

One Tale of Two Countries?

*An historical-comparative analysis of the Industrial
Revolutions of Taiwan and Britain*

Nina Cecilie Carlsen



Masteroppgave Institutt for Statsvitenskap

UNIVERSITETET I OSLO

Høst 2005

Acknowledgements

I am grateful to many people for encouragement and support when writing this thesis. First and foremost I want to thank my thesis supervisor, Professor Svein Andersen at BI School of Management, for not only grasping what I wanted to say, but for helping me say it, as well as offering invaluable advice and guidance. I also owe special thanks to Professor Joseph Wong at the University of Toronto, who in his seminars and discussions shared his knowledge and ideas on past and present developmental states, and who has been a great inspiration. Further, thanks to Kjersti Anna Berg, Liv Frøystad Gjæringen and Annemarta Strand Mugaas for useful comments and proofreading. I would also like to express my gratitude to Inger Karin and Tore Carlsen for their continued love and support.

Contents:

<u>Chapter 1: Thesis question, introduction & background</u>	1
Background: The success-story of East Asia	2
The Developmental State model: a neo-statist paradigm	4
An exclusive model?	7
Relevance: Laissez faire and the interpretation of history	8
Chapter outline	10
<u>Chapter 2: Methods</u>	11
An outsider's historical-comparative analysis	11
Constructing the Developmental State model	12
The universe of late and early industrializing countries	13
Methodological challenges	20
<u>Chapter 3: Philosophical and theoretical approach</u>	22
Paradigms in social science?	22
Unique cases, separate paradigms	24
Is truth in the eyes of the beholder?	25
Can history repeat itself?	27
The Developmental State variables	27

<u>Chapter 4: Historical factors: geopolitics and war</u>	30
Taiwan: Big threat, massive aid	30
Britain: Constant war making	32
Comparison: The importance of geopolitics	33
<u>Chapter 5: Industrial and Trade Policies</u>	36
Taiwan: Industrial and trade policies	36
Britain: The tariff-system and protection of industry	40
Comparison: Industrial and trade policies	44
<u>Chapter 6: State strength and State capacity</u>	51
The general idea of a capable Developmental State	52
Taiwan: Public-private cooperation or government control?	53
Britain: Strong state or invisible hand?	57
Comparison: State strength and capacity	62
<u>Chapter 7: Conclusion</u>	69
Similarities: An early European Developmental State?	69
Is the Developmental State model unique to East Asia?	74
Paradigms revisited	75
Transferability	76
Important differences	77
Concluding remarks	77
<u>References</u>	i

Chapter 1: Thesis question, introduction & background

This thesis attempts to challenge the idea of an exclusive East Asian Developmental State model. In order to do so, the model will be examined closely, and its variables will be compared to *the* industrializing process in history; the British Industrial Revolution. Compared to the East Asian Miracle, the Industrial Revolution in Britain is perhaps *the most different case* in explaining industrialization and economic growth. Whereas the Developmental State model is a neo-statist, mercantilist approach to industrialization, most explanations of the Industrial Revolution is neoclassical and focuses on *laissez faire*. Thus, the two cases are commonly interpreted in two separate “paradigms” or theoretical universes. But even the Industrial Revolution has been submitted to controversy regarding state intervention in the economy. Hence, the question this thesis seeks to answer is: *Are the developmental strategies and geopolitical context that make up the Developmental State Model exclusive only for East Asia, or may these factors be found in other historical and geographical contexts?*

This thesis has been named *One Tale of Two Countries?* The title is a blatant theft from Charles Dickens’ novel *A Tale of Two Cities*. But whereas the background of Dickens tale is the French Revolution, the title of this thesis refers to the question whether it is possible to tell the same tale of two other revolutions; the East Asian Economic Miracle and the British Industrial Revolution. This might appear as an ambitious project for a master’s thesis, to challenge two well established theories. As I do not master all the details to the same extent as would a professional economic historian, I hope to demonstrate that there are similarities between these two great economic transformations.

The following paragraphs addresses the point of departure of this thesis; the claim that the Developmental State model is exclusive for East Asia.

The rapid economic growth and industrialization in post World War II East Asia gave rise to a new model in explaining economic growth in developing countries – *The Developmental State model*. Many supporters of this model have claimed that the “East Asian Miracle”, not only is exclusive for this specific region, but is “the product of *unique historical circumstances with the logical corollary that there exist major constraints on its transferability to or the replicability in alternative national contexts*” (Önis 1991: 120, emphasis added). Robert Wade also emphasized that the successful cases of industrializing countries in the post World War II era were to be found in East Asia: “It is striking that all the strongly outward-oriented cases that do better in terms of macroeconomic performance *happen to be East Asian*” (Wade 1990: 18, emphasis added). According to Wade, this raises the possibility that the cause of exceptional economic performance have more to do with “*East Asianess*” than other factors (ibid: 18). Thus, a specific trait of this Developmental State model is the exclusiveness, particularly regarding its area of validity, that some claim it possesses.

The Developmental State model and the East Asian Miracle have been submitted to controversy in at least two senses; 1) whether the East Asian Miracle indeed is an economic miracle; and 2) whether the industrialization of East Asia is a result of unique factors. The remainder of this chapter is structured as follows: First, I defend why the industrialization of East Asia may be referred to as an economic miracle. Then I outline the main explanation to East Asia’s rapid economic growth; the Developmental State model. Finally, I go on to questioning the exclusivity of this particular model, before the relevance of this thesis is placed in a larger context.

Background: The success-story of East Asia

The post-World War II decades in East Asia may be considered one of the most successful economic growth stories in modern history. The economic transformations

of Japan, Taiwan¹, South Korea, Hong Kong, and Singapore resulted in these countries leaping from the ranks of developing countries, and they are today considered as New Industrialized Countries (NICs). Looking at the rise in GNP per capita in for instance South Korea and Taiwan, there is little doubt about the successfulness of the economic transformation. For example in terms of GNP per capita, Taiwan was ranked as number 85th in the world in 1962, whereas in 1986, it was ranked as number 38th. During the same period, South Korea leaped from 99th to 44th place (Wade 1990: 34). Both countries also experienced a rise in exports, as well as a booming industrialization process (ibid).

Compared to other developing countries that attempted to industrialize in the same period, the rise of East Asia is evident. Since the 1960s, the East Asian NICs have grown more than twice as fast as the rest of East Asia, roughly three times as fast as Latin America and South Asia, and twenty-five times as fast as Sub-Saharan Africa (World Bank 1993)². Development is also evident in non-economic terms, as Taiwan, together with Hong Kong, showed more improvement in living standards, life expectancy and population growth than a sample of one hundred developing countries (Sen 1981). Even after the Asian Economic Crisis of 1997, after which some termed the Asian economic miracle as a “myth” (Krugman 1994), the suggestion that there never was an economic miracle is exaggerated. This is evident, as growth rates of GNP per capita have reached above five percent over more than two decades, as well as there has been substantial reductions in poverty, along with an improvement in living conditions (Weder 1999). But if the East Asian miracle is

¹ Taiwan will be referred to as state, although it is not officially recognized as such. This is for simplicity reasons. Taiwan does however; fulfill the criteria of statehood according to international law: control of territory and population, a stable and effective government and independence.

² The World Bank 1993 report focuses on what it calls High Performing Asian Economies (HPAEs), which includes in addition to the countries that as traditionally considered as the East Asian NICS – Japan and the “Four Little Tigers” of Hong Kong, the Republic of Korea, Singapore and Taiwan – also the Newly Industrialized Economies of South East Asia; Indonesia, Malaysia and Thailand.

indeed accepted as a Miracle, how has this been explained? The following paragraphs outline the main explanation; the Developmental State model.

The Developmental State model: a neo-statist paradigm

The rise of East Asia was also important regarding theory formation, as it contributed to the questioning of Neo-Marxist dependency-theory. This theory claims that economic domination, as exerted by the highly industrialized countries in the North, is a more important development-impeding factor than internal conditions of so-called backward countries (Martiniussen 1997: 86). Hence, the countries of the southern hemisphere are doomed to underdevelopment, as the international division of labour is firmly established by Western states, which do not allow new players on to the economic international arena. Third World Countries cannot escape their role as producers of raw materials, thus they cannot industrialize or gain the same level of economic development as early industrialized states (ibid). However, the East Asian countries were able to escape this alleged dependency trap.

The prevalent economic paradigm explaining economic growth during the 1950s and 1960s, at least in the Western hemisphere, was the neoclassical paradigm, which focuses on the role of free markets. However, the economic miracles of East Asia called economic liberalism into question. As the East Asian NICs escaped the so-called dependency trap, and it became clearer that governments had played the role of a highly *visible* hand, scholars were forced to re-think the idea of an unregulated market as the only means of achieving economic development and industrialization. Thus, the neoclassical explanation was contested, particularly by followers of the so-called revisionist school of which Chalmers Johnson, Alice Amsden and Robert Wade are amongst the contributors. The writings of these theorists, as well as others, contributed to the birth of a new model in explaining economic growth in East Asia, the *Developmental State model*, and a “Miracle Literature”. The East Asian success

story resulted in the development of a new theoretical framework focusing on the role of the state *and* market in economic development.

The Developmental State as a phenomenon, which was to become a focal point in future debates over the role of the state in industrialization, was first introduced by Chalmers Johnson in 1982 (Evans 1995). Arguing that Japan was a “Developmental State” and that this explained the rapid economic growth that the country had experienced after the Second World War, Johnson’s *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (1982), marked a break with the neoclassical paradigm that had dominated the development debate. At the same time at the Institute of Development Studies at Sussex University, Wade and his colleagues were describing Taiwan and South Korea as “Developmental States” (Evans 1995). “The late 1980s and early 1990s saw the rise of the theory of the Developmental State that arose to challenge the neo-liberal orthodoxy explaining the rapid and successful industrialization of the Newly Industrializing Economies” (Gilpin 2001: 316). A new model, founded on a comparative institutional approach, had come into being.

The framework of the Developmental State model is a neo-statist approach; the dependent variable explaining development, industrialization and economic growth is state intervention in the economy. However, this approach must not be confused with statist in a strict reductionist sense. A statist approach would focus on state-centric features – to do with internal workings, goals, personnel, organization or structure of the state’s institutions – as independent variables to explain of state behaviour, whereas a geopolitical or state system account focuses on the military and political aspects of international relations (Weiss & Hobson 1995: 9). The Developmental State model takes both accounts into consideration. The state in the Developmental State model is more than the Marxist state – a mere reflection of class forces - and is treated as an independent variable.

It has been suggested that the astonishing economic development that has occurred in post-war East Asia is a result of “the role of government [that] has gone well beyond the practice of Anglo American economies and the principle of neoclassical economy, while at the same time resource allocation has occurred primarily through vigorously functioning markets” (Wade 1990: 6). The state in the Developmental State model is nothing like the aloof institution of classical economic theory, which merely provides the legal framework for private enterprises (ibid: 10). A Developmental State pursues economic growth through deliberate state intervention or, as Wade claims; “governs the market”.

