Is the Developmental State Model Useful When Reviewing Pacific-Asia?

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How useful is the model of the developmental state for understanding what happened in Pacific-Asia in the period since the Korean War?

The developmental state model is often used to explain the economic successes of several capitalist Pacific-Asian countries in the period since the Korean War, when countries like Japan achieved high-speed economic growth and rapid industrialisation (Kasahara, 2013: 2). According to this model, these countries' technocrat-led states have facilitated national economic development through purposeful interventions in their domestic economies (Pempel, 1999: 139). However the model's utility has been the source of much academic debate (Boyd and Ngo, 2005: 2-4).

This essay uses the country case of Japan to assess the model's value for understanding the said developments. Japan provides a good testing ground for the model as it was the first regional state to both experience economic take-off and be identified as a developmental state (Jessop, 2005: 23). The essay argues that the model has only limited utility for understanding Japan's and hence Pacific-Asia's post-Korean War developments: it is useful for highlighting the state's significant role in economic management, but has three major limitations; these are its downplay of the agency of the business actors, its idealised portrayal of the state and its negligence of the broader external contexts. In the following sections the essay first reviews the relevant literature on the Japanese developmental state (JDS) model, then discusses its main utility and limits in explaining Japan's and the whole region's post-war economic take-off.

The JDS Model

There is a rich literature on the JDS model. Johnson (1999), for example, suggests that the JDS defined as its priority economic development and intervened strategically in the economy to achieve this goal. The state was characterised by its powerful and competent economic bureaucracy, in particular the Ministry of International Trade and Industry (MITI), which identified sectoral priorities, set growth targets and regulated industrial competitions to facilitate economic development. This bureaucracy was insulated and autonomous from public pressure and its policies were 'market-conforming' as they were designed to maximise economic growth by market activities (1999: 37-8). Leftwich similarly emphasises the state bureaucracy's relative autonomy, its effective management of economic activities and its determined pursuit of economic development (1995: 405). For Tsukamoto, the centralised JDS guided business capital to achieve the national goal of economic development and industrial 'catch-up' with the advanced industrialised economies (2012: 73-4). Chang further argues that the JDS coordinated and regulated industrial development through its technocratic agencies like the MITI, which formulated and implemented selective industrial policies backed by a pro-development elite (2010: 90).

From such literature review three main features of the JDS model can therefore be identified: the state's prioritisation of economic development as the national goal; its competent and autonomous economic bureaucracy exemplified by ministries like the MITI; and its effective facilitation of economic development through targeted interventions in the economy. The model thus depicts the Japanese state as a development-focused bureaucratic actor with a significant role in fostering the country's rapid post-Korean War economic expansion and industrialisation, achieved through its interventions into and management of national economic activities (Boyd and Ngo, 2005: 1-4). Consequently, in explaining economic development, its emphases are on the state's nationally-oriented managerial role and the domestic impetus of growth. These emphases have major implications for the model's utility, as will be discussed below.

State Involvement Highlighted

First of all, for understanding Japan's economic success since the Korean War, the JDS model correctly highlights the Japanese state's deep involvement in the national economy. Compared with the other capitalist states in the West in the same period, the Japanese state did play a relatively greater interventionist role: its economic ministries like the aforementioned MITI did regularly formulate and implement industrial policies, which primarily consisted of two types: a protectionist one, which usually involved the imposition of tariffs and nontariff barriers on foreign imports; and a promotional one, often including the limitation of inter-firm competitions in the major export sectors and the provision of low-interest loans and various tax exemptions to firms investing in industries favoured by the state (O'Neil, Fields and Share, 2013: 296-7). Such measures point to a proactive state which attempted to facilitate maximum economic growth, by protecting domestic market and businesses from foreign competition, maximising export potentials, and nurturing certain industries it deemed most important.

To illustrate, largely in line with the model's account, the MITI has played an active role in managing economic activities: between 1953 and 1955, it directed 83% of the Japan Development Bank funding to a few heavy industries like electrical power, ship-building and steel; it also offered favourable treatments, such as subsidies, low-interest loans and exemptions from machinery imports tariffs, to seventeen preferred industries, particularly the automobile industry; furthermore, in the 1980s, it funded a large number of Research and Development (R&D) projects, spending a total of ¥106.5 billion on large-scale projects like super-computer programmes, ¥28.3 billion on energy development, and ¥8.2 billion on labour/energy-saving innovations (Neary, 2002: 177-83). While the actual impact of such interventions remains debatable, these data clearly reveal the scale and frequency of state involvement in the economy, a feature rightly captured by the JDS model. Hence, to the extent that it highlights the state's significant role in economic management, the JDS model has its utility for understanding Japan's post-war development.

Business Agency Downplayed

However this statist focus (emphasising the state's role) also brings the model three major limits which undermine its overall explanatory power. The first limit is that it tends to downplay the agency of Japan's business actors. In other words, it underrepresents their willingness and ability to act independently from the state. By stressing the agency of the state apparatus, in particular its capacity to identify priorities in development, formulate policies best suited to optimise growth, and actually succeed in implementing these policies (which implies its ability to make firms act in certain ways, like increasing investment or reducing competition) (Murakami, 2012: 130-1), the model inevitably overemphasises the state bureaucracy's autonomy and contribution at the expense of those of the business actors. This thus leads to the business actors portrayed as being passively led and dominated by the state and its technocratic decisions, or at least obedient to the latter's instructions on operational matters. Even the more refined versions of the model, which conceptualise the state-business relationship as being a cooperative partnership rather than a one-sided leadership (Underhill and Zhang, 2005: 3), still allow no totally independent role or action by businesses, who are theorised as enmeshed in an intertwined relationship with the state.

