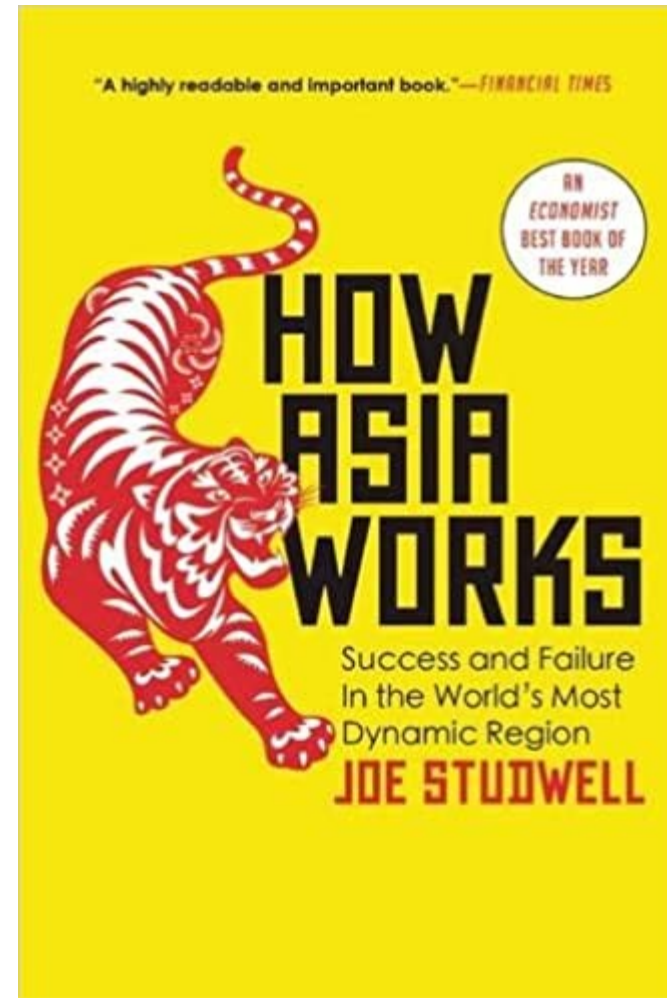


# Asian developmental state

China in the World Economy (Bonus)

# Asian developmental state

- „How Asia works“ – Joe Studwell



# Asian developmental state

- „How Asia works“ – Joe Studwell
- 1) Land reform
- 2) Industrial policy > promotion of exports
- 3) State owned banks – also promotion of industry

# Asian developmental state

- New firms are not going to succeed on their own, **they need protection and help from the state (x free trade)**

# Asian developmental state

- New firms are not going to succeed on their own, **they need protection and help from the state (x free trade)**
- But they must be tested so that they don't become complacent > „**export discipline**“ – they must be able to sell products abroad

# Asian developmental state

- New firms are not going to succeed on their own, **they need protection and help from the state (x free trade)**
- But they must be tested so that they don't become complacent > „**export discipline**“ – they must be able to sell products abroad
- Why abroad? Success in the closed domestic market doesn't prove anything

# Asian developmental state

- **Undervalued currency** – helps with export

# Asian developmental state

- China – **somewhat similar, but even more statist**
- Most large enterprises continued to be state-owned (to this day)



# Asian developmental state

- China – **somewhat similar, but even more statist**
- Most large enterprises continued to be state-owned (to this day)
- **No liberalization after successful growth**

# Asian developmental state

- China – **somewhat similar, but even more statist**
- Most large enterprises continued to be state-owned (to this day)
- **No liberalization after successful growth**
- **J, K, T attempted to catch up, not to become the undisputed leader**  
(x China's ambitions for next generation Internet, AI....)

# Asian developmental state

- J, K, T – **developmental state as a necessary evil**, a precursor to **capitalism** which isn't possible yet
- = more or less in line with Western theorists of protectionism – Alexander Hamilton, Friedrich List

# Asian developmental state

- J, K, T – **developmental state as a necessary evil**, a precursor to **capitalism** which isn't possible yet
- = more or less in line with Western theorists of protectionism – Alexander Hamilton, Friedrich List
- CH – **developmental state as a necessary evil**, a precursor to **socialism** which isn't possible yet

# Asian developmental state

- J, K, T – **developmental state as a necessary evil**, a precursor to **capitalism** which isn't possible yet
- = more or less in line with Western theorists of protectionism – Alexander Hamilton, Friedrich List
- CH – **developmental state as a necessary evil**, a precursor to **socialism** which isn't possible yet
- = **China does not yet possess the capacity for planning and redistribution necessary to achieve socialism, so it has to accept markets**

# Asian developmental state

- CCP – China's advantage continues to be the ability to mobilize resources

# ISI

- **Import-substituting industrialization (ISI)**
- **Not so important for us**, but often discussed in IPE
- Latin America, circa 1945-1980

# ISI

- **Protectionism, state-owned banks and large enterprises – similar to Asia**



# ISI

- **But – no promotion of export! – closed economies**

# ISI

- **But – no promotion of export! – closed economies**
- **> trade deficits > financed by debt**

# ISI

- **But – no promotion of export! – closed economies**
- **> trade deficits > financed by debt**
- **Overvalued currencies – to pay back the debt – but exacerbated the trade deficits**

# ISI

- **But – no promotion of export! – closed economies**
- **> trade deficits > financed by debt**
- **Overvalued currencies – to pay back the debt – but exacerbated the trade deficits**
- **Also – no sweeping land-reform = surviving inequality, „old elite“**

# ISI

- **But – no promotion of export! – closed economies**
- **> trade deficits > financed by debt**
- **Overvalued currencies – to pay back the debt – but exacerbated the trade deficits**
- **Also – no sweeping land-reform = surviving inequality, „old elite“**
- **1980s – bankruptcies, transition to free trade (IMF, WB)**

# ISI

- **Economists – identification of ISI with protectionism and Asia with free markets**
- **= misinterpretation**

# Shock therapy/Neoliberalism

- Eastern Europe after 1989
- = **full transition towards free market capitalism**
- = **privatization of enterprises, market prices, free trade**

# Shock therapy/Neoliberalism

- Main idea – the Communist regimes have collapsed > **there is no power capable of overseeing central planning**



# Shock therapy/Neoliberalism

- Main idea – the Communist regimes have collapsed > **there is no power capable of overseeing central planning**
- > we must move quickly towards markets, **otherwise the managers of the SOE's will plunder the assets**
- = the need to dissolve public ownership relatively quickly, before it's completely hollowed out

# Shock therapy/Neoliberalism

- **Derided and discredited today** – collapse of Russia, Ukraine etc, poverty, rise of oligarchs

# Shock therapy/Neoliberalism

- **Derided and discredited today** – collapse of Russia, Ukraine etc, poverty, rise of oligarchs
- But – **Baltic countries, Poland, Czechia, Slovakia, Slovenia, Hungary...**
- > often reasonably successful!

# Shock therapy/Neoliberalism

- China – We don't want shock therapy, because:
  - 1) **we still basically believe that socialism will win in the end**
  - 2) **doing so would drastically curtail the Party's power**

# Shock therapy/Neoliberalism

- China – We don't want shock therapy, because:
  - 1) **we still basically believe that socialism will win in the end**
  - 2) **doing so would drastically curtail the Party's power**
- Eastern Europe – We don't want Chinese-style mixed economy because:
  - 1) **we no longer believe in socialism**
  - 2) **doing so would mean keeping the security apparatus to oversee the SOEs**

- Czechia – managed to keep its absolute advantage in GDP per capita ahead of China since 1990!

- The end 😊