According to Kim and Koo (1992), this neo-statist perspective could be considered a new paradigm in development literature, the state had, “been brought back in” (Evans et. al 1985). The Developmental State model was, particularly during the 1990s, by many considered the explanation that seemed to offer most parsimony explaining the East Asian miracles; “by now there is no serious disagreement among scholars about an important role played by the state in the economic development of developing countries” (Koo & Kim 1992: 121). This resulted in “[a] large body of empirical work [that] seek to explain [the] economic development in the Third World, especially in East Asia, in terms of state intervention. At the centre of these analyses is the Developmental State – the state that intervenes in the economy in a positive way, in a market-promoting or market-sustaining way” (ibid). Indeed, even the World Bank credited the East Asian governments for their successful economic transformation in the World Bank report “The East Asian Miracle” (World Bank 1993), where factors contributing to economic growth, including strong export orientation, high savings rates and sound macro-economic policies underpinned by a solid institutional framework, were emphasized.

As this discussion shows, an active state has been important in creating the East Asian Miracle story, and today there is little controversy around the “fact” that the

governments played a role in the development of East Asia. The following paragraphs will provide a main outline of the Developmental State model, as well as provide reasoning for why this model may not be exclusive to the East Asian NICs.

An exclusive model?

The main features of the Developmental State model can be divided into three main categories, modelled on the answers to the question “what did the East Asian governments do in order to bring about the economic miracle?” These answers include; 1) a particular cultural framework, namely “Asian” values and “Asian” capitalism; 2) certain industrial and trade policies; and 3) a so-called “sound” institutional framework (Weder 1999). A fourth explanation includes geopolitics when explaining the growth of East Asia. However, some of these so-called typical Developmental State features could resemble policies implemented to promote economic growth in early industrialized nations, especially during their catch up or industrializing eras. East Asian culture, with its emphasise on Confucian values could resemble the Protestant work ethics. The particular set of industrial policies implemented in the East Asian states has a strong sense of mercantilism, an industrial strategy not unfamiliar to the industrialization era of Europe or the U.S. The institutional framework could be comparable to other so-called strong or capable states. The geopolitical situation under which East Asia developed is characterized by potential conflicts, a situation not uncommon in history. This opens up for the idea that the East Asian experience is not as exclusive for the East Asian NICs as earlier believed.

Moving on, the relevance of this thesis will be placed in a larger context. Further, I will provide a justification for why Developmental State features may be found in other national and historical contexts.

Relevance: Laissez faire and the interpretation of history

When looking at East Asia, the neoclassical idea of *laissez faire* as the only path for backward countries to economic growth seems to be contested. Nevertheless, the neoclassical view seems to have dominated the money-lending institutions that provide capital to developing countries. Even today, economic classic liberalists such as Adam Smith, David Ricardo and John Stuart Mill have been authoritative and influential voices in the debate regarding economic development and industrial policies. Little does it matter that the policies recommended by these advocates of free trade, *laissez faire* and a minimalist government hardly seems to (except for a very short period in Britain) have been implemented by anyone, anywhere.³

Many Third World Countries are highly dependent on foreign aid to build their economy and to aid development. Two central actors in this respect are the International Monetary Fund (IMF) and the World Bank. These institutions have been highly influenced by neoclassical economic theories, and subsequently claim that the best developmental strategy is reliance on free market forces (Martiniussen 1997: 249). “The World Bank has played a central role in the experience-based criticism by continuously emphasising the negative effects of extensive state interventions” (ibid: 259).

The principal thesis advanced by neoclassical economists is that free competition and market mechanisms, *in all countries under all circumstances* (emphasis added), would bring about a more optimal allocation of production and a more optimal distribution of commodities, than that of a regulated economy with administrative control and central planning (ibid: 261). These recommendations were generally accepted by the IMF and the World Bank, as well as by many bilateral donor

³ For a more comprehensive view, see Chang 2002.

organizations. The World Bank incorporated many of the recommendations into the conditions for several structural loans to Third World Countries (ibid: 262). These recommendations include 1) all distorting interventions in pricing mechanism should be abolished; 2) foreign trade should be liberalized and; 3) the public sector should be reduced in size through privatization (ibid).

According to Önis (1991: 110) “[a]ll successful cases of *late industrialization* have been associated with a significant degree of state intervention”. However, even early-developed countries such as Britain, have not always practiced the aforementioned “recipe” money lending institutions, such as the World Trade Organisation (WTO) or the World Bank, recommend to developing countries today. “Britain is widely regarded as having developed without significant state intervention. However, this could not be further from the truth” (Chang 2002: 19). Chang also points out the lack of attempts to apply lessons learned from the historical experiences of developed countries to problems of contemporary development (ibid: 13). He further claims that the interpretation of history is “full of myths that support the orthodox version of the history of economic policy ... which emphasizes the benefits of free trade and *laissez faire* industrial policy” (ibid). Hence, the neoclassical interpretation of British industrialization, as a result only of *laissez faire* policies, is questioned.

A question of transferability?

An issue that has been raised over and over again is whether the Developmental State model is transferable to other developing countries. As the East Asian NICs have achieved both spectacular rates of economic growth as well as a rise in living standards, an alluring thought would be for other developing countries to follow the same strategy to achieve the same. According to Amsden (1979: 373) however, the case of Taiwan, which is regarded as a typical Developmental State, should be classified as a “special case”. She claims that “the economic history and geopolitics of Taiwan have been so marked by a confluence of unusual historical circumstances

[that] it would be idle to hold Taiwan up as an example for other developing countries to follow” (ibid: 373). However, if it is possible to demonstrate that Developmental State features could be found, not only *outside East Asia*, but also in the most unlikely case for such comparison, the idea of an exclusive East Asian Developmental State model is indeed challenged.

Chapter outline

The following plan of this thesis is as follows: Chapter 2 presents the methodological choices and challenges, and motivates the choice of cases, as well as how the analysis of phenomena in different contexts may be comparable. Chapter 3 proceeds to the philosophical and theoretical framework in which this thesis can be placed, questioning whether the accumulation of knowledge regarding development is dependent on particular “paradigms” utilized for interpretation, and presents the key variables of the Developmental State model. Chapter 4 to 6 takes a closer look at the selection of the key variables of the Developmental State model, which guides the explanation. Focus will be on; 1) the geopolitical context; 2) the industrial policies and; 3) the state strength and state capacity, of Taiwan and Britain, and comparison will be conducted underway. Chapter 7 summarizes and concludes.

Chapter 2: Methods

An outsider's historical-comparative analysis

Case studies are intensive studies with few entities (small N). This case study falls into the category of comparative-historical analysis, and focuses on two unique events in history; the East Asian Miracle and the British Industrial Revolution. These two events are generally considered to be two highly different cases, both because they fall into separate theoretical universes, and because they are separated by almost 250 years. By focusing on some main variables, I seek to identify regularities that both cases have in common. If it is possible to identify regularities between two deviating cases, this is an indicator of generality and robustness (Andersen 2003: 104).

According to Andersen (2003), a general limitation to historical-comparative studies is that a system's collective self-understanding and actual organizational consequences are blurred. This is particularly true regarding areas of society that have been characterized by ideological diasporas. The "correct" way to development is such an area. Further, the data tells two separate stories of two different countries in different historical contexts.

The data are empirical, secondary data, and have been collected from various sources. For data on the Industrial Revolution I have relied on various historical interpenetrations of this event, including the "classics" such as Pollard, Toynbee and Dean. Data on the East Asian Miracle come mainly from the Miracle Literature on the Asian economic transformation. Because these two cases generally have been interpreted in two separate theoretical universes; the Developmental State model is mercantilist and neo-statist, whereas the Industrial Revolution is usually interpreted in a neoclassical, *laissez faire* framework, implies that objective data is very hard to obtain, if it exists at all. On the other hand, as this thesis is an attempt to test whether

this revisionist development story also fits Great Britain, somewhat biased data should not pose serious problems.

This thesis is also an embedded case study as attention is given to subunits within the two cases (Yin 2003: 42). Because the two cases are divided by approximately 250 years, the main variables are not directly comparable. They have to be interpreted and understood in their special context; however, comparison is not impossible if context is taken into consideration. This implies for instance that the variable “state strength/state capacity” may be expressed differently in the two cases. This maximization of differences and context serve the same purpose as randomization in relation to contextual variables. If the same variables and relationships can capture the key elements of both cases, it is an indicator of robustness (Andersen 2003: 104).

My aim has been to identify similarities between two stories of two great transformations. Specialization in research tend to strengthen already given perceptions regarded the phenomena under research (Vaughan 1992: 173). However, as I am no historical expert on the Industrial Revolution, I may follow a “heyerdahlian” approach; as an outsider I may be more disposed to identifying similarities between two unique cases than an actual expert on the subject (Andersen 2003: 104-5).

After this methodological discussion, I will now take a closer look at the cases, and how they fit the discussion.

Constructing the Developmental State model

The Developmental State model is based on the experiences of the East Asian NICs - namely Hong Kong, Singapore, South Korea, Taiwan and Japan - countries, which

actually did not experience a uniform path towards economic development. I have chosen to focus on the Taiwanese experience, even though it would have been possible to include all aspects of East Asian industrialization and treat it as one Developmental State model. It must, however, be clear that some of the policies implemented in the different East Asian NICs should not necessarily be considered as part of the model, but as indigenous policies. Taiwan and South Korea are the NICs that resemble the general model the most. This implies that both Taiwan and South Korea may be seen as representative or typical cases (Yin 2003: 41) for the East Asian Miracle. Another option could be just to focus on all the variables in the model, and compare these to the experience of the Industrial Revolution in Britain. However, the model is only fit for broad and general analysis (Evans 1995, Hveem 1999: 260). Thus, focusing on one of the East Asian Miracle states provide larger precision, as well as the opportunity to go deeper into the studied subject.

The universe of late and early industrializing countries

Choice of cases: The East Asian NICs

There is not a complete agreement on which states are included the East Asian Developmental State model. Some only count the “four little Tigers”, namely Hong Kong, South Korea, Taiwan and Singapore, (even though Singapore strictly speaking is located in South East Asia), whereas others also include Japan. There are also those that include the so-called second generation of East Asian NICs; i.e. East and South East Asia – Thailand and Malaysia and even maybe Indonesia, Vietnam, and (South) China as well as Cambodia, the Philippines, Myanmar (Burma), and Laos (Hveem 1999: 260). However, the classic interpretation of the East Asian Developmental States is the aforementioned “Four Little Tigers” and Japan, thus these NICs becomes the universe of this thesis.

To highlight the features of the Developmental State model, Taiwan has been chosen as the example case with which comparison is made. Other possible cases could have been South Korea, Japan, Singapore or Hong Kong. The special status that Hong Kong and Singapore possesses being small city-states, however, makes it less fruitful to compare them to other industrial experiences. Further, the economic successes of Hong Kong and Singapore are built on foreign investments and commerce, rather than a state-led industrializing process (ibid: 266). Hong Kong must also be regarded as a special case, even in a Developmental State context, due to its openness, compared to the other East Asian NICs. “Hong Kong, unlike the other three little Tigers, was completely open to changes in external markets, and responded to this quite new demand (of cheap labour power), precipitating a process of remarkable self-transformation (Harris 1992: 82). According to Hveem (1999: 258), South Korea and Taiwan provide the best illustrations of the institutional aspects of the East Asian development strategy. Thus, both cases could be used in this study.

