Cambridge Elements

# Developmental States

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**Abstract:** *The concept of the developmental state emerged to explain the rapid growth of a number of countries in East Asia in the postwar period. Yet the developmental state literature also offered a theoretical approach to growth that was heterodox with respect to prevailing approaches in both economics and political science. Arguing for the distinctive features of developmental states, its proponents emphasized the role of government intervention and industrial policy as well as the significance of strong states and particular social coalitions. This literature blossomed into a wider approach, firmly planted in a much longer heterodox tradition. Comparative analysis explored the East Asian developmental states to countries that were decidedly not developmentalist, thus contributing to our historical understanding of long-run growth. This Element provides a critical but sympathetic overview of this literature and ends with its revival and a look forward at the possibilities for developmentalist approaches, in both the advanced industrial states and developing world.*

**Keywords:** *East Asia; economic development, growth, industrial policy; state*

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## 1 Introduction

The concept of the developmental state entered the social science lexicon at quite a precise point in time: with the publication of Chalmers Johnson's *MITI and the Japanese Miracle* (1982).[1] This magisterial book was agenda-setting, and its insights were quickly extended to understand developments elsewhere in Asia. What might be called the "high" developmental state era encompassed the 1950s and 1960s in Japan and the 1960s and 1970s in Korea and Taiwan. Singapore and even apparently laissez-faire Hong Kong were included in these comparisons as well. Somewhat more cautiously, the concept was deployed to understand Southeast Asian cases such as Thailand and Malaysia in the 1970s and 1980s, although with some significant debate about whether they fit the developmental state model or not.

Yet as will be seen, the developmental state literature widens out in a variety of important ways: to a longer history of heterodox thinking about the role of the state in the development process; to comparisons between countries that grew rapidly and those that didn't; and ultimately to the economics and politics of growth itself. The developmental state concept challenged received wisdom about the appropriate policies for achieving rapid economic growth and the institutions – and politics – for getting there. As a result, the concept has seen a surprising revival. Even if the East Asian growth model appeared *sui generis*, could elements of it be replicated elsewhere? Could states learn to be "developmental" in at least some respects?

Initial proponents of the concept had two intellectual purposes. The first was to challenge orthodox explanations of economic development that focused primarily on market forces. They targeted an emergent body of neoclassical thinking that East Asia's

[1] For other reviews of the developmental state approach, see Öniş 1991; Henderson 1993, Moon and Prasad 1997; Leftwich 1995; Woo-Cumings 1999; Haggard 2004 and 2015; Routley 2012.

growth was caused by the adoption of market-conforming policies, most particularly with respect to the external sector. Johnson's central claim was that Japan's high postwar growth could be traced to industrial policies that differed from both the "plan ideological" systems of state socialism and the "regulatory state" of Anglo-Saxon capitalism. This branch of the research program focused on the relationship between economic policy and growth and attracted the broadest attention because it directly challenged liberal orthodoxy in the academy and development policy community. Led by intellectual outsiders – Chalmers Johnson, Alice Amsden (1989), Robert Wade (White and Wade 1984; Wade 1990/2004), and Ha-Joon Chang (1994) – this line of thinking was picked up by a number of sociologists (Appelebaum and Henderson 1992; Evans 1995) and subsequently adopted by economists with a heterodox bent (Rodrik 1995; Stiglitz 2001).

A second research agenda probed the *political* foundations of rapid growth. Industrial policy in the developing world was ubiquitous, but not ubiquitously successful. What was the political economy of successful industrial policy? And where did the institutions capable of conducting such policies come from in the first place? As with its economic face, the political theory of the developmental state also implicitly challenged an emerging orthodoxy. The developmental state literature took an institutionalist approach to politics, but not one focusing on the rule of law and property rights that characterized the so-called new institutionalist economics, nor on formal political institutions that preoccupied most political scientists. Rather, the initial emphasis was on the autonomy or insulation of the government from rent-seeking private interests, delegation to lead agencies, and coherent bureaucracies.

