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**The role of developmental state in the formation of socio-economic order
of developing countries**

Abstract

In the literature, attention is paid to the role a developmental state played in the dynamic development of the Asian Tigers. It is important to analyze the system solution, which contributed to the success of mentioned economies and evaluate its possible effective use in developing countries. The aim of the paper is, therefore, to assess the relevance of developmental state system for the economic development of developing countries. In the first part of the study, an idea of developmental state is going to be presented – definition, characteristics and the main assumptions of its' functioning. Then, the relevance of developmental state system for the economic development of the Asian Tigers will be examined while these are the countries considered to be precursors of the system. In the last part of the paper, the role of developmental state in the formation of the socio-economic order of developing countries will be assessed.

Keywords: developmental state, developmental capitalism, economic development, Asian Tigers, developing countries.

JEL CODE: E02, E60, O11, O20, O50.

**Rola państwa prorozwojowego w kształtowaniu ładu społeczno-gospodarczego
krajów rozwijających się**

Abstrakt

W literaturze przedmiotu zwracana jest uwaga na rolę jaką odegrała idea państwa prorozwojowego dla dynamicznego rozwoju „azjatyckich tygrysów”. Istotne jest dokonanie analizy rozwiązania systemowego, które przyczyniło się do sukcesu przywołanych gospodarek oraz ocena możliwości jego efektywnego zastosowania w krajach rozwijających się. Celem artykułu jest zatem ocena znaczenia systemu państwa prorozwojowego dla rozwoju gospodarczego krajów rozwijających się. W pierwszej części opracowania przedstawiono istotę państwa prorozwojowego – definicję, cechy charakterystyczne oraz główne założenia sposobu funkcjonowania. Następnie analizie poddano znaczenie państwa prorozwojowego dla rozwoju gospodarczego „azjatyckich tygrysów”. Są to bowiem kraje

uznawane za prekursorów systemu. W ostatniej części artykułu dokonano oceny roli państwa prorozwojowego w kształtowaniu ładu społeczno-gospodarczego krajów rozwijających się.

Słowa kluczowe: państwo prorozwojowe, kapitalizm prorozwojowy, rozwój gospodarczy, „azjatyckie tygrysy”, kraje rozwijające się.

Introduction

Deepening differences in terms of economic development between today's developed economies and the poorest developing countries, constantly unresolved problems of the Third World countries, excessive importance of transnational corporations in the global economy, lack of fair trade, and intensification of uncompromising competition on the international market are among the main dilemmas of globalisation. In today's fast-moving globalisation process, developing countries are facing a significant challenge. On the one hand, they cannot remain outside the global system. On the other hand, they do not have sufficient capacity to compete effectively with multinational enterprises. The poorest countries are therefore often forced to specialise in the extraction and export of unprocessed natural resources, which is not beneficial to them for a number of reasons¹. At the same time, a significant number of developing economies do not have raw material deposits. Therefore, the identification of a gap in the global market is even more difficult for them. In such a situation, successful, traditional economic systems based on a free market economy and lack of state interference, in modern developed capitalist economies will not necessarily work.

The idea of a pro-development state may be an alternative solution. This system has been successfully applied in developing countries classified as „Asian tigers”². The literature on the subject also draws attention to other dynamically developing economies, in which feature some elements of pro-development capitalism. Therefore, it is important to conduct a detailed analysis of the system solution, which is the development state and to assess its role in shaping the social and economic system of developing countries.

¹ First of all, because of the existence of the 'curse of wealth'. - the phenomenon of 'underperformance, in terms of economic development and poverty reduction, by countries rich in natural resources compared to countries with a scarcity of raw materials' (Dymitrowska 2015, p. 31). For more information see in (Dymitrowska 2015).

² Asian Tigers is a group of four Asian countries: South Korea, Singapore, Taiwan and Hong Kong, whose common feature is their rapid economic development in the 1960s - 1980s (Kim 1988). These economies are classified as first generation tigers. There are also so-called „young Asian tigers” (Tiger Cub Economies) - five dominant countries in Southeast Asia (Malaysia, Indonesia, Thailand, Vietnam and the Philippines), which are considered to be second-generation tigers.

The aim of the paper is therefore to assess the importance of the pro-development state system for the economic development of developing countries³.