South Korea is often used as the arch-typical example of the East Asian Developmental State. “The East Asian Strategy is frequently referred to as the Korean model, because Japan is classified as developed, Singapore and Hong Kong are considered atypical and Taiwan presents awkward political problems” (Papanek 1999: 27). Just the fact that two of the successful East Asian industrializing countries in the post-second World War era are considered as exceptions, opens up for the notion that the Developmental State model might be too general, and thus the strategy followed by the East Asian NICs might be applicable also in other nations during their industrializing eras. The aforementioned “awkward political problems” that Taiwan represents; the relationship to Mainland China, but also a quasi-Leninist, authoritative government, are sometimes omitted from the Developmental State model, but the question regarding governance, as well as labour repression, still remain controversial issues in the literature concerning East Asian development and industrialization. Taiwan was, however, chosen to represent the Developmental State model because, as Castells (1992: 41) claims “[e]ven by the high standard of the

Pacific Rim development experience Taiwan is probably *the* success story, in terms of a substantial high average of economic growth⁴, increase in world share of GDP⁵, increase in the share of world exports⁶, increase in the share of the world's manufacturing output⁷, and this within the context of relatively equal income distribution⁸, social stability⁹, as well as substantial improvement of health, education and living standards (Gold 1986).

Britain: an early industrialized country

The reason why the British Industrial Revolution is singled out as a case from a rather large universe of countries practicing somewhat interventionist, as well as protectionist policies for promoting economic growth, is simply that Britain illustrates that in spite of a hegemonic position in the global economy, protectionist policies were crucial as a pull-away strategy. According to Weiss and Hobson (1995: 11), if there is an important difference between first wave industrializers and late developers, also in a European context, it is not neatly captured by the dichotomous categories of *laissez faire* versus state-led development. They claim that the European states did more than provide “the right institutional environment” for private enterprises (ibid). “For even the British state, with its unusually intensive militarism and fiscal strategies, produces effects that went well beyond the provision of pacification, protection and property rights in enabling industrialization” (ibid). Britain is also the cradle of modern economic theory, and the fatherland of the

⁴ Annual average of 8.7% for 1953-1982 and 6.9% for 1965-1986.

⁵ Multiplied by a factor of 3.63 in 1965-1986.

⁶ That reached 2.08% in 1986, above all other NICs, including South Korea.

⁷ Multiplied by a factor of 6.79 in 1965-1986 as compared to South Korea's growth factor of 3.59.

⁸ Gini coefficients of .558 in 1953 and .303 in 1980, much better than the United States or the average of the EC, although the situation has deteriorated during the 1980s (Kuo 1983).

⁹ Enforced by harsh police repression for the period from 1950-1977.

theorists that have influenced, and still keep influencing modern economics today. Further, Britain is the hub of Western industrialization, as well as, correct or not, the country, which we like to believe, gained economic growth through free trade and non-protectionism. Demonstrating that the British state intervened in the industrialization process, i.e. that this process was not as organic as it is commonly believed, will thus give legitimacy and validity to the thesis.

Other possible cases

Yin (2003: 133) argues that an analysis will become more robust if more than one case is used. A possibility would be to select another early-industrialized country as a comparative case. This presupposes certain knowledge to the universe of countries that have experienced an industrialization process characterized by state intervention. Possible selections could be the USA during the 18 hundreds, the German Zollverein under Bismarck, or even Norway after independence. Another approach could also have been to select another NIC outside the East Asian region as a comparative case, such as for instance Mexico or Brazil where the state played a part during industrialization.

However, comparative analysis between Latin American and East Asian NICs has been conducted several times, with the same result; there are few general similarities between the two regions when it comes to state-led industrialization (Evans 1995). For instance, most Latin American states did not experience redistributive policies such as land reforms, an aspect that is commonly considered crucial in the East Asian development process. Whereas these land reforms enabled the East Asian states to gain autonomy from the land owning elites, the land owning classes in many Latin American countries controlled the government, hence obstructing industrialization and development. The Latin American experience also differs from the East Asian in that import substitution in East Asia was given on a selective basis, thus protecting infant industries rather than on an un-selective basis. The Latin American strategy of

import substitution has “been based on a belief that control of imports, coupled with unselective support of industrial investment, would be sufficient to bring about a sensible level of industrialization (Wade and White 1988: 9). Hence, Latin America appears as an un-fitting comparative case in this study.

Generality and validity

Expanding to more cases may provide larger precision, such as generality or validity (Andersen 2003). However, the aim of this thesis is not to verify or test whether so-called Developmental State features exist in the early phases of the industrializing eras of all countries at all times, but rather that Developmental State features can be found also outside East Asia. When I chose a “risky” case, a case which is considered to be very different, this implies that if similarities can be found, it is likely that such factors also hold in other contexts. In other words, the aim is not to generalise to all industrializing experiences, but to expose the hypothesis that the Developmental State model is not as exclusive as some claim. As Britain is probably the most unlikely case; it is not only separated from the East Asian Miracle by almost 250 years, but also considered *the* ideal type of a liberal path to development, exposing similarities should demonstrate that this indeed is the case.

Timeframe

I have chosen to limit the study of Taiwan to after the Japanese period. From 1895 to 1945, Taiwan was under Japanese rule, until Japan’s defeat in the Second World War, when Taiwan was reverted to China. Some contribute East Asian development partly to Japanese imperialism in the region (Amsden 1985: 79, Hveem 1999: 262, Wade 1990: 71). The Japanese rulers initiated land reforms where land rights were removed from a class of absentee landlords and distributed to local landlords, leading to rapid growth in the agricultural sector (Amsden 1985:79). They also introduced scientific farming, and set up agricultural networks that provided peasants with

extensive education, cooperative purchase of fertilizers and other services (ibid: 81). Taiwan thus had a very productive agricultural sector even before the Kuomintang (KMT) regime. These networks persist as an important element in the government's management of agriculture (ibid: 81). The Japanese colonial heritage also laid the foundation for the economic and industrial system, as the Japanese expanded industry to include chemical and metallurgic sectors, as well as introducing some import substitution elements (ibid).

The Japanese colonial period did indeed establish some of the foundations for the rapid economic growth Taiwan experienced from the 1950s onward. They provided an environment for a productive agricultural sector, as well as a population that was more literate than the average developing country. Still, it was under KMT rule that Taiwan leaped from an economically backward nation to an economic success story. I have therefore chosen to limit this study to the period after the KMT retreated to Taiwan, namely in 1949. Further, I do not intend to go further in history than the 1980s. This excludes an important part of Asian economic history; the Asian economic crisis. The crisis led to several Western economists proclaiming that the East Asian states should adopt a neoclassical development model based on free markets and minimal state intervention in the economy; that the East Asian Developmental State model "contained the seed of its own destruction" (Gilpin 2001: 330). Whether or not the Developmental State model is an appropriate way to development, or whether or not state intervention leads to economic crisis, are not, however, within the scope of this thesis. There is also no consensus on whether it was the East Asian model that led these economies to be hit by the crisis, as is claimed by its critics, or if the blame can be put on the behaviour of international financial markets, as the proponents of the Developmental State model propose (ibid). Further, Taiwan did not experience a financial or macroeconomic crisis (Chang 2002: 51).

The British Industrial Revolution is harder to place in a specific timeframe. According to Pollard (2000a: 48), it has no clear beginning and no clear end. Some also question whether or not this turning point in human history can be called a revolution at all, as it appears as a much more evolutionary process¹⁰ (Pollard 2000b). 1750 is generally considered as the starting point of the Industrial revolution in Britain, lasting up until the mid 19th century, as this was the period when increases in productivity and organization became widespread (Pollard 2000b: 65). There is however, not complete agreement about the dating of the Industrial Revolution. Harris (1992: 74), for instance, claims that the key industrial transition took place between 1688 and 1815. Further, agricultural change was well under way even before 1750, important fiscal policies, such as Walpole's Customs Reform was implemented in 1722, whereas a modern tariff system was implemented as early as 1688. These policies laid the ground for the allocation of labour to the growing industrial sector, and the protection of British infant industry, which spurred British industrialization. Thus the analysis of the Industrial Revolution in Britain will begin with the Glorious Revolution of 1688, even though the Industrial Revolution often is dated as to begin in 1750. Because the starting point of the Industrial Revolution is commonly set *after* the foundation for industrialization is laid, whereas the start of the Developmental State in Taiwan is set before, it is pertinent, to conduct a valid comparison, to analyse both in the same stage. Because this thesis follows the logic of the Developmental State model, I have chosen to include the initial and the "take off stage" in both revolutions.

Definition of State

"State" and "government" are frequently used terms in this thesis, as the Developmental State model is neo-statist in its approach to industrialization and economic growth. Government refer to the executive branch; while state refer to the

¹⁰ The industrial and economic transformation of Britain will still be referred to as the Industrial Revolution

wider structure of governance institutions. Using the words interchangeably however, pose less serious confusion when referring to Taiwan than many other countries (Wade 1990: 8). In this thesis, the state is regarded as an actor in its own right, meaning that the state is accorded analytical priority. The state is seen as an independent actor, rather than as a product of conflicting interests and power struggles.

Methodological challenges

One evident challenge in this study is the fact that there is a time gap of approximately 250 years separating the two cases. First, the world system in which states operate has gone through immense changes in those years. The Cold War, during which Taiwan developed and industrialized, provides a very special environment, probably a unique period in history. It is also acknowledged that geopolitics play a certain part in East Asian development, particularly because of U.S. aid, the fall of Japan as a colonial power in the East – and Southeast Asian region (Hveem 1999: 269-71), and in the case of Taiwan, also the threat from mainland China.

Another challenge in this thesis, also connected with comparing two cases set 250 years apart in time, is being too general. According to Gerschenkron (1962: 41), there is a certain danger when conducting historical studies aimed to determine similarities; “[w]hen the level of generality is pitched very high, that as one moves deeper and deeper into the subject, one is bound to come across things in one area that do not fit the general model”. It is tempting to treat all sort of governmental intervention as “developmental”. I have tried not to do so, to single out some variables that are indigenously part of the Developmental State model, and determine whether similar policies also can be found in Britain during its Industrial Revolution.

However, again according to Gerschenkron, “[w]hat makes it so difficult for advanced countries to appraise properly the industrialization policies of its less fortunate brethren is the fact that, in every instance of industrialization, imitation of the evolution in advanced countries appears in combination with different, *indigenously determined elements*” (ibid: 26, emphasis added). This implies, methodologically, that the cases studied do not have to be 100 percent similar to be dubbed “the same”. Indeed, with a time-gap of 250 years separating the two cases, perfect similarity would be too much to ask. Rather, this allows for institutions and policies implemented promoting economic growth to be refined and developed over time, as well as being adapted to specific national and international contexts. It does not, on the other hand, undermine the thesis that the Developmental State features may be found in earlier industrializing countries.

Chapter 3: Philosophical and theoretical approach

The Developmental State Model provides the theoretical framework in this thesis, in the sense that this model provides the framework for structuring the variables, as well as deciding which variables are included in the analysis. In this sense, theory is embedded in the study. However, the question whether the developmental strategies and geopolitical contexts are exclusive for the East Asian Developmental States, cannot be satisfactorily answered only by looking at political economic theory. How can two unique cases, which commonly are regarded as two of the most different examples of industrialization in human history, suddenly be interpreted in the same framework? The answer may be that these two cases have been interpreted in different theoretical frameworks. Hence, it is pertinent to explain why these two cases have been interpreted so differently. In order to do so, I turn to Philosophy of Science.

Paradigms in social science?