Johnson was also acutely aware of the centrality of business–government relations to the Japanese model, however. Subsequent contributions by Peter Evans (1989; 1995) and others refocused debate on the social foundations of rapid growth, and particularly the relationship between the state, the private sector, and labor organizations that appeared politically subordinated and tightly controlled.

In addition to these substantive contributions, the methodological approach of the developmental state literature was also distinctive. Components of the developmental state approach have been formalized, including those related to the idea of increasing returns and a variety of market failures and externalities. Efforts have been made to formalize the political economy of successful developmental states as well. There has also been a handful of efforts to test developmental state claims econometrically, either through cross-national quantitative designs or through studies of the effects of intervention on particular industries.

Yet much of the developmental state research agenda – as well as important progenitors – took a comparative historical approach that treated a small number of country and industry cases in great depth. Although Johnson offers a summary statement of the concept of the developmental state in the conclusion to *MITI* (315–324), he saw that effort largely as a characterization of the Japanese case, the elaboration of an historically grounded ideal type. He was cautious about generalization and explicitly warned that while "it may be possible for another state to adopt Japan's priorities and its high-growth system without duplicating Japan's history . . . the dangers of institutional abstraction are as great as the potential advantages" (307). Rather than seeking to isolate the influence of discrete causal variables, Johnson and his followers took an historical and configurational approach to explanation. They showed how some common features of these countries combined to promote economic growth, but left ample room for variation and nuance.

This method was closely related to theoretical priors. A strong theme in Johnson's book is that historical analysis was required because successful strategies only emerged through a process of trial and error and learning by doing that were always to some extent *sui generis*. Alice Amsden (2003), Dani Rodrik (2008), and Peter Evans (2010; Evans and Heller 2015) elevated these observations about learning into a virtual dictum about successful development more generally: that governments, societies, and firms need to learn and expand the capabilities of their citizens and workers in order to grow.

This short introduction to developmental states is divided into four main substantive sections and a brief conclusion. The first looks at progenitors and what Erik Reinert (2007) refers to as "the Other Canon." Although the developmental state concept emerged at a particular time, the underlying ideas associated with it have very much longer lineage. These approaches were grounded in the premise that industrialization in late developers differed fundamentally from the process in first movers, in large part because of the international context. Backwardness dictated that the state would play a quite different role in the growth process, substituting for the weakness of private institutions. Yet despite a number of commonalities in these approaches – foreshadowed in Alexander Gerschenkron's classic "Economic Backwardness in Historical Perspective" – a distinct Japanese tradition of thinking about late development bears close scrutiny as well. Akamatsu Kaname's flying geese theory shared some commonalities with developmentalist thinking elsewhere in the postwar world, but differed in the emphasis it placed on industrializing through exports.

Section 3 looks more closely at the relationship between intervention and growth, considering both Johnson's contribution and the analysis of the other paradigmatic East Asian cases. This discussion situates the developmental state literature in the context of the neoclassical revival in development economics, itself spurred by analysis of the newly industrializing countries of East Asia. An overarching theoretical theme is the idea that growth is hampered by a range of market failures and coordination problems that are only overcome through state action: in moving into new industrial activities, in financial market failures, and in questions surrounding technology transfer, adoption, and learning. A review of some exemplary cases shows clearly that these interventions need to be understood not simply in terms of policies undertaken by a welfare-maximizing state but in terms of institutions that elicited information and permitted coordination between the state and private sector.

Section 4 considers the political economy of developmental states, including the question of their origins. As noted, the developmental states implicitly challenged an existing orthodoxy in political economy. In contrast to the property rights and "rule of law" approach, the developmental state literature emphasized strong – and even authoritarian – executives and coherent, meritocratic, or "Weberian" bureaucracies. Proponents of the developmental state approach gradually widened their purview from institutional factors to the social underpinnings of growth in the close but controlled relations between the state and the private sector and the subordination of labor. These strands of work on the social foundations of the developmental state culminated in a deep historical discussion of origins, including comparisons with states that were decidedly not "developmental." An important feature of this literature was a focus on international context, particularly in providing mechanisms that constrained potentially predatory state elites.