The article consists of three parts preceded by an introduction and summarized by an end. First of all, the idea of pro-development capitalism and pro-development state was presented. The concepts were conceptualized, characteristic features of pro-development capitalism were determined, as well as the main assumptions of the pro-development state functioning. In the second part of the study, the importance of the pro-development state for the economic development of the „Asian tigers” was analysed. The final part consists of an attempt to assess the role of the pro-development state in shaping the social and economic order of developing countries.

First of all the methods of comparative and descriptive analysis were applied in the article. A detailed analysis of the subject literature was carried out on the basis of studies in Polish and English. In order to enrich the considerations, statistical data made available by international organisations (including the World Bank) were also used.

The essence of a pro-development country

The developmental state⁴ is a key element of developmental capitalism⁵, an economic system that was formed in the countries of East and South-East Asia (mainly Taiwan, Hong Kong, Singapore and South Korea) in the 1960-1970's. However, some features of the system were already present earlier, for example after the Second World War in Japan.

The concept of a pro-developmental state appeared for the first time in Chalmers Johnson's *MITI and the Japanese Miracle. The Growth of Industrial Policy* in 1982 (Johnson 1982). In an attempt to explain the Japanese economic miracle⁶, the author presented a different type of capitalism, in which the state was assigned a more important role than just a „night watchman”. In the post-war period, Japan pursued an active, positive, long-term policy

³ The classification of countries into developed and developing countries is a much more difficult issue. The literature contains no universal, universally accepted classification of countries in terms of development. Taking into account the issues addressed in the article and the research objective adopted, in this paper the group of developing and least developed countries is understood, according to the World Bank classification (The World Bank 2017), as a group of Lower-middle-income economies and Low-income economies. These countries are at the beginning of the economic development path. The analysis of a systemic solution that could contribute to the success of the mentioned economies and the assessment of the possibility of its effective application is the most important for them. According to the author, a group of countries with higher average incomes (Upper-middle-income economies) should be analysed separately.

⁴ Other nomenclature found in literature: developmental state, among others (Castells 2009; Dymitrowska 2015).

⁵ In the literature of the subject also called state development capitalism.

⁶ Between 1960 and 1973, the average annual economic growth rate in Japan was 9.12% (calculated on the basis of own calculations (World Development Indicators 2016)).

of supporting economic development through a wide range of economic policy tools (including loans, foreign currencies allocations, tax credits and others (Ząbkowicz 2006, p. 21)) with a coexisting strong and extensive private sector. At the same time, the country managed to create a system based on significant and effective cooperation between state administration, primarily economic (mainly by MITI – Ministry of Foreign Trade and Industry), and business (through industrial councils and advisory committees, often formally part of the government) (Woś 2001, p. 185).

In the 1990s, the concept of a pro-development state was extended to other Asian capitalist countries, especially the dynamically developing „Asian tigers” (Woo-Cumings 1999). The economic success of the developing Asian countries drew the attention of researchers to the idea of a pro-development state and the possibility of its application in the context of enabling dynamic economic development, first of all, in developing countries and the least developed countries. The subject of pro-development capitalism is analysed in contemporary literature mainly in the context of shaping the social and economic order of developing countries.

On the basis of the analysis of research conducted so far, the pro-development state can be characterized as a group of institutions aimed at creating conditions allowing the developing state to accelerate economic development by actively supporting the private sector of the economy in technological reconstruction and expansion into foreign markets, while allowing the society of the country to benefit from economic growth (Johnson 1982; Amsden 1989; Haggard 1990; Wade 1990; Leftwich 1994, 1995; Levi-Faura 2012; Dymitrowska 2015; Szudy 2015). The system of pro-development capitalism is a model of capitalism⁷ in which the state plays the role of a relatively independent or autonomous economic entity significantly interfering in the economy. The state pursues a policy as a deputy entrepreneur and plays a significant role in economic development. Striving for dynamic, sustainable and constant economic and social development is the basic objective of the pro-development state (Dymitrowska 2015, p. 81).

Manuel Castells (2009, p. 255) draws particular attention to the fact that „the state is developing when as a principle of its legitimacy it establishes the ability to support and sustain development, if development is understood as a combination of constant high rates of economic growth and structural change in the production system, both on the national level and in its relations with the international economy”. At the same time, he stresses that, for a

⁷ Some authors believe that the pro-development capitalism model is not capitalism, but a particular model of mixed economy (Woś 1997, p. 133).

pro-development state, economic and social development is not an objective, but a means of achieving a competitive position in the global economy, asserting the country's national interests in the international arena and escaping from the periphery.