A paradigm can be defined as “a general acknowledged scientific result, which for a period of time gives a group of researchers a set of clearly defined problems and legitimate problem solutions” (Gilje & Grimen 1993: 86, authors translation). For Thomas Kuhn, a change of paradigm does not only imply that one theory is replaced by another, but also that the criteria for what is considered an acceptable theory changes. If every paradigm has its own criteria for problem solving and what is considered a “good “ or “true” theory, this implies that theories within different paradigms are mutually non-comparable, as there is no external measurement outside or above a paradigm that makes comparison possible (ibid: 94). Whether or not paradigms do exist in social sciences is a debated issue. For some, such as Kuhn, paradigms are more closely associated with the so-called “hard sciences” than with the social sciences. He claims that the social sciences still are in a chaotic pre-paradigmatic phase, and that there is no general agreement about what is “real” problems and methods (ibid: 95). However, if the paradigm-term is applied more

loosely, the different theoretical universes in social science and humanities equal the paradigms in natural sciences; hence, the social sciences become multi-paradigmatic disciplines (ibid: 88-89).

Thus, the existence of theoretical universes, even perhaps paradigms in a more restricted sense, may be attributed to the social sciences. Examples could be “idealism” versus “realism” in International Relations, and “neo-classical” versus “neo-Marxist” or the debate between “State or Market” in Political Economy. These theoretical universes consist of the “ideas, values, techniques, metaphysical assumptions and so forth” that members of a particular research society have in common (ibid: 88). It is in this restricted sense paradigms are used in this thesis.

Paradigms in Development Studies?

A general disagreement within development studies is whether such studies may be considered a separate field of research -i.e. its own paradigm -, with its own approaches, methods and theories, as well as which parts of the world development studies should cover (Martinussen 1997: 3). Representatives of basic research, particularly within the economic fields, claim that economic methods and theories have general validity for all societies, thus there are no separate theoretical field for research of Third World countries (ibid). However, within political science there is perhaps no discipline that highlights the anomaly between the so-called paradigms or theoretical universes as much as development studies. Whereas the discipline has its roots in classical political economy, it has later evolved to become a more multidisciplinary research field, consisting of several theoretical universes. Further, the increasing differences between Third World countries have exerted great influence on theory construction in development research, and have forced it in the direction of a corresponding differentiation. “It is no longer considered good practice to claim universal validity for proposed theories, exceptions being some neoclassical schools of thought among economists, or perhaps the so-called world system

theories” (ibid: 352). This however, does not imply that development research today is characterized by meticulous and explicit statements concerning the limitations of validity or the conditions under which the given generalizations are presumed to be valid. Rather, the change manifests itself in the form of theories that are elaborated with *reference to delimited regions and types of developing countries* (such as the East Asian NICs) (ibid, emphasis added).

Unique cases, separate paradigms

In principle, all historical events are unique, including the Industrial Revolution and the East Asian Economic Miracle. Both the Industrial Revolution and the East Asian Miracle are considered as examples of so-called “unique cases” - unique in the sense that there have only been one “Industrial Revolution of Britain” and only one “East Asian Miracle”. They are of interest to humanity, because of their vast implications on social and political structures, economy and society. But the East Asian Miracle is also an example of an event that has inspired theory construction limited to a certain region. Further, the Industrial Revolution and the East Asian Miracle have been interpreted within two separate paradigms or theoretical universes; one that rests on the foundation of neoclassical economy; and one that represents a neo-statist and mercantilist approach that emphasizes the autonomy and strength of the state as a precondition for accelerating social development (Martinussen 1997: 239).

Neoclassical economic theory has its roots in classic liberalism; from writers such as Adam Smith, David Ricardo and John Stuart Mill. It rests on the theory of the *invisible hand* and *comparative advantage*¹¹ introduced by Adam Smith, and later elaborated by David Ricardo. The prime economic actor is the rational man, and the proper role of government is a so-called *watchman’s state*. The Developmental State

¹¹ In short, the theory of comparative advantage claims that one nation will enjoy more output if it concentrates on those activities in which its costs are relatively cheapest compared to those of another nation.

Model builds on neo-mercantilism, involving state assistance, regulation and protection of specific industrial sectors (Gilpin 2001: 157). Further, it is an institutional approach, focusing on the role of government (Amsden 1989, Johnson 1982, Wade 1990).

A change of paradigm?

Approximately during the same period as the East Asian states rose from “rags to riches”, i.e. towards the end of the 1970s and the beginning of the 1980s¹², the neoclassical paradigm became prevalent and generally accepted both among decision makers in the Organisation for Economic Co-operation and Development (OECD) countries, as well as with the World Bank and the IMF. The change towards more conservative governments taking place in the USA, the UK and West Germany (Ronald Reagan, Margareth Thatcher and Helmut Kohl, respectively), also facilitated this change in the dominant political view (Martiniussen 1997: 260). The Developmental State model, challenging the idea of *laissez faire*, and instead emphasizing the role of government “embedded” in society, may hence be considered as a competing “paradigm” or theoretical approach in development literature. *Explanandum* was still economic growth, industrialization and development, but *explanans* shifted from markets to markets guided by a capable state.

Is truth in the eyes of the beholder?

Adherents of “victorious” theoretical explanations may see a new paradigm as progress, but from a scientific-philosophical point of view it does not make sense to say that a change of paradigm brings the researcher closer to the truth (Gilje & Grimen 1993: 94). It could be plausible to claim that “truth is in the eyes of the

¹² This time-period refer to the Asian Tigers, as Japan already had industrialized in that era.

beholder”, and that it is the perspective or paradigm applied to explain a social phenomenon that contribute to bring about a specific explanation.

Because social, political, historical and economic events or phenomena are interpreted within certain theoretical frameworks, the actual findings will vary, even if the case examined is the same. Gilpin (2001: 31-38) exemplifies this, claiming that a political scientist and an economist would interpret the same economic affair, ending up with different results. “Interpretations of economic affairs are highly dependent upon the analytic perspective of the observer and upon his or her assumptions as these determine what the observer looks for or emphasizes” (ibid: 31).

But even within the same discipline of social science, such as political science, theoretical assumptions vary, for instance regarding the level of analysis. “Within [different] intellectual perspectives, the nature of economic actors appears very different. A Marxist regards economic classes or such representatives of class interest as politicians or interest groups as the fundamental actor in economic affairs... For proponents of a state-centric approach, on the other hand, the primary economic actors are nation-states or other powerful political groups” (ibid: 34).

On the other hand, for a believer in neoclassical economy, the economic actors are the individuals (consumers) pursuing their self-interest (ibid: 34). This further implies that the ontological and epistemological assumptions differ; for instance does liberalist approaches rest on methodological individualism, whereas the Developmental State model, which is an institutional approach “looks for explanations that goes beyond the utilitarian calculations of individuals to the enduring pattern of relationships within which such calculations are immersed” (Evans 1995: 18).

Can history repeat itself?

As mentioned in the introduction, this thesis is an attempt to challenge the idea of an exclusive East Asian Developmental State model, through a comparison with the Industrial Revolution of Britain. Because these two events have been interpreted in competing frameworks, the variables utilized in these explanations have not been the same. Whereas the typical story of the Industrial Revolution have emphasized the lack of state-intervention (or, when state intervention have been utilized, it has been as a negative force, retarding the revolution to reach its full potential¹³) the East Asian Miracle has emphasized the role of the government. The separation in level of analysis suggests that the traditional interpretations of the Industrial Revolution and the East Asian Miracle belong to two different paradigms – if we may speak of paradigms in social science – or theoretical universes. This opens up for the idea that if these two unique events were to be interpreted *in the same framework*, they might not appear as different; hence the idea of an exclusive East Asian Developmental State model could be challenged.

The Developmental State variables

Three main explanations have been offered in explaining the East Asian miracle story: 1) “Asian capitalism” and “Asian values”, 2) industrial and trade policies and 3) a “sound” institutional framework (Weder 1999). These three explanations thus provide an appropriate framework for structuring the variables in this analysis. Also, in addition to the three main explanations, external and historical factors have been emphasized when explaining the economic transformation of the East Asian NICs. Textbooks in international political economy and development studies emphasise external or historical factors, such as geopolitics and security politics (Hveem 1999) when outlining an East Asian Developmental State model. Further, as claimed by

¹³ See for instance Williamson, Jeffrey G. (1984)

authors such as Amsden (1979) and Önis (1991), the historical and geopolitical context in which East Asia developed, is a factor that is unique for this specific region. Thus, in order to provide a satisfactory comparison between the British Industrial Revolution and the Developmental State model, historical variables should be included in the analysis.

The first explanation concerning a specific Asian culture, building on Confucianism as the explanatory variable for the East Asian success story is considered highly controversial, as Confucianism were also considered as the *main obstacle* to development, both in the East Asian NICs as well as China (Nojonen 2005 [lecture], Weder 1999: 3). Further, Rosenstein-Rodan (quoted in Papanek 1999: 27) questions the cultural explanation, claiming that “when economists cannot explain a phenomenon, they call it social or cultural”. This explanation will therefore be omitted from comparison.

Industrial and trade policies include laws restricting or promoting imports and exports. Where the East Asian NICs have been regarded as somewhat mercantilist in their approach to trade, the British approach is commonly regarded as *laissez faire*. Hence, explanation number 2 concerning industrial and trade policies provides a fruitful approach to demonstrate possible similarities between the two cases.

The third explanation concerns “a sound institutional framework”. First, this is not very specific. Second, it is beyond doubt that corruption is wide spread in East Asia (Hveem 1999: 264, Kang 2002, Wade 1990). Hence, the institutional framework may not be as “sound” as claimed. Therefore I have chosen to focus on “state strength” or “state capacity” i.e. the ability of the government to implement its policies and deal with public contention. When the cases compared are set almost 250 years apart, state strength or capacity appears as more fruitful for analysis than the

actual institutions. This is because the state as an institution obviously has changed in 250 years; however, even early modern states could be distinguished according to strength and capacity.

The following chapter deals with the Developmental State variables in the following order: 1) the historical factors: geopolitics and war; 2) industrial and trade policies and; 3) state strength and state capacity, and compare them with the corresponding variables of the Industrial Revolution of Britain.

Chapter 4: Historical factors: geopolitics and war

This chapter will seek to explain the importance of the geopolitical situation, including war or the potential threat of war, in industrialization and development. The aim is to investigate whether the geopolitical situation of post-war Taiwan and industrializing Britain enhanced industrialization, and thus are comparable. The first part of the chapter deals with Taiwan, the second with Britain, and in the third I compare the two cases, seeking to identify similarities between them.

Taiwan: Big threat, massive aid

The East Asian states' global position as a part of the American sphere of interests is generally considered a significant feature of the Developmental State model. The geopolitical climate provided by the Cold War constitute part of the historical context some claim is unique for the development of the East Asian NICs (Amsden 1979, Önis 1991). During the Cold war, the East Asian states became a part of the American strategic sphere of interest as a bulwark against communism in the region (Appelbaum and Henderson 1992: 9). This resulted in both Taiwan and many of the other East Asian non-communist NICs receiving large amounts of aid, both economic and military, particularly during the 1950s. The militaries of Taiwan and South Korea were deliberately built with U.S. aid and technology transfers (ibid).