Section 5 looks forward and considers the apparent decline and subsequent rebirth of the developmental state concept. A number of developments in the late twentieth century seemed to fundamentally undercut the classic developmental state model. The first was international. The high-growth Asian countries emerged at a propitious moment, tied by alliances to an American hegemon that was leading a liberalization of the world economy on which they could free ride. Yet the very success of these latecomers triggered the so-called new protectionism and internal as well as external pressures forced them to gradually liberalize. Political change also appeared to undercut the classic developmental state approach. Democratization called into question the autonomy of the state and the close business–government alliances and subordination of labor that constituted the social underpinnings of the model.

Yet developmentalist ideas proved resilient and adaptive, and in the second decade of the twenty-first century the developmental state witnessed a surprising revival. The neoliberal moment of the immediate post–Cold War period did not prove enduring, particularly in the wake of the global financial crisis of 2008. Across the developing world, concerns about premature deindustrialization and broader middle-income traps led to a quest for a new, open-economy industrial policy. The rapid growth of China, Vietnam, and India appeared to usher in a new generation of heterodox success cases. Nor did political change dampen the demand for developmentalist thinking. To the contrary, democratization generated a quest for new growth strategies, and a wide-ranging debate ensued about what a "democratic developmental state" might look like.

In the concluding section, I summarize the enduring contribution of the developmental state approach. The tradition is very much alive because it reflects a persistent, contested, and unresolved debate about the appropriate relationship among states, publics, and markets in the growth process. It is also alive because it reflects a way of thinking about development that retains methodological appeal, namely an approach grounded in comparative historical analysis and an acknowledgment of the enduring variety of capitalist systems.

## 2 Progenitors and Parallels: The Heterodox Lineage

Although the developmental state literature emerged to explain a very particular problem – the rapid growth of Japan and the newly industrializing countries of Asia – the ideas undergirding the concept have a much longer lineage, and one that is likely to persist. This tradition constitutes an alternative approach to economic growth that is self-consciously opposed to dominant liberal models and favorably disposed to state intervention: in mobilizing savings and investment and in influencing the sectoral allocation of resources through planning, trade, and industrial policies, and strategic use of the financial system.

When did this alternative canon first appear? Some, including particularly Reinert (2007), reach back to very early examples of state support for manufacturing by Europe's absolutist monarchs. However, these appear tied largely to prestige projects and were not linked to what we would now call a growth strategy. Nor is the classic mercantilist system – roughly from 1650 to 1780 – described in such rich detail by Hecksher (1931/1994) – relevant. Early mercantilism referred to the economic-cum-political systems of competing great powers, not latecomers, and predated the spread of the Industrial Revolution and the particular forms of international specialization that accompanied it.

We only see the emergence of developmentalist ideas and practice as defined here in the period of British dominance of the world economy – from the onset of the Industrial Revolution through World War I – and in the interwar period and subsequent rise of American hegemony. Advocacy of support for industry in the context of an emerging international division of labor can be seen quite clearly in Alexander Hamilton's remarkable *Report on Manufactures* (1791/1892) and on the continent in a tradition of German political economy running from Friedrich List's (1841) *National System of Political Economy* to the work of Gustav Schmoller (1884/1902), among others. The problematic was theorized with particular clarity by Gerschenkron (1962) in his essay on "Economic Backwardness in Historical Perspective," which raises many of the fundamental political as well economic issues of late industrialization. Since Gerschenkron is frequently invoked in developmental state work, the essay deserves careful dissection.

## *2.1 Gerschenkron on Late Development: The Nineteenth-Century European Experience*

In the preface to *Das Kapital*, Marx defends his focus on England by stating boldly that "the country that is more developed industrially only shows, to the less developed, the image of its own future." Gerschenkron (1962) begged to differ. Industrialization in backward countries and regions "showed considerable differences . . . not only with regard to the speed of development but also with regard to the productive and organizational structures of industry which emerge from those processes" (7).

