniques. As in the case of Japan, the adoption of developmental policies fostered the concentration of industry.

Developmental state policies were not conceived as 1950 and 1960, the state intervened to engineer and monitor the industrial catch-up process of Japan. In the asses and asses, the developmental guidance became more indicative and turned to the creation of export industries, the production of consumer durables, and the creation of technologically sophisticated consumer products. Finally, in the asses, the MIT turned its attention to the development of high-growth technology industries. At this developmental stage, the MIT turned to tax incentives and public-private sector collaboration.

At the same time it had to deal with industries that were " structurally depressed" such as textiles, sugar refining, cardboard, chemicals, steel, and others (Coates 2000: 213-23). In the case of South Korea, the first two five-year Economic Development Plans centered on the establishment, identification, and perfecting of state instruments and on self- reliance. The third plan (1971-75) focused on the " dynamic development of the rural economy, a dramatic and sustained increase in exports and the establishment of heavy and chemical industries" (Lie 1998: 52).

At this stage the focus of the Korean developmental state turned to corporate growth through the establishment of chasubles (family-owned conglomerates) that ended up controlling a significant share of the economy of South Korea. Later on during the asses, the development of a high

technological industry captured the attention of the government. This brief sketch of government intervention in two source cases, Japan and South Korea, highlights some of the key features underpinning the notion of the developmental state. 3 First, the developmental state was conceived as an interventionist state.

Second, this did no imply that it made heavy use of public ownership. Rather, the developmental state tried to achieve itsgoalsthrough a set of instruments such as tax credits, breaks, subsidies, import controls, export promotion, and targeted and direct financial and reedit policies instruments that belong to the realm of industrial, trade, and financial policy. Third, the degree and type of government intervention varies over time in scope and content. It can depend on different factors, such as external/ internal circumstances, and on the life cycle of the industry the state is trying to develop.

For example, in the asses Japan adopted a more open economy stance; it reduced its tariff and looked toward administrative guidance instruments to pursue its " developmental policies. " In the same vein, Kimono (1989) goes further, arguing for a time pattern state intervention. He argues that state intervention in Japan was much more pronounced at the early and later stages in the life cycle of the products. State intervention was needed at the early stages to develop the product and the later stages to scrap the declining industries.

Fourth, the developmental state requires the existence of a bureaucratic apparatus to implement the planned process of development. More to the point, as in the case of Japan's MIT or South Koreans Economic Planning Board, the developmental state requires a pilot agency to oversee apparatus requires a " meritocracy bureaucracy' capable of formulating policy and assessing the required freedom and lack of interference to apply it; or, as Johnson said, the developmental state requires that the " politicians reign and that the bureaucrats rule" (1982: p. 316).

Finally, the developmental state requires the active participation and response of the private sector to state intervention. 31 The Developmental State in the Early History of Currently Developed Countries Initially, the developmental state was viewed as a type of development strategy followed by the late industrialization countries to catch up with more developed ones. As stated by Coates, " in economies seeking to make up for lost ground on already existing capitalists powers, it was quite common to find that the state itself led the industrialization drive, that is, it took on developmental functions" (2000, p. 2). However, as it has been shown more recently by Ha-Jon Change (2002, 2008) and Ramrod (2003), the developmental state and its associated policies was also present in the early development history of currently industrialized economies. According to Change (2002, 2008), at an earlier stage in their history, currently industrialized economies used a combination of interventionist industrial, trade, and technology policies to foster the development of their own incipient industries and stimulate a catch-up processes.

These strategies involved the active use of subsidies, tariffs, infant industries, and other protectionist measures such as distribution of monopoly rights. In addition, these strategies contemplated the development of national capacities through research, development, education, training, stimulus to foreign technology acquisition, and public-private cooperation practices. These strategies re summarized in Table 1 for a few selected European nations (Britain, the United States, Germany, and France).

As can be seen from Table 1, Britain used the most comprehensive and varied set of instruments to promote its industrialization and world predominance. Of the European nations considered here, Britain was also the country that adopted a protectionist policy for the longest period (235 years). In the United States, the developmental state at this stage was much more limited in scope and functioned basically through the enactment of tariff laws to protect determinate infant industries.

Tariffs were reduced on an industry when the industry in question had become firmly established and independent of duties for its financing. The cotton industry is a case in point (see Table 1). 4 For their part, France and Germany used a host of instruments to stimulate industrial development, but their implementation pned a shorter period of time (thirty-two and seventy-three years in the cases of France and Germany, respectively) than that of Britain or the United States. 32 France Country Import substitution industrialization.

International missions, import of skilled labor, import duties, export bans on raw wool. Period Policy Instrument Britain Henry evil (1485-1509) Elizabeth I (1558-1603) Build naval supremacy. No monarch (1649-60) Charles II (1660-85) James II; interregnum (1685-88) The Navigation Act (1651) was revised in 1660 and expanded in 1662, 1663, 1670, and 1673. It initially prevented the Dutch from participating in carrying trade to English ports. Later on, it ensured that English ports were the origin of exports of all goods to English colonies. William Ill and Mary Stuart (1689-1702) Protect the domestic wool and cotton industry The Wool Act (1699) limited wool production in Ireland. It forbade the export of wool yarn or wool cloth from any American colony either overseas or from international trade. It also banned imports on Indian products. Permanent withdrawal of the Merchants Adventurers' corporate monopoly (1689). Banned imports of cotton products. From 1700 on, applied subsidies, tariff rebates, selective prohibition of imports and exports to linen, canvas, and sailcloth. Maintain the Hanoverian dynasty.

Promote manufacturing industries through the reform of the mercantile system (1721) Overall trade tariffs increased by four-fold between 1690 and 1704. Reduced import duties on raw materials; increased tariff rebates on imported raw materials for export manufactures; abolished export duties; increased duties on imported manufactures; extended export subsidies to include goods other manufactured products. Manchester Act (1736). George I (1714-27) George II (1727-60) United States 1789 The tariff act of 1789 was Adopted the first tariff with rates ranging from 5 " protective in intention percent to 15 percent (8. % average). 2 and spirit" (Tautest 1910: 8) This

tariff responded to the need to service the war debt fall 2008 1816 Adopted a tariff with a 25 percent rate on most textiles and 30 percent on most manufactured goods. In 1818, it was decided that the 25 percent duty rate should remain in force until 1826 and not decline to 20 percent in 1819 as originally planned. (Tautest 1910: 11, 14). (continued) Table 1 (continued) Policy Protect domestic industry Extended protection to goods manufactured from wool, iron, hemp, lead, and glass.

The cotton industry was not protected at this stage because it was " firmly established and almost independent of support by duties" (Tautest 1910: 47). Tariff on abominations. Significantly increased duties on cost raw materials including hemp, flax, and wool. The Tariff Act of 1829 changed tariffs from an ad valor system to an ad valor-specific duty system. (Tautest 1910: 57). Established duties on imported cotton and woolen goods, iron, and other goods. It applied low or no duties on articles produced in the United States (silk, tea, and coffee). The average rate was 33 percent.