The United States had initially supported the KMT government on the mainland, but after its defeat in 1949, ceased its assistance (Clough 1978). However, after the outbreak of the Korean War in 1950, the United States resumed its assistance to the KMT, who had retreated to the island of Taiwan after its defeat in the Chinese Civil War. After the outbreak of communist aggression on the island in 1954, support was further strengthened (Wade 1990: 82). "Over the 1950s economic aid equalled about 6 percent of GNP and nearly 44 percent of gross investment, and military aid was bigger still. The United States supplied 35 to 45 percent of Taiwan's imports, and

took 5 to 10 percent of its exports” (ibid). Manufacturing in Taiwan and South Korea, as well as Hong Kong, also benefited from the American war making in Vietnam in the period from the early 1960s to the mid 1970s (Appelbaum and Henderson 1992: 9). Taiwan received funds that were put in to use in an effective manner – “because the government realized the urgent need for reform, and because the United States wanted a strong and stable outpost on its western defences, and both sides wanted a showcase of non-communist development to contrast with communist development on the mainland” (Wade 1990: 83-84). The presence of the Cold War, as well as the East Asian states being both capitalistic in development and anti-communist in ideology, provides a geopolitical climate that probably was significant in the East Asian development project. “Geopolitics have played a major and indispensable role in the success story first of Japan, then of the East Asian NICs” (Weiss & Hobson 1995: 248).

“In East Asia a shared sense of the external vulnerability of the nation has helped concentrate the rulers’ minds on performance-enhancing measures as means of their own survival” (Wade 1990: 377). Tiny Taiwan was considered by the People’s Republic of China as a Chinese “renegade province”, and was under threat from the mainland, thus, “to sustain an assault from the mainland it also needed some upstream industries” (ibid 1988: 40). This external threat from a vast army only 150 kilometres away “posed to the rulers the prospect of their political – and physical – demise if they failed to mobilize resources and assert the state’s ordering of society. Any sign of internal weakness would invite aggression from their looming enemies” (ibid 1990: 338). Further, “the Taiwanese leadership, up until the 1950s, was obsessed with retaking the mainland, and consequently pursued a military campaign linked with a heavy-industry strategy. This strategy proved to have economic payoffs in the long run, but economic rationality was not the driving force” (Weiss & Hobson 1995: 185). In this sense, geopolitics contributed to the economic rise of Taiwan, however perhaps not strategically. The shift in priorities from this military campaign against the mainland, to the economic independence of Taiwan, came only after the

ending of American aid; the state shifted its power objective to development (Johnson 1987: 155, Weiss & Hobson 1995: 185).

Britain: Constant war making

“From 1688 to 1815, *when the key industrial transition was made*, Britain was engaged in major wars for roughly 70 years” (Harris 1992: 74, emphasis added). The wars had a positive effect on industry, particularly the iron industry, armaments manufacture and the mass production of uniforms (Pollard 2000a: 61). Economic historians have pointed out that industrialization in Britain in the 17th and 18th century was premised on the development of iron industry (Dean 1965:100-14, Mantoux 1961: 271, 305-10). As it is well acknowledged that the Industrial Revolution in Britain was spurred by a series of technological innovations, such as the coke-smelted cast iron, the puddling process and the steam engine, these inventions were created as a direct result of the tremendous military demand for iron, as well as for high grade material (Sen 1984: 104-11). Wars also contributed to the expansion of another crucial British industry; the cotton manufacture. The Seventh Year War fuelled a high demand for clothing, which led to the invention of the *Spinning Jenny* and the flying shuttle (John 1955: 335).

Government demands on the aforementioned industries also created backward linkages to other industries, such as coal-mining, building, chemical production and engineering (ibid: 333). The British state enabled industrialization through intended and unintended policies connected to its military strategies and intense warfare in the 18th century (Weiss & Hobson 1995: 95, 112). At the most, in 1811, during the Napoleonic Wars, more than half a million men were kept under arms, and “hundreds of thousands engaged in keeping them supplied with arms, clothing, foodstuffs and transport” (Harris 1992: 74). Between 1780 and 1830, government consumption was also larger than the value of exports (ibid), and by 1801, gross public expenditure

may have been equal to over a quarter of total national expenditure (Deane 1965: 91). War, during the first half of the 18th century had a beneficial influence on the development of the English economy. It stimulated demand for industry, leading to the advancement in technology that spurred the Industrial Revolution, as well as higher productivity (John 1955: 343). Innovative ideas, “which earlier had been subjected to experimental interest, were rapidly applied for technological advancement.. and [t]he application of many of these innovations was accelerated by government-induced investment” (ibid). “[I]t appears that British economic development was, in the first phase, *government*, rather than export, led. In the first case of industrialisation, the role of the state and of warfare was crucial, but one presumes, unconscious” (Harris 1992: 74, emphasis added).

Comparison: The importance of geopolitics

Geopolitics appears as an important variable, both in the development of Taiwan, and in the industrialization of Britain. The developmental drive was closely connected to geopolitics and military rivalry. According to Weiss and Hobson (1995), the security and survival imperatives galvanized commitment to developmental projects in Taiwan (and South Korea). The threat from mainland China was an important factor in motivating the KMT to launch Taiwan’s developmental project and establish upstream industry. Further, the huge amount of American financial and military aid was canalized into industry and the army. The Taiwanese economy is an economy built on war. Indeed, without presence of the Cold War, the external factors contributing to the United States pouring economic and military aid, and thus providing capital used for industrialisation, would not have been present.

In the industrial development of Britain, interstate rivalry and war played a major role in building up an industrial base. Both the iron industry and the textile industry flourished because of the high demand for iron for armaments and weaponry, and textile for uniforms. These two crucial manufactures further formed forward and

backward linkages to other industries. In other words, two of the most crucial manufactures during the Industrial Revolution; iron and textile, reached maturity during war-times. War acted as a substitute for markets, and contributed to establish Britain as an industrial super-power in the 16th and 17th century. War also contributed to technological innovations, both in iron manufacture, as well as in textiles.

An important difference between the East Asian NICs and Britain is whereas the geopolitical situation in East Asia functioned as a strategic motivation for development due to the potential threat of conflict with Mainland China, the wars in which Britain engaged spurred industrialization and economic growth in an unconscious manner. Even though economic rationality was not the driving force in Taiwan, the government deliberately established heavy industry. Further, as geopolitics was an important motivator for the KMT during the 1950s, a change occurred after the ceasing of American aid in 1965. The KMT, as a foreign ruler, had to somehow legitimize their rule in Taiwan, and economic growth and, as mentioned in the introduction, growth with equity, became an important imperative for this goal. In other words, geopolitics ceased in being the foremost motivator for industrialization.

In Britain, war contributed to the growth of industry; the iron, armaments and textile industries flourished because of the increasing demands caused by the wars. An important point however, is that this governmental influence on industry was probably unconscious. Taiwan experienced a shift from industry as a means of building a strong military defence against China, to a shift to development and catching up with industrially advanced countries as a goal in itself. There is no evidence that Britain in the period examined in this thesis, experiencing a similar shift. Further, Taiwan, due to its strategic location, had help from the US, in terms of both economically and military aid. Some have claimed that the amount of aid received by Taiwan from the United States was a huge contribution to the

industrialisation process. Still, aid can hardly be taken as a sufficient condition for Taiwan's economic growth, as several other countries have received similar or even larger amounts of aid per capita and have not used it as effectively (Amsden 1985).

Of course, war may also retard economic growth and development. Not only may the damages be so devastating, the losses of life so great, that a country is "bombed back to medieval times". But also the military interventions of the super-powers or regional or internal conflicts may force a number of states to stake so much on armaments that their economic and social development possibilities are markedly limited (Martiniussen 1997: 352). However, both in the East Asian NICs as well as in Britain, war helped to spur industrialization and economic growth. This would probably also have to do with the fact that neither country ever fought a war within its own territory; indeed, Taiwan did not fight a war in the period examined in this thesis (not counting the Chinese Civil War).

For Taiwan, the potential threat of armed conflict acted, initially, as an incentive for building up a strong military base and heavy industry. Later, there was a shift to a commitment to development rather than preparations for war. In Britain, war acted as a substitute for markets, and in that sense benefited industrial- and economic growth. There is an important difference between the two countries, by that the Taiwanese government had a genuine commitment to development, whereas British industrial and economic development although intense, still went ahead without much conscious planning or motivation. Still, geopolitics contributed to development and industrialization in both cases.

Chapter 5: Industrial and Trade Policies

This chapter is concerned with the second variable of the Developmental State model; industrial and trade policies. The Miracle Literature claims that state intervention, particularly in Taiwan and South Korea, have been so strong that they have “governed the markets” (Amsden 1989, Wade 1990). The question remaining to be answered is whether the market in Britain to some extent was somewhat “governed” as well, or whether it was the mere result of spurious growth. I will particularly focus on policies regarding import and export, both because promoting export and supporting specific industries is considered a trait in the Developmental State model, but also because Britain is widely regarded as having developed without significant state intervention, also in this respect.

The first part of this chapter will give an outline of Taiwan’s industrial and trade policies. Included is a brief elaboration on the role of Export Production Zones (EPZs) and the role of multinational companies. These policies will not be submitted to comparison with the British Industrial Revolution, simply because they are not comparable due to the time gap between the two cases, even when context is taken into consideration. The second part of the chapter gives an outline of the industrial and trade policies in Britain during the Industrial Revolution, and how they evolved. In the latter part of this chapter, industrial and trade policies in the two cases are compared.

Taiwan: industrial and trade policies

That Taiwan is a market economy is beyond doubt (Wade 1988: 53). That this market has been submitted to government intervention is also not questionable (ibid 1990). Whereas export related production has enjoyed a near free trade status, domestic market-related industries has been protected (ibid 1990: 113). This implies a dualistic trade regime, far from the neoclassical neutral ideal. The governments of East Asia

created a structured trade regime, which favoured export over domestic production (Weiss & Hobson 1995: 146). Infant industries grew strong in a protectionist environment, but were expected, in time, to export (ibid). “The government has intervened in trade so as to promote certain sectors, raise government revenue, reduce foreign trade deficits, and strengthen interstate alliances” (Wade 1990: 113).

Export has been promoted through various devices, such as cheap access to raw materials for export industries and the establishment of *Export Production Zones* (EPZs). Some of these variables may not be considered as particular Developmental State features, but rather as somewhat common policies in many developing countries. This includes the EPZs, which have also been common in many Latin American countries, as well as China. According to Wade (1990: 139), the EPZs only contributed to less than ten percent of Taiwan’s exports, and are thus not very important for Taiwanese export production. Multinational companies became important players only *after* the state had well established presence and leadership positions from which it could channel their activities rather than be made subordinate to logic of global profits (ibid: 110).

The trade regime

Taiwanese industries were protected in terms of which items could legally be imported from abroad. The proportion of so-called permissible items for import faced a big increase after the reduction of non-tariff barriers (NTBs) between 1970 and 1974, which has been interpreted as liberalization of trade. However, in practice this is not the case, as several of the “permissible items” were still not freely importable (Wade 1990: 128). Machinery items were for instance classified as permissible items for import, but were still controlled by agency¹⁴ or origin restrictions. Origin

¹⁴ Agency restrictions say that only the end user can import (Wade 1990: 129), but this is of little relevance here.

restrictions means that imports from certain countries are prohibited – even though the item originally is on the permissible list. Many such restrictions were aimed at Japan and South Korea, which posed the biggest competitive threat to Taiwan (Amsden 1984, Wade 1990). For inputs for export production on the other hand, NTBs were reduced (ibid: 119).