Gerschenkron followed Veblen's intuitions about the critical role of technology transfer in late industrialization, including with respect to Japan (1915a) and Germany (1915b). He argues that the larger the backlog of technologies that can be absorbed from the industrial leaders, the greater the opportunities for industrialization.[2] Yet many activities based on these technologies, most notably iron and steel production, are characterized by significant economies of scale. Gerschenkron also notes the imperative for latecomers of initiating many lines of economic activity at once due to the existence of complementarities and indivisibilities among them. Moving manufactured goods to market requires railroads, railroads require steel, steel requires coal, and so on. Missing linkages do not simply impose costs; they threaten the entire industrial enterprise.

If "catching up" places particular demands on follower countries, the question turns to the institutions required for overcoming particular barriers to growth: absorbing technologies, realizing economies of scale, and exploiting externalities. Unlike other progenitors – including Hamilton, List, and postwar heterodox accounts – Gerschenkron did not see protectionism as a central feature of European catch-up. Yet he argues that in the absence of industrial banking institutions such as Credit Mobilier in France, capital would not have been mobilized and takeoff would not have occurred. Drawing on the German case, he sees the evolution of distinctive systems of bank–industry relationships – in effect, varieties of capitalism to use a later moniker (Hall and Soskice 2001) – as a direct result of the imperatives of backwardness.

What about the role of the state? Gerschenkron is often misread on this point, as he does not see a strong interventionist state role in the more immediate followers such as Italy, Switzerland, or France. Rather, Gerschenkron argues that the extent of state intervention is correlated with the degree of backwardness. He uses a natural experiment between the more- and less-developed western and eastern parts of the Austro-Hungarian empire to make the point and puts particular emphasis on the Russian case. The banking

[2] He also explicitly notes that low wages are *not* an advantage since they typically reflect the predominance of rural employment and inadequate skills; Amsden (1991) returns to this point as well.

revolution and new forms of bank–industry relations that drove industrialization in the early followers did not emerge in Russia, nor could they have. In an example of the functionalist logic visible in some strands of the developmental state literature as well, Gerschenkron argues that the task of forcing and financing industrialization fell more centrally to the state as a result. Gerschenkron claims that preferential orders to domestic producers of railway materials, and subsidies, credits, and profit guarantees to new industrial enterprises were all central to the spurt of industrial growth Russia experienced up until the revolution.

It is hard to overstate the prescience of the Gerschenkron essay vis-à-vis the subsequent developmental state literature: the most basic idea that industrialization is crucial to catch-up; that development strategies must be seen in an international context; that specialization might be inimical to growth; that technology, increasing returns, and externalities are central features of industrialization; that capitalism is not of a single piece but shows important variation in latecomers; and that institutions – including the state – play crucial roles in the growth process.

But in one important regard noted, Gerschenkron is at variance with the heterodox canon, and that is in his failure to consider how the international economic context shapes the interests of latecomers, and with respect to trade policy in particular. In his *Report on Manufacturers* (1791/1892), Hamilton foreshadows later heterodox arguments by arguing for protection as an instrument for avoiding an unfavorable position in the international division of labor.[3] But Hamilton went farther: he argued that the first movers *themselves* had benefited from "bounties, premiums

[3] Were the world system characterized by free trade, Hamilton argued, promotion of manufactures would not be necessary and countries would gravitate toward their "natural" comparative advantage. But the United States in fact faced "numerous and very injurious impediments to the emission and vent of their own commodities. In such a position of things, the United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system which would induce them to confine their views to agriculture and refrain from manufactures" (24).

and other aids," and had subsequently misrepresented their own economic history.