A similar definition is presented by David Levi-Faura (2012 for Szudy 2015, p. 46), pointing out that the state is pro-development if it commits itself reliably and fully committed to strive to enable the highest possible level of economic development.

Therefore, the main assumptions of the pro-development state's functioning should be at least as follows:

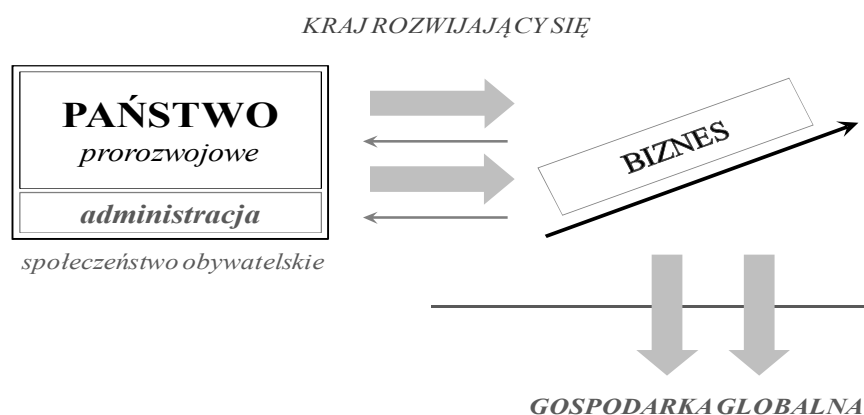
- enabling constant, dynamic, sustainable economic development,
- building and supporting the market mechanism through active support for the private industrial sector of the economy,
- gaining a strong competitive position on the global market.

At the same time, pro-development capitalism should feature the following:

- the existence of a strong, highly qualified political elite and a weak, subordinated civil society,
- significant state intervention in the economy,
- the functioning of a pro-development state⁸,
- strong, efficient, fair but limited bureaucracy,
- developing private industrial sector of the economy,
- active cooperation of administration, (especially economic), with business.

Taking into account the presented features of pro-development capitalism and the main assumptions of functioning of a pro-development state, the system is illustrated in Figure 1.

Figure 1. The idea of pro-development capitalism



Source: own elaboration.

⁸ Taking into account the main assumptions of functioning of the pro-developmental state mentioned above.

Analysing the idea of pro-development capitalism, it is also important to draw attention to the fact that it is assumed that state interference will be reduced as the country's competitive position on the global market will be strengthened. It is also important that the pro-development model of state interventionism does not mean underestimating the market and economic freedom. This is because the positive treatment of the market by the government is characteristic.

The pro-development state and the economic development of the „Asian tigers”

Analysing the idea of a pro-development country in the context of enabling developing countries to accelerate their economic development, it is important to assess its importance for the economic development of the „Asian tigers”, considered to be precursors of the system in developing countries.

The first generation of „Asian tigers” includes four countries: South Korea, Singapore, Taiwan and Hong Kong. Since the 1960s, these economies have been characterised by average economic growth of around 8% per year. At the same time, in the years of the most dynamic development (1965-1995), this indicator was at the average annual level higher than 8%⁹.

„Asian tigers” are mentioned in the literature as an example of significant economic success for countries on the periphery of the global world. With economies destroyed by war, devoid of natural resources, energy sources and industrial traditions, technologically backward, these countries have evolved into some of the most competitive and innovative producers and exporters in the world within thirty years.

In line with the approach of free market economists and politicians, as well as the World Bank and the International Monetary Fund, it is assumed that the source of economic success of the „Asian tigers” was not to improve the efficiency of the economy as a result of effective state intervention, but to reduce the sources of market inefficiency by reducing the intervention of public institutions in the functioning of the economy (The World Bank 1993, p. 5). However, some researchers are convinced that the experience of newly industrialised economies is based on the pro-development state, whose characteristic feature is significant state interference in the economy; among others (Appelbaum, Henderson 1992, Castells 2009).

⁹ Own calculation based on World Development Indicators 2016.

In terms of state interventionism, the „Asian tigers” can be ranked starting from Singapore, where the intervention was most significant, through South Korea, Taiwan and Hong Kong, where the interventionism was the least (Castells 2009, p. 233). However, in the initial phase of development the state apparatus of all the analysed countries (in the 1960s) had a convergent objective: to shape the physical, social and institutional conditions for the survival of the societies they managed. Conducting and at the same time controlling weak, subordinated civil societies, the aim was to enable permanent, dynamic, sustainable economic development, as well as the entry and shaping of a strong competitive position on the global market. It is noteworthy that economic development was an overarching objective and often indispensable with social expectations.