A similar logic lies behind origin restrictions in the textile industries. For instance are most garments regarded as permissible, but only (until about 1980) from Europe and the U.S. The most competitive sources of such products are thus excluded (Wade 1988: 49, ibid 1990: 128). Other non-tariff barriers on permissible items controlling imports are so-called approval mechanisms, meaning that an item is not automatically approved for import, even if requirements for imports are met (ibid 129-130). These mechanisms restricted the import of goods to what the government considered to be important, such as petrochemicals, chemicals, steel and other basic metals. Its function is to provide strong domestic demand for the aforementioned products, especially for infant or newly established industries (ibid 1988: 50, ibid 1990: 129-130). Quantitative import controls have also played an important part in the protection of manufacture industries (ibid 1984).

In addition to NTBs, tariffs played an important part both in protectionism and in export promotion in Taiwan, particularly after 1970 (ibid: 119:122). The dualistic trade regime is evident in the cascading protection structure, where raw materials used in export production are subject to little or no duty, whereas manufactures are submitted to differentiated tariffs (ibid: 137). In the 1960s and 70s, important agricultural or industrial raw materials that were submitted to import duties paid only low or moderate tariffs between five to twenty percent. For manufactures, on the other hand, tariffs were much higher. Semi finished or finished manufactures essential to health or education paid average import duties of between 20 to 40 per cent, the vast mass of manufactured goods paid high duties between 40 to 75 percent,

and high duties were placed on so-called luxury items as well as on woollen and synthetic fabrics (ibid: 122). Exporters can also obtain duty – and tax free import inputs by means of a rebate system (ibid: 140), and export sales qualify for preferential tax treatment (ibid: 141).

The differentiated tariffs on different goods contributed, according to the *Miracle Literature*, both to protect home industry, as well as promote exports, because of the relative cheapness of raw materials. All imports, as well as exports, were also required to be covered by government licenses. This was to ensure that if international or domestic shortage of raw materials or intermediates occurred, no export would be allowed. According to Wade (1990: 136), this was a way to protect the capacity utilization of downstream users who needed materials such as petrochemicals, cement, and basic metals that would otherwise have been sold abroad.

Because of the government's tight control over the banking system, it could also allocate resources through bank loan lists, funds, or loan guarantees, towards industries considered important for future growth (ibid: 165-171). The state played an important role by directing movement into heavy and skill intensive industries in the mid-70s (ibid: 87). According to Wade (1990: 170), the government has helped by identifying particular items on Taiwan's own production frontier and targeting them with fiscal investment incentives and concessional credit.

Britain: The tariff-system and protection of industry

The Glorious Revolution of 1688 marks the beginning of a British modern tariff system, but initially tariffs were only a measure for the government to collect revenue to fight expensive wars (Pollard 2000b: 74). This is evident due to the taxation of exports and nearly all important imports, as well as up to 60 percent duty on raw materials used in British industries (ibid, Davis 1966: 310). Some exceptions can be found, such as so-called “old draperies”, a woollen manufacture constituting about half of all exports of woollen, which did not pay export tax (ibid: 308).

The imposition of prohibitive duties on French goods in 1693-96, adding two duties, each of 25 per cent, on top of the regular customs duty, were an important protective device (Davis 1966: 309). Following these policies, British industry developed, and English silks, linens and white paper substituted French products (ibid). By 1693-96 the prohibitively heavy duties on French goods -which stayed in place until the Eden Treaty of 1786 - introduced a fighting element into the tariff system (Pollard 2000b: 74).

The increasing threat on the woollen industry from the import of cheap Indian and Chinese textiles further led to two protective measures. In 1690, a special import duty of 20 percent was imposed, and in 1701, the *Act for the more effective employing the Poor by encouraging the Manufacture of this Kingdom* (PMK Act) was implemented (Davis 1966: 309). The Act stated that the import of certain textiles was prohibited for English use (ibid). According to Davis (ibid), this was the first important modern example of a *deliberate industrial protection*, and aided the development of a native textile industry. By 1703-05 it could be said that the English tariff system had become protective. Home manufactures were protected and in some cases also aided by subsidies (Pollard 2000b: 74).

Britain also operated with a differentiated tax-system, with higher duties on “luxuries” than on “necessities” (O’Brien 1988: 12). Imported foodstuffs were regarded as such a luxury and subject to customs revenue. “Import taxes were widely regarded as taxes on foreigners and luxuries, in some cases luxuries competing with British-made products, and hence a proper object for taxation” (Mathias and O’Brien 1994: 261). “Between 1763 and 1776 there was a concentration of new protective legislation” (Davis 1966: 314). New prohibitions on imports were added, and more taxes on raw materials were abolished (ibid). According to Davis there “was a *powerful wave of deliberate and conscious protectionism*, and a time when the building up of a protective system showed signs of becoming a general and recognized policy” (ibid, emphasis added).

The Calico printing trade-Government intervention and protectionism

The calico-printing trade perhaps provide the best example of the connection between taxes, government intervention and industrial development of an export finishing and processing trade (Berg 1996: 126). Asian textiles started to penetrate European, American and African markets as early as 1660, which led to several European countries regulating or banning these imports (ibid). At first, these textiles were allowed to enter the British market, but home dyeing and printing processes were protected. However, in 1721, *The Calico Act* banned Asian textiles, both finished and unfinished (ibid, Wilson 1994: 140). The Act was designed to protect the woollen industry from Indian silks (Wilson 1994: 140). As a result, the British textile manufacture moved into the production of mixed fibres and cloth, then into cotton (Berg 1996: 126). In Britain, protection of the calico trade also included protection in domestic markets, at least from unprinted calicoes. “The result here was not just import substitution of finishing processes, but of the linen and cotton industries as well” (ibid: 127). “Government protection in this case, unlike that in so many attempts of import substitution, brought advantages giving the large scale manufactures – that had been set up in this protectionist environment – a lead in

accumulating profit and acquiring a commanding position in the industry” (ibid). The protection of British manufactures, due to the new system, led to a turn toward greater industrial self-sufficiency (Davis 1966: 316). The manufacture of textiles was built up; domestic linen and silk, traditionally products of continental Europe, became great British industries in the 18th century. According to Davies (ibid), these are clear examples of infant industries reaching maturity under protection. “After the 1780s and until the early 19th century British foreign trade increased dramatically, but now this trade was based narrowly on cotton textiles” (Berg 1996: 119).

Monopoly: the Navigation Acts

The *Navigation Acts* first passed in 1651, strengthened in 1660 and extended by the *Staple Act* of 1663 and by later legislation, controlled imports by forbidding the import of goods of neither growth nor manufacture from Asia, Africa or America to England, Ireland or the Plantations (Toynbee 1956). The only exception was imports on ships owned by English subjects, and manned by a crew of whom three-fourths were English. The same law also stated that no goods could be imported from Europe, except on English ships or ships belonging to the country from which the goods came (ibid: 50). The promoters of the law argued that it would lead to an increase of English ships, due to the exclusion of Dutch vessels carrying trade into English ports (ibid). Further, the *Navigation Acts* would mean an English monopoly, and secure the carrying trade between the West Indies, America and England. Even though the Act led to England being pushed out of neutral ports, the trade to ports coming into the scope of the Act were monopolized (ibid: 51). The protection offered by the *Navigation Act*, also created a stimulus to help overcome “the apathy and dullness of a purely agricultural population, and draw a part of the people into trade” (ibid).

Walpole's Custom Reforms

Not only did the British state protect industry, it also moved into a strategy of promoting export industry. In 1699 most export duties were abolished, save from some remaining items being left until 1722 (Pollard 2000b: 74). Already in 1707, the House of Commons passed a resolution saying that “It will be for the advantage of the Trade of this Kingdom that the Duties upon all Goods exported that, be not continued for any longer term than are already granted by the *Act of Parliament*” (Davis 1966: 311), but it was not until the implementation of *Walpole's Customs Reform* of 1721 that substantial changes were made with the English tariff system.

This important reform helped promote British export, as export duties were abolished, and free imports of raw materials for industry, such as important dyestuffs and minor materials for industry was allowed, as well as simplifying the tariff system all together (ibid: 313). After 1721 more export promotion measures were added to the tariff system. Several import duties of raw materials were abolished, duty drawbacks on imported raw materials for export manufactures were increased, and even more duties on exports were abolished (Chang, 2002: 21, Davis 1966: 313). “The policies introduced after 1721 were deliberately aimed at promoting manufacturing industries” (Chang 2002: 21).

The logic: war and geopolitics

“The rapid rise of re-export trade and of European trade with the Americas and the East Indies took place within a framework of mercantilist economic policy and a military policy directed to naval power abroad” (Berg 1996: 123). Political power within Europe was sought through protectionist policies, and these policies were, in addition to gain control over international shipping and acquire gold bullion, also meant to enhance domestic production (ibid). The system of trade protection was also a system for raising revenue, as the taxes on foreign-produced commodities provided

the means to pay for the military arm of national power (ibid: 123-24). “The British navy and its enormous build-up during the period were integral to the rise of British trade hegemony (ibid: 124). “Throughout Britain’s 18th century wars with France and up until the end of the Napoleonic Wars there was little contemplation of *free trade policies*” (ibid, emphasis added). The trend towards free trade gained momentum only in the mid-19th century, by the end of the Napoleonic War in 1815 (Chang 2002: 23). This is almost a century after what is considered the beginning of the Industrial Revolution. The *Corn Laws*, which prohibited the import of corn, except in famine conditions, were repealed in 1849; the *Navigation Acts* in 1849, and in 1860, all remaining protective duties were abolished (Dietz 1942: 451).

Comparison: Industrial and trade policies

As mentioned above, Taiwan had a cascading tariff system. This was to protect home industry and promote exports. Initially, the British government used tariffs as a way to collect revenue to fight wars; in the years following the Glorious Revolution, nearly all imports to Britain was heavily taxed, including high duties on important raw materials for industry as well as heavy duties on exports. The tariff system did, however, go through substantial changes, eventually becoming increasingly cascading.

Export promoting policies

Taiwanese export production enjoyed a near free trade status, the trade regime favoured exports over production for domestic markets. Export industries had access to cheap raw materials, as important industrial or agricultural raw materials paid little or no import duty. In Britain, the trend towards promoting British export industry is evident as early as the years between 1699 and 1721, when most export duties were abolished. Between 1703 and 1705, raw materials were only lightly taxed, as the

tariff system underwent substantial changes, increasingly resembling industrial and trade policies commonly associated with post-war East Asia.

The most important change to the British tariff system regarding the promotion of the export industries occurred in 1721, with the implementation of *Walpole's Customs Reform*. The introduction of free imports of raw materials, such as dyestuffs and materials for the important textile industry, this industry was more capable to compete with the Indian textile industry, which arguably held the comparative advantage, particularly in cotton (see "Developmental Trade Regimes?" pp. 48). Because of the abolishing of import duties on raw materials, it is possible to claim that *Walpole's Customs Reform* was aimed at promoting exports in the manufacture industries, as raw materials could be obtained at a lesser cost than before the implementation of the reform. Further, between 1763 and 1776, even more import duties on raw materials were abolished. The resemblance to the strategies for promoting export production in the East Asian NICs is obvious. The cascading tariff system in Taiwan, in which agricultural or important raw materials for industry paid little or no duty, were deliberately aimed at promoting export, because of access to cheap raw materials in export production. In Britain, abolishing import duties on raw materials for industry served the same function.