The hypocrisy of early industrializers resurfaces strongly among heterodox accounts of the European growth experience, including among those tied directly to the developmental state tradition. Noteworthy in this regard is the work of economic historian Paul Bairoch (1972, 1995) and particularly Ha-Joon Chang (2002). In a typically contrarian piece written in 1972, Bairoch argues that the effects of free trade and protection had diametrically opposite effects in Britain on the one hand and France, Germany, and Italy on the other. In the leading economy, liberalization accelerated growth; in the latecomers, it had adverse effects on output, innovation, and investment that were only reversed with the reimposition of tariffs.[4] In a contribution geared directly to the industrial policy debate, Chang's *Kicking Away the Ladder* (2002) follows Bairoch explicitly, concluding that the Anglo-American orthodoxy advocating free trade does not match the historical record of how the rich countries got rich over the course of the nineteenth century. Rather, Chang argues, these claims reflected an effort to "kick away the ladder," denying the opportunities first movers had enjoyed to their potential challengers.

## 2.2 *Postwar Progenitors*

Not surprisingly, these arguments were replayed both among theorists and practitioners in the postwar period. In a sweeping but nonetheless useful generalization, Findlay and O'Rourke (2007, 488–489) note that during the late nineteenth century, "European powers imposed free trade policies on much of Africa and Asia, while retaining protectionist barriers themselves (the outstanding exception being the free trade–trading United

[4] It should be noted that the mechanism generating these effects comports with developmental state ideas somewhat indirectly. Bairoch argued that the slowdown in growth was associated with the fall in rural demand as a result of the integration of grain markets; protection revived rural incomes as well as urban ones, generating domestic demand.

Kingdom)."[5] In the summary statement of her ideas, *The Rise of "the Rest"* (2001, 31–98), Amsden details how such integration devastated indigenous industry in a number of latecomers, including Turkey and India, and set back the early learning that she believed was important for subsequent industrialization.

During the early decades of the postwar period, this pattern would reverse. The North Atlantic economy revived around a program of gradual liberalization among the advanced industrial states while developing countries experimented with statist and inward-looking policies. These ideas played out in somewhat different ways in Latin America, the Middle East, and South Asia, as Amsden (2001, 99–189) shows. But as in nineteenth-century America and continental Europe, important strands of thinking bear a family resemblance to the longer-standing heterodox canon.[6]

The disadvantages of the prevailing international division of labor were paramount in early postwar development thinking. Among the more influential stylized facts in this regard were the observations of Paul Singer (1950) and Raul Prebisch (1950) about the secular decline in the terms of trade between commodities and manufactures and the need for import-substituting strategies. These strategies subsequently became the *bête noire* of the neo-classical revival.

Yet a careful reading of Prebisch's initial manifesto suggests a very much wider agenda than enfant industry protection, as well as cognizance of the political risks of *dirigism*. Prebisch certainly agreed with the underlying premise in all developmentalist thinking that industrialization was the key to long-run growth: through its influence on productivity growth, capital accumulation, and the generation of employment. As simple as this idea may seem, it too required defense. This defense was forthcoming in the postwar period through Keynesian contributions to the theory of

5 In a well-known treatment, Gallagher and Robinson (1953) characterize this phenomenon as "the imperialism of free trade."

6 I set aside here the complex question of the influence of Soviet ideas on developing countries given that they represented an altogether different model than the mixed economy approach of interest here.

economic growth and their extension to developing countries. Prominent in this lineage were the Harrod-Domar growth model, with its emphasis on capital accumulation and investment (Harrod 1939; Domar 1946). But particularly important were the "big push" approach of Ragnar Nurkse (Kattel, Kregel, and Reinert 2009) and Paul Rosenstein-Rodan (1943), the latter of which drew directly on Eastern European experience, and Albert Hirschman's (1958) concept of "unbalanced" growth, with its emphasis on externalities associated with intersectoral linkages. Nicholas Kaldor's (1957, 1967) famous "laws" linking manufacturing growth both to overall economic growth and productivity growth became a heterodox touchstone as well.