Yet Japan's businesses rarely just behaved as passive agents or even willing partners of their state. They had their own interests and intents, and often defied state design or dicta in pursuit of such. The experiences of two corporate giants, Sony and Honda, are particularly illuminating. In the case of the former, in 1953 it famously went against the MITI's refusal of approval and independently signed a patent agreement on transistor technology transfer from the USA, which later brought it huge commercial success (Neary, 2002: 178-9). For the latter, despite much pressure from the anti-competition MITI, the then motorcycle manufacturer still entered the car market and became a major competitor of existing players in the sector like Toyota (Ferdinand, 2012: 111). These thus show that Japan's business actors were not necessarily obliging or cooperating with the state; they are actors with considerable degrees of agency. The JDS model's downplay of such agency, then, constitutes a major limit to the model's utility.

The State Idealised

The second problem of the model is its idealised portrayal of the state. The JDS model presents a highly idealised picture of the Japanese state, which was solely concerned with the public interest of national development (Song, 2013: 1255): its elite officials were competent and public-minded, and its economic bureaucracy acted effectively to promote industrial development. However such portrayal of the state as a disinterested developmental machinery obscures the reality of its functioning.

For one thing, its elites were far from entirely serving the public interest and often engaged in corrupt practice to acquire political and financial resources. For instance, Tanaka Kakuei, while serving as the country's prime minister in the 1970s, accumulated vast amounts of personal wealth by using his insider information on future government construction projects to speculate in the lucrative real estate market (Choi, 2007: 931). The bureaucrats also engaged in administrative corruption, receiving illegal gifts of money from firms hoping to get government contracts or build personal connections under such names as 'introduction fee' or 'commissions' (Choi, 2007: 933). In fact Japan's businesses, politicians and bureaucrats often formed tripartite corruption networks, known as 'iron triangles', where firms offered votes and employment guarantees to the latter two in return for access to public finance under their control. For the construction sector alone, it has been estimated that every year ¥50 trillion were given to companies in this way, which was equal to 11% of Japan's annual gross domestic products (Karan, 2005: 319).

In addition, the state was not always able to act in a coherent, effective manner either. Its various ministries and departments, each with their own organisational and sectoral interests, sometimes clashed with each other over policy disagreements, which severely disrupted effective state intervention in the economy. To give one such example, in the 1970s and 1980s, certain branches of the state bureaucracy, especially the Ministry of Posts and Telecommunications, disagreed with the MITI over telecommunications policy, and consequently obstructed much of the latter's effort to promote home-grown hi-tech consortia (McClain, 2002: 579). Thus, the Japanese state was neither free from corruptions and self-interests, nor persistently united among its component arms; the JDS model's portrayal of the state as public-oriented and effectively organised does not reflect the political reality. This idealised representation of the state is therefore another major limit of the model.

The Contexts Neglected

Finally, the model's third limit is its negligence of the broader external contexts of Japan's economic take-off. The JDS model's analytical focus is essentially domestic: it mainly examines such factors as the quality and autonomy of the economic bureaucracy, its personnel, its industrial policy and its relation with business actors; it thus explains economic development largely within the domestic context, with much less attention paid to external conditions like the contemporary international political economy (Pempel, 1999: 146). But national developments always take place within the international context; negligence of exogenous factors risks overemphasising endogenous factors' effect, which in this case is the state's contribution to economic take-off.

In fact, the post-Korean War international environment was unusually favourable for Japan's economic development: recent US-led multilateral negotiations had led to the creation of a free trade system within the capitalist world, oil supply from the Middle East was relatively cheap and stable, and international licensing agreements were more affordable then; these factors encouraged international trade and lowered costs of production, which boosted Japan's industrial production and exports (Gordon, 2003: 246). That economic take-offs also happened in non-Pacific Asian countries like West Germany in the same period lends credence to the importance of the international context (Gordon, 2003: 246). In addition, Japan also benefited from the geostrategic peculiarities of the Cold War: its placement under the American security umbrella allowed it to minimise defence spending and devote resources to national development, and its fledgling logistical and manufacturing sectors received major boosts from increased US and allies' demand for military supplies driven by the Korean War's onset (Kim, 2008: 48). Japan's post-war developmental success was thus also attributable to the favourable historical and international contexts; the JDS model's negligence of such external contexts hence constitutes its third major drawback.

Conclusion

The developmental state model is an oft-used but much disputed model for understanding Pacific-Asia's post-Korean War economic take-off. This essay has tested its utility for the Japanese case, and has shown that it is only limitedly useful for explaining Japan's development: it correctly highlights the state's significant economic managerial role, but is limited by three major problems: downplay of business agency, idealised state portrayal and negligence of external contexts. Its utility for analysing the broader region's development is thus at best limited.

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