Infant industry protection?

Although Taiwan reduced its NTBs between 1970 and 1974, import of certain commodities were still curtailed, both because the remaining NTBs still restricted importation, but also because of the agency or origin restrictions. This both prohibited the imports of certain products, as well as limiting import from certain countries. The origin restrictions were mostly aimed at Japan and South Korea, which were two of Taiwan's strongest competitors in the international market, and also included products that actually were on the permissible-item list. Targeted protection

is particularly obvious when looking at the textile industry, as most garments were regarded as permissible items for import, but only from Europe and America.

Whereas the British tariff system initially was a tool for collecting revenue for war, protectionist measures that bear similarities to the infant industry protection in the East Asian NICs were gradually implemented.

The *Calico Act* (1721) is perhaps the most important example of British infant industry protection. As it banned both finished and unfinished Asian textiles from the British markets altogether, the British textile industry was protected from Indian silks, cotton and calicoes. The protectionist tariffs imposed on these imports lead to the flourishing of the British textile industry, particularly that of cotton, as well as other textiles. The protection also aided the British manufacturing industries, as the biggest competitor, the Indian textile industry; successfully was eliminated from the British home market. As a consequence, the textile industry became one of the great British industries.

The resemblance between industrial and trade policies between Taiwan and Britain is perhaps most evident when looking at the *Calico Act* in comparison with Taiwan's NTBs in textiles. In fact, the resemblance is striking. The protection that the *Calico Act* offered the British textile industry was aimed at curtailing importation of specific commodities – textiles - from specific countries or regions – Asia in general, India in particular. In Taiwan, the textile industry has been protected by quite similar measures; the origin restriction aimed at textile producers in Japan and South Korea, effectively kept serious competition out of the home market. Both in Taiwan and Britain, competition from a specific commodity from a specific country was limited, due to government intervention.

The *Calico Act* was not however, the first attempt of British industry protection. The first example of British industry protection is evident in 1690, when an import duty of 20 percent on Indian and Chinese textiles was implemented. The same can be said about the heavy duties on French goods implemented between 1693 and 1696, which protected British silk, linen and white paper from competing French products. The *PMK Act* from 1701 further prohibited the importation of certain textiles to Britain.

All the aforementioned three acts bear a similar logic to the protection of the Taiwanese infant industries. The various acts functioned as industry protection, as they prohibited the use of certain textiles for English use, such as cotton, as well as curtailing import from France. The acts further led to the development and maturing of British industry, particularly cotton. The *PMK Act* also bears a striking similarity to the Taiwanese lists over non-permissible items for import, as certain textiles could not be imported into Britain. The logic behind all these policies, including the *Calico Act*, is without a doubt quite similar to the East Asian strategy of infant industry protection.

The British *Navigation Acts* (1651, 1660), restricted the importation of “growth and manufacture” from Asia, Africa and America. The only exception was import on British ships. The result was protection, as well as monopolization, of British trade between the West Indies, America and England, and was particularly aimed at the Dutch, who was Britain’s strongest competitor in trade. The motivations both behind the Taiwanese “origin restrictions” as well as the British *Navigation Acts* and the *Calico Act* appear similar, namely to protect home industry and trade, as well as creating a more favourable competitive environment for domestic producers.

Further, both England and Taiwan have a similar tax system on imported goods. Luxury items or non-necessities carry a much heavier taxation burden than

necessities or raw materials. In Britain, taxes on foreign luxuries were regarded as a proper object for taxation, as the tariffs protected British-made products from competition. One exception was the British *Corn Law*, which prohibited the import of corn, except in famine conditions. This may be regarded as protection of British agriculture. In Taiwan, the cascading tariff system protected home manufacture from foreign competition, as well as keeping raw materials cheap. The motivation behind taxes on foreign luxuries thus shares the common motivation; to protect home manufacture from competition from abroad.

Developmental trade regimes?

Even though both Taiwan and Britain were market economies, the ideal of a neutral trade regime does not seem to be fulfilled in either country. Both Taiwan and Britain trade policies were by far more mercantilist than *laissez faire* during their respective industrialization processes. Imports of manufactures was quite heavily taxed, particularly commodities that posed a threat to the home industry. This is particularly evident in the textile industry in both cases, as textiles were protected both in terms of high import duties, as well as prohibitions on import. Further, Taiwan's cascading protectionist structure, with higher duties on luxuries than on raw materials, is quite similar to the British taxes on foreign luxuries. Britain did also, in the course of the Industrial Revolution, develop a cascading protectionist structure, although this took several decades.

The logic behind the tariff structures and the prohibitions in both cases appears mercantilist, as a common trait to most mercantilist thinkers is a distinction between different types of goods when it comes to tariffs. Export of manufactured goods is viewed very positively, whereas export of raw materials is considered unfavourable. Import of raw materials was, on the other hand, viewed much more favourably than the import of manufactured goods or luxuries (Melberg 1998).

It is interesting that both Davies (1966: 309) and Berg (1996: 127) claims that British industry, particularly textiles, flourished *after* the implementation of protectionist tariffs. Neoclassical economy rests on the theory of the comparative advantage; it is more rational and advantageous to buy goods produced abroad if a foreign trading-partner actually produces these at a lower price than a domestic producer. Imposing customs on foreign trade to encourage home industry will do more damage than good, as it will diminish the number of buyers of locally produced goods (Smith 1776: 185). According to Robson (1957: 1), the world's most important cotton textile industry was located in India, not in Britain. Indian textile industry enjoyed cheaper access to raw cotton, and this, combined with British far higher labour costs, gave Britain a comparative *disadvantage* (Broadberry & Bishnupriya 2005: 11). In other words, Britain did not have the comparative advantage in cotton; but gained this *after* the implementation of protective duties and banning of Asian textiles.

Technological innovations, such as the flying shuttle, the power loom and the Spinning Jenny did also contribute to the change in comparative advantage, as labour productivity increased (ibid: 31). According to Chang (2002: 59), it was Britain, together with the USA – the supposed homes of free trade policies, which used tariff protection most aggressively.

Britain did not move into a strategy of free trade until approximately two centuries *after* the beginning of the Industrial Revolution, as several protective duties were removed only in the mid 1800's; the *Corn Laws* were repealed in 1849, the *Navigation Acts* in 1849, and the abolishing of all remaining protective duties in 1860. Even if the dating of the Industrial Revolution is set at 1750, one hundred years of protectionist policies still falls within the timeframe of the Industrial Revolution. In other words, Britain engaged in protectionism as a pull-away strategy.

However, it should be noted that Taiwanese infant industries grew strong in a protectionist environment, but were expected in time, to export. The British

protection of industry concerned whole sectors, and were not given on a selective basis. Further, several of the protectionist legislations stayed in place until the mid eighteenth century. A general problem regarding protection of infant industry is, that the protection becomes permanent (Gilpin 2001: 200), and should therefore no longer be regarded as “infant industry protection” but as protection in general. Nevertheless, British industrial policies obviously worked, because when Britain finally moved into a strategy of free trade, it was as the hegemonic trading power of the world.

One difference between Britain and Taiwan is whereas the Taiwanese government allocated capital to the industries they considered as strategic for the economy, the British government did no such thing, at least not directly. However, the British government did finance the Industrial Revolution, though in a more indirect manner. This point will be further elaborated in the following chapter, which deals with the third Developmental State variable, state strength and state capacity.

Chapter 6: State strength and State capacity

This chapter is concerned with the third of the Developmental State variables; state strength and state capacity. When comparing “state strength” and “state capacity” in the two cases in this study, the different historical context of the two must not be forgotten. The time gap separating the two cases indicates that the state as an institution obviously has changed. It would be too much to expect that the British state had the same level of strength and capacity as the state in Taiwan; at least is not expressed in the same way. Further, British state strength and capacity must be assessed with that in mind that the British state during the Industrial Revolution has generally been interpreted as an aloof and non-interventionist institution. This chapter is an attempt to demonstrate that the British state had a significant degree of strength and capacity and in this sense is comparable to East Asia.

The literature concerning “state strength” is vast. A clarification regarding state strength/ capacity is thus in order. States may be strong in the sense that they can extract resources from society. They may still not be capable of transforming the economy and the social structure over which they preside (Evans 1995: 45). Such states have what Evans (ibid) refers to as infrastructural power, but they lack the capacity to transform the economy, and in this sense they are weak. States may also be weak in the sense that officeholders pursue their individual interests, rather than the collective goals of the state. Hence, the dichotomy *strong* versus *weak* states may be misleading (ibid). The East Asian NICs are considered strong and capable in the sense that they have both extractive and transformative power, due their autonomy from societal groups and their professional bureaucracy. It is this interpretation of state strength and state capacity that is used in the following paragraphs concerning Taiwan.

The first part of this chapter offers a general idea of how state capacity and state strength have been expressed in the Miracle Literature; before I go on to assess its expression in the two cases under study. The last section compares the two cases.

The general idea of a capable Developmental State

The Miracle Literature has particularly emphasized three variables concerning East Asian state strength/capacity. These variables are; 1) cooperation between the public and the private sectors; 2) an autonomous and competent bureaucracy; and 3) state autonomy from interest groups. Some of these variables do not apply for Taiwan. However, because they are considered central to the Developmental State model, they are included in the empirical evidence, with justification for why this specific country does not fit the general model in all senses. Implicitly, this chapter is also a critique of the general model.

After the publication of the World Bank study “The East Asian Miracle” (World Bank 1993), one central aspect of the East Asian Developmental State model was generally agreed upon by “everyone”, namely that the East Asian states had “developed an institutional framework that was essential in explaining their rapid growth” (Weder 1999: 7). The Developmental State model is characterized by the state’s autonomy from societal forces, meaning that; 1) its economic bureaucracy can devise long-term economic policies without interference from private interests; and 2) the state has strength or capacity to implement economic policies effectively (Johnson 1982, 1987 Wade 1990). According to Hveem (1999: 263), the East Asian NICs, including Taiwan, had an autonomy towards interest groups in civil society, which gave the state leverage to manoeuvre and implement policies that it might not have been able to, had it been as dependant on these groups as governments were in for instance Latin America.

The relationship between the state and various economic interest groups have been particularly emphasised in the East Asian Miracle literature. The capacity of the East Asian NICs has depended politically on the formation of coalitions with domestic industry, whereas organizationally, state intervention has relied on the formation of institutional linkages between the bureaucracy and organized business (Weiss & Hobson 1995: 167). The state's autonomy was believed to be deeply embedded in a society where it worked closely with private business to promote industrialization (Evans 1995). This is particularly true for Japan. In Taiwan, however, the multitude of small and medium sized firms, as well as ethno-historical cleavages between the mainland political elite and the Taiwanese industrial capitalists, has limited the formation of public-private linkages (Weiss & Hobson 1995: 177). Thus, "the most vigorous policy network occurs within the extensive public sector, where industries are strategic for the rest of the economy" (ibid). According to Wade (1990: 256), the picture Chalmers Johnson (Johnson 1982) paints of an East Asian Developmental State, with public-private cooperation between managers of the state and managers of private enterprises, does not fit Taiwan. It was not until the early to mid 1980s that the government started to strengthen the policy-networks to incorporate industrialists, financiers and others (ibid: 289-294). "By Japanese and Korean standards, the linkage between the public and private sector remains weak" (ibid).