As the Keynesian lineage of these early development economists would suggest, growth was seen as requiring a strong state role and even planning processes to mobilize resources and allocate them in ways that were dynamically efficient. Increasing returns, in the broadest sense, played a central theoretical role. Among those working on the developmental state, Amsden (2001) put the most emphasis on the gains from these early developmentalist efforts, arguing that import-substituting activities were crucial for learning in the small group of countries that subsequently accounted for the bulk of the developing world's industrial output. As we will see, the neoclassical revival reached exactly opposite conclusions, seeing in interventionist policies little more than a fundamental drag on growth.

It is also important to emphasize that the approach to trade-cum-industrial policy in the developmentalist canon, including Prebisch, was more attuned to risks than is often thought. Prebisch shared a widespread export pessimism, but he was quite clear about the risks of protectionist policies as well, raising an important political economy point that was to become central to the developmental state literature. "If industrialization is considered to be the means of attaining an autarchic ideal in which economic considerations are of secondary importance," Preibisch wrote (1950, 6), "any industry that can produce substitutes for imports is justifiable. If, however, the aim is to increase the measurable well-being of the masses, the limits beyond which more intensive industrialization might mean a decrease in productivity must be borne in mind." An important conclusion follows: whatever supportive or protective measures the state might pursue to achieve the benefits of industrialization had to be matched by the capacity to weed out the claims of the inefficient.[7]

It is again beyond the scope of this introduction to replay these lines of thought in other regions; Latin America is chosen because of the stylized comparisons between the East Asian and Latin American cases that subsequently became a staple of both neoclassical and developmental state accounts (particularly Gereffi and Wyman 1990; Haggard 1990; Evans 1995). But the brief treatment here does underscore the common theme that catch-up requires a focus on industrialization and that objective is not likely to be achieved in the absence of state intervention and protection.

## 2.3 *Asian Alternatives: The Flying Geese Model*

Which brings me to the last and arguably most relevant precursor to the developmental state idea: the concept of the flying geese model of industrialization.[8] The flying geese model appears to bear a number of similarities to developmentalist ideas elsewhere in placing the problematic of late development in an international context, in putting its focus on industrialization as the key to growth, and in noting the crucial role of state steering and even of well-timed protectionist measures. Yet this highly influential strand of Japanese thinking differed from those of the Keynesians and developmentalists elsewhere in embracing international specialization as a path to industrial growth.

[7] Nor were the limits of import substitution ignored by the broader movement of *desarollismo* in Latin America, including by its primary intellectual proponents in CEPAL, the highly influential Economic Commission for Latin America and the Caribbean (Kay 1989, 36–46). As early as the 1960s, little more than a decade following Prebisch's initial broadside, CEPAL as well as structuralist critics on the left were already noting the "exhaustion" of ISI. One result was a new push for regional integration that would expand trade opportunities and permit greater intraregional specialization.

[8] Curiously, Johnson makes no mention of Akamatsu or this lineage of thinking.

We do not yet have a thorough study of the intellectual influence that the flying geese model had on Asian countries outside Japan. But the fact that these ideas were developed within Asia and so clearly matched the actual experience of a country that had "taken off" is of obvious relevance to their diffusion. This point was made most strongly by Bruce Cumings (1984) in his essay "The Origins and Development of the Northeast Asian Political Economy." It was later picked up by a number of other analysts as well, although sometimes critically (Bernard and Ravenhill 1995).

Akamatsu Kaname's flying geese theory was developed over the course of the 1930s and subsequently underwent ongoing modification and clarification both by him and his followers well into the postwar period; the literature on it is now vast (see Korhonen 1994 and Kojima 2000 for reviews). Indeed, as we will see in recent debates about Chinese industrial policy, the flying geese model remains a focus of controversy to this day.