In the 1960-1970's, the four countries in question pursued an active pro-development policy. In Singapore, the pro-investment¹⁰ policy aimed at attracting foreign investors, as well as the policy aimed at industrial diversification, increasing the technological level of production, development of modern services and improving the quality of work were of decisive importance. In South Korea the focus was on investing in the development of state-owned corporations, building infrastructure, supporting exports, promoting science and technology. In particular, the modernisation of domestic industry products and processes was supported. A significant number of specialised research and development institutes have been set up. Taiwan has created the conditions for the development of small and medium-sized domestic enterprises, focused on attracting foreign investors, building infrastructure, developing education and modernising production. The Hong Kong government has played a key role in creating the conditions for the competitiveness of the country's economy in world markets.

In each country, the focus was on defining a strategy that would give it a comparative advantage in the global market. In Singapore and Hong Kong, the focus was on promoting the country's small territory as an export platform for transnational corporations. In South Korea, the focus was on the development of modern domestic industry (microelectronics, computers and consumer electronics). Taiwan also invested in the microelectronics and computer equipment industry, but also in the clothing and textile industry.

According to M. Castells (2009), three factors contributed to the success of the pro-development state in the „Asian tigers”:

¹⁰ E.g. by a specially established Economic Development Board.

- Favourable geopolitical context - the Cold War in Asia and the support of the United States and the United Kingdom,
- Building an efficient, technocratic state apparatus,
- Political ability to impose and implement the logic of the state on societies.

At the same time, four countries paid significant attention to the integration of society. This was influenced by indirect factors of economic development, such as economic growth, improved living conditions, access to education and health care. In addition, Taiwan, for example, has pursued an active policy aimed at reducing inequalities in society. Hong Kong and Singapore sought to build a British welfare state. Municipal housing estates were built and the scope of social benefits was extended (Castells, Goh, Kwok 1990).

It should also be noted that the economic success of the „Asian tigers” was due to the fact that there is a relative balance between the activities of formal and informal¹¹ institutions in these countries. These countries have succeeded in creating a system based on effective interaction of state administration with businesses and households, the integration of which is beneficial and necessary for accelerating economic development. The institutional capital that exists in these countries should also be described as strong, efficient and fair. There was also a relatively high level of public trust in these countries. The importance of the configuration of formal and informal institutions in the „Asian tigers” for economic development should therefore be characterised as positive¹².

The process of twenty years of dynamic economic development in the „Asian tigers” contributed not only to changing their position on the global market, but also to changing their societies. In these countries a new, self-confident, open to the world, educated capitalist middle class has emerged, that was no longer in need of a technocratic state. The question arises as to how the instruments of state intervention should be adjusted to the internal changes in socio-economic conditions, as well as to the dynamically evolving external conditions¹³.

A pro-development country and the economic development of developing countries

After the success of the „Asian tigers”, the analysis of the effectiveness of the pro-development state's functioning was extended to other developing countries. M. Castells

¹¹ For more on the importance of formal and informal institutions in shaping sustainable development, see: Fiedor 2015, pp. 83-101.

¹² For more on the importance of political and economic institutions for economic development see in (Acemoglu, Robinson 2014).

¹³ For more on development and the crisis in the Asian Pacific Basin, see Castells 2009, pp. 189-302.

(2009, p. 302) draws attention to the similarities of system solutions applied in other dynamically developing Asian countries, first of all „Asian tigers” of the second generation. He also describes changes in the economic system of the People's Republic of China, giving the modern Chinese system the name of Chinese developmental nationalism with socialist features.

Edmund Amann (2006 for Szudy 2015, p. 46) draws attention to the existence of certain features of a pro-development state in Ghana in the 1980s, Brazil in the 1990s and in South Africa in 1994. In the developing countries mentioned above, actions were carried out by countries intervening in the economy in order to increase the effectiveness of domestic markets while liberalising the economic system.

Paul Stevens (2003, p. 17) points out that in developing countries specialising in the export of natural resources, which, according to Stevens, managed to avoid the „curse of wealth” (Botswana, Indonesia, Malaysia and Chile) there is a form of pro-development state. Botswana is often presented as an example of pro-development capitalism among African countries (Leftwich 1994). A similar opinion is presented by Yanina Dymitrowska (2015, p. 164) in the context of economic development of Botswana and Chile, dynamically developing countries rich in natural resources.