Akamatsu was initially doing little more than providing a descriptive account of Japan's industrialization vis-à-vis the European and American leaders. As with other proponents of the heterodox canon, Akamatsu (1962) begins the most widely read English-language version of the theory by noting in the very first sentence that "it is impossible to study the economic growth of the developing countries in modern times without considering the mutual interactions between these economies and those of the advanced countries" (3).[9]

Yet Akematsu's theory is ultimately one of complementarity and had two variants. The first traced the evolution of a given *industry* from leaders to followers and was in effect a theory of the diffusion of industrialization. The second mapped the gradual diversification and upgrading of industrial structure within a given follower:

[9] As Akamatsu notes, in many cases these relations were imperial and forced an unfavorable division of labor on developing countries. According to Korhonen (1994), Akamatsu's ideas were tainted in the eyes of some by the fact that they appeared to justify the imperial division of labor of Japan's Greater East Asia Co-Prosperity Sphere.

from basic consumer products through more capital- and technology-intensive activities.

In both variants, the import of manufactures from the leaders begins a process of "communication" that ultimately permits the follower countries to exploit a variety of advantages in emulating the leaders. These advantages include the existence of home markets – which Akamatsu believed in proto-Keynesian fashion must be adequate to foster growth – low wages, and locally available raw materials. These interactions are subsequently deepened as the leader countries export capital goods and intermediates that become crucial inputs to the import-substitution process. But the theory rests on the expectation that the development of local industry will be followed by manufactured *exports* back to the leader, which in turn forces the structural adjustments that push the leader into new activities. In a clever formulation, Terutomo Ozawa (1993, 2009) called this process "comparative advantage recycling."

In the postwar period, followers of Akamatsu (Kojima 1966; Okita 1985) reframed the flying geese model in a wider regional framework. Japanese development, trade, investment, and aid, according to Okita and others, would support regional integration and even explicit coordination of the flying geese process.

However, the role that the state played in the process has become the subject not only of controversy but selective memory. In the postwar period, Akamatsu's model was given a theoretical underpinning by Kojima (1966 2000) that looks surprisingly orthodox in formulation: invoking a standard Hecksher-Ohlin setup, linking the process of industrial spread to foreign direct investment (FDI) following Vernon (1966; see also Ozawa 1993), and eliding the issue of industrial policy almost altogether. Yet this formulation does not match what Akamatsu himself said. Akamatsu clearly believed that within any given country, difficult decisions would need to be made about steering resources toward "sunrise" industries and away from "sunset" ones; thus the link to industrial policy and to the developmental state that others later drew quite explicitly (for example, Kasahara 2013).

This brief review of "precursors and parallels" is not designed as an intellectual history or prehistory of the developmental state concept. The point is broader. All of the major proponents of the developmental state – and particularly Amsden – noted that the problematic of late development has a long lineage. These ideas include in the first instance the centrality of industrialization to growth and learning and the fact that laissez-faire policies might be inappropriate for latecomers.

Yet on one crucial issue we see nuanced internal disagreements among these latecomer theories, with some advocating virtually autarkic policies and others grappling with the risks of rent-seeking. In this regard, the flying geese model stands out as a quite distinctive way of thinking about late development, one in which the state has an important role but in the context of an export-oriented strategy. The power of this model was not simply intellectual: it gained force precisely because it conformed so clearly and closely to a successful follower, namely Japan. It is to how the developmental state "worked" that I now turn.

## 3 Sources of Growth: Industrial Policy in the Developmental States

As in our discussion of the heterodox canon more generally, the developmental state literature posed itself as an alternative to an emerging neoclassical consensus in development economics. Prior to the appearance of Johnson's (1982) book, a succession of highly influential studies by Little, Skitovsky, and Scott (1970), Krueger (1978) and Bhagwati (1978), and Balassa (1981) offered up a classic liberal interpretation of economic growth, relying heavily on the success of East Asian cases to make the argument. This work emphasized the significance of stable macroeconomic policies and the importance of other complementary market-oriented reforms. But trade and exchange rate policies were clearly the central focus. In dialectical fashion, this new orthodoxy was aimed directly at the body of postwar development thinking outlined in Section 2.