The assessment of the importance of a pro-development state for the economic development of developing countries is the subject of far-reaching controversy. According to the approach of free market economists and politicians, as well as the World Bank and the International Monetary Fund, state interference in the economy disturbs the functioning of the market mechanism, thus hindering the economic development of the country. In addition, in countries where a pro-development state has been formed, the most common occurrence is authoritarian political system and weak democracy, which is considered by a significant number of researchers to be a limitation of long-term, sustainable economic development opportunities. Some scientists express mistrust of the state's ability to perform pro-development functions. Above all, the presented scepticism concerns the ability of the state apparatus to choose appropriate investment directions and to resist the influence of various interest groups, especially in the case of underdeveloped political, economic and social systems of developing countries and the least developed countries.

When assessing the importance of a pro-development country for the success of Japan and the „Asian tigers”, attention is often paid to the role of the specific mentality and cultural traditions of these countries. Many analysts of the „economic miracle of Japan” see its causes

primarily in certain cultural conditions and specific forms of social life in Japan. It should also be noted that East and South-East Asian workers, educated and hard-working, undoubtedly played a key role in the development process of the „Asian tigers”. An important issue is also the institutional balance and the high level of public confidence that exists in the countries in question.

It is also difficult to draw a line between the pro-development state and the predatory state. In the literature on the subject, the predatory state is presented as the opposite of the pro-development state. The state is also characterised by significant interference of the state administration in the economy. However, it is a centralised model in which the objectives of the ruling elite and selected interest groups are implemented, at the expense of the full exploitation of civil society. The greatest threat to the transformation of a pro-developmental state into looters occurs in developing African countries due to the long history based on wars and tyranny and the formed mentality of African societies.

In recent years, the issue of the existence of a loot state has been the subject of more and more attention of world researchers (Evans 1989; Robinson 1999; Moselle; Polak 2001). Most of the publications consider the reasons for transforming a developmental state into a predatory one. According to James Robinson (1999), the predatory state is most often created in societies where:

- the benefits of political power are significant,
- there are significant natural resources,
- there are scarce resources of factors supporting state investments (e.g. human capital),
- there is a constantly unstable political and social situation.

The presented statements partly explain why the development state system operates successfully in the countries of East Asia and South-East Asia, but not in the countries of sub-Saharan Africa. Many scientists point out, for example (Rodrik 1996), that the difference between the first and second group of countries is due to the fact that there is a significant number of educated workers and a lack of natural resources. On the other hand, the examples of developing countries rich in natural resources (e.g. Botswana or Chile), in which, according to some researchers (e.g. Stevens 2003; Dymitrowska 2015), it was possible to introduce elements of a development country, which was important for the acceleration of economic development of these countries, allow to contradict the presented conclusions. The problem of conditions for the existence of a pro-development state and a looting state is complicated, but

at the same time important and topical. Further research in this category is therefore advisable.

In the context of cooperation between the government and the private sector, the experiences of Japan and the „Asian tigers” show that under certain conditions active state intervention may contribute to acceleration of the country’s economic development. The results of economic development achieved by Botswana and Chile over the last forty years also confirm this conclusion. If certain conditions are met, it is therefore possible that a system of pro-development capitalism may constitute the „third way” for developing countries to go through the process of economic transformation towards a competitive position in the modern global market.

Conclusions

After many years of research in the sociology of development, it has been assumed that the processes of economic development and structural transformation are based on institutions, are shaped by culture, supported by social understanding, built by social conflicts, won by political tactics and led by politics and policies (Evans 1995 for Castells 2009, p. 200).

The idea of a pro-development state is at the heart of the Japanese economic miracle and the success of the „Asian tigers”. It is characterized by significant state interference in the economy in order to achieve a strong competitive position of the country in the global market by enabling continuous, dynamic, sustainable economic development through the construction and support of the market mechanism and with active support for the private industrial sector of the economy.

The experience of the Eastern and South-East Asian countries as well as other developing countries (e.g. Botswana, Chile, second-generation „Asian tigers”) supports the thesis that a pro-development country in certain circumstances can be a driving force in the process of economic transformation and technological modernisation of developing and least developed countries. At the same time, there is a dangerously thin line between the pro-development state and the looting state, the functioning of which has exacerbated poverty in many of the world's poorest countries.

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