Taiwan: Public-private cooperation or government control?

For Wade, Taiwan's state autonomy equals authoritarianism; he considers Taiwan's authoritarian government and the "authoritarian-corporatist" political arrangements of the economic bureaucracy as significant variables for the country's economic growth, claiming that "[a] hard state is able not only to resist private demands but actively to shape the economy and society" (ibid: 228, 337). The authoritative and corporatist policies of Taiwan give power to the state. The differences between Taiwan's authoritative and corporative political arrangements and those of for instance Mexico, however, are striking (ibid: 257). Whereas Taiwan's policy-makers have been able to

insulate themselves from certain interest groups through measures such as land reform, the political elites of Latin America have not achieved the same autonomy (ibid, Amsden 1990, Hveem 1999: 260). The *Land to Tiller Act*, a reform partly a result of the potential threat of an impoverished peasantry the KMT had faced on the Mainland (Amsden 1985: 84), redistributed the land formerly owned by the Japanese landlords to their tenants, removing the concentrations of wealth in the countryside. This helped stabilize the industrial investment climate, as well as it gave land to the people that might have fed a revolt (Wade 1990: 241). Hence, the landlord class sank into social oblivion, and was eliminated as a political force (Amsden 1985: 85). “It is no coincidence that the three most successful late industrializers, Japan, Korea and Taiwan, all experienced land reforms after World War II, which were critical in buttressing state power” (Amsden 1990: 14).

Further, the government has prevented large-scale capital from acquiring enough autonomy to shape the regime; either through control of raw material imports or bank credits (Wade 1990: 270). The government also has the power to restrict entry to an industry. This has sometimes been used to prevent individuals not closely connected to the regime from acquiring excessive power (ibid). Domestic industry is organized into industrial associations, but these do not function as spokesmen for their members, but rather primarily on the behest of the government (ibid: 271-72). According to the law, any sector of more than five firms must form an association. It is not, however, legal to form an industrial association without government approval and the associations must be registered with the relevant ministry (ibid: 271). Its secretaries are appointed by the government and the KMT behind it, and tend to be ex-military, security or government officers, whose loyalty is unquestioned. “Their incentives are to respond to suggestions and instructions from above, and not, whenever there is a conflict, to act as spokesmen for the interests of their members (ibid). Many other firms, aside from those where the state holds 50 per cent or more of the equity, are influenced by parts of the state without being included in the public enterprise sector (ibid: 273). Farmers were also organized into associations, which

bound them to the regime by making them dependant on the party-dominated associations for input and marketing (ibid: 263). The party dominated the associations, and their functions were too important for the farmers to remain uninvolved (ibid: 242). Organized labour is highly suppressed. Most unions are based on the company rather than the occupational category, with the exception of some countrywide unions for specialized workers such as welders. Unions' financial resources are restricted by law, and the head of the union is paid by the company for which he works. Striking is prohibited by martial law (ibid: 267).

The Bureaucracy

Another feature of the Developmental State model that has been emphasised in the Miracle Literature is the role of the bureaucracy. An institutional prerequisite for growth in the East Asian NICs, according to Weder (1999: 12), is “a bureaucracy that is competent and largely insulated from direct political pressure”. Even though government officials are recruited through a transparent and competitive process (ibid: 13), almost all belong to the KMT (Wade 1990: 217). The KMT remained an elite party; its structure is similar to Leninist parties, with the same split between large, honorary bodies (like the national party congresses and the central committee) and small, policy making bodies (the KMT's standing committee, the political bureaus of the Leninist parties). High value is placed on academic merits – in Taiwan most government officials have graduated from two or three elite universities (ibid), and most recruitments are made through a competitive, national examination, where merely passing is a source of prestige (ibid: 217-18).

The Miracle Literature emphasises the role of an autonomous and professional bureaucracy, a trait that has been considered one of the main institutional variables of the Developmental State model. However, the allegations of wide spread corruption might undermine this thesis. As Wade (ibid: 286) claims: “Personal connections may be sweetened with money”. This does not appear as a bureaucracy that is largely

insulated from direct political pressure. That most government officials in Taiwan belong to the KMT, a party which was highly elitist in membership, adds to this notion. According to Hveem (1999), the Developmental State model is only fit for broad and general analysis. It is questionable that the variable “an autonomous bureaucracy” is a variable that is applicable to all the East Asian developmental states. However, the value placed on academic merits and the national examinations indicates that the Taiwanese bureaucracy indeed was professional, and pursued collective goals, rather than self-interest of the officeholders.

State autonomy towards civil society?

Civil society in Taiwan was highly controlled through limitations of civil and political rights. Since 1949 Taiwan has been ruled on the basis that the country is still at war with the People’s Republic of China; Taiwan has had the longest running martial law in the world, lifted only in 1987 (Wade 1990: 237). It prohibits public meetings, strikes, demonstrations, petitions, and “spreading of rumours by letter, slogan or other means” (ibid). “Any gathering of more than two people is illegal unless first registered with the police” (ibid: 238). The KMT did, however, permit democracy on a sub-national level, institutionalizing local and provincial elections that, according to Cheng and Lin (1999: 226), were competitive, authentic and reflective upon local interests. Moore (1984: 58) claims on the other hand that, although “the Taiwanese probably vote more often than almost any other people in the world”, these elections were a facade of “extreme democracy”, established under American pressure. According to Wade (1990: 242), the rewards of the elections remained symbolic; real power continued to lie at central levels. The development of mass organizations that incorporate particular social groups into the body politic has also been stressed by the KMT. These organizations have functioned both as to prevent the emergence of alternative organizations, but also to represent their interests (ibid: 243). Thus, civil society is kept organizationally weak; groups are

limited from exerting autonomous demands upon the state (ibid: 253). Through the development of mass organizations, the state co-opts interest groups.

The core of the Developmental State is considered to be the close liaison between the government, local banks and businesses (Gilpin 2001:319). Nevertheless, this does not seem to fit for Taiwan. Weder claims that the institutional variable “public-private cooperation” is not as tightly associated with differences in economic growth as the East Asian Miracle Literature tends to emphasise (Weder 1999: 5). “There is weak evidence that countries with a high degree of cooperation between the public and the private sectors tend to grow faster” (ibid: 61). “This result is of interest because the literature on the East Asian Miracle suggested that cooperation between the public and the private sectors should be an extremely important determinant of growth” (ibid).

Britain: Strong state or invisible hand?

“The view that the role of the state in British economic development has been one of abstention has provided one of the most remarkable points of agreement for all theories, whether they are Marxist, liberal or late development. The state is in general portrayed as weak and non-interventionist, and is overwhelmingly characterized by a *laissez faire* approach to economics” (Weiss & Hobson 1995: 113). The substance of state strength is not static; it changes over time (ibid: 3). The capacities required for economic transformation are highly context specific; what makes a state strong in relation to promoting economic growth in earlier historical eras will not be the same capacities as today (ibid). State strength and capacity has been identified as the ability to extract resources from society and to allocate them to desired ends, hence transforming the economy. The power to shape society is also a determinant of strength and capacity. It is with this in mind that British state strength and state capacity during the Industrial Revolution is assessed.

The governmental system of Britain during the Industrial Revolution was based on a parliamentary system, which was restricted in initiatives due to answerability to the Parliament. Further, as most MPs were concerned with reducing the power of the central government, the power of intervention was limited (More 1997: 55).

However, the British state had strength and capacity in two senses; 1) through fiscal extraction from the population and; 2) a repression of public contention.

Taxation

The most obvious example of government intervention in the British economy is war (More 1997: 55). The military conflicts of the 18th century were “wars of endurance”; *the capacity to extract resources from society* thus became crucial for victory (Weiss & Hobson 1995: 43, emphasis added). Wars in Europe, Asia and Ireland greatly increased the Crown’s military expenditure as well as its total expenditure (Tilly 1995: 207). In order to finance these military expenditures, a strong tax base was crucial (Weiss & Hobson 1995: 47). Compared to other contemporary European states, such as France, the burden of taxation was twice as high (Mathias & O’Brien 1994: 258). It might even have been the highest in Europe in the 18th century (Weiss & Hobson 1995: 114). Income was redistributed from the poor consuming class to the rich investor class through a highly regressive tax system (ibid: 119). From 1715 to 1815, indirect taxes averaged no less than 66 percent of total central-government revenue (ibid: 120).

Customs and taxes were administered by a centrally controlled professional bureaucracy (Mathias & O’Brien 1994: 261). Taxation was organized around the Treasury, and this highly centralized system enabled a uniformity of tax applications (Weiss & Hobson 1995: 44). By 1685 the Treasury had gained political control over revenue collection, abolished the inefficient system of tax-farming and centralized the receipts at the Exchequer; “England became the first major European power to keep full annual records of public revenue and expenditure” (Dean 1996: 22). During the

first few decades of the 18th century, a highly centralized and effective fiscal system was erected, which enabled the British government to fund and wage a series of wars against France (ibid). The gradual professionalization of the British public finances and a relatively well-administrated system of tax-collection enabled the central government to extract a substantially increased level of taxation per head of a growing population during the 18th century (ibid). “It is usually assumed that the British state only had a weak and small bureaucracy. However, the British state was probably the most highly developed bureaucracy in Europe in the 18th century, particularly regarding revenue extraction” (Weiss & Hobson 1995: 43-44). In taxation, the British state had the organizational capacity both to penetrate society and to extract and mobilize resources. By the end of the 18th century, the British state was “highly compact and immensely strong” (Colley 1986: 106). One indicator of this strength was the high burden of taxation, compared to France (Mathias & O’Brien 1994).

The Glorious Revolution had established a contractual monarchy in which the authority for decisions on national economic policy rested on the consent on both Houses of Parliament (Dean 1996: 20). In principle, the House of Commons was an elected body, representing the national interests. In practice it was dominated by the views of the landowners (ibid). Hence, the British state’s extractive capacity rested upon the consent of the dominant classes (Weiss & Hobson 1995: 46), and British fiscal extraction capacity partly rested on the ability to achieve consensus (ibid: 43). Landlords were granted a say in government and because taxation involved the consent of the key actors in society, it could be maximized (ibid: 46). According to Mann (1993: 113), perhaps half of the 16 000 civil offices of state was distributed by patronage. Holding office also meant exemption from taxation (ibid: 112). “Both revenue and expenditure offered financial benefit to those who controlled the state and costs to those who did not” (ibid). Further, public resistance to frequent war-time tax increases were minimized on the one hand by the overwhelming authority of the parliamentary consensus, and on the other hand by the even-handedness of a uniform

system of charges (Dean 1996: 22). The cooperation with the land owning and capitalist classes, and the development of a strong, centralized fiscal bureaucracy, gave the British state major benefits over its continental rivals, and the militarized-capitalist path was effective in terms of both strengthening the state and the economy (Weiss & Hobson 1995: 47).

The National Debt

During the 1690s the British government exploited its special access to Dutch financial expertise and experimented with various innovations in borrowing techniques. Borrowing through the National Debt gave the government access to long-term loans negotiated with joint-stock companies, and compromised loans taken solely for military purposes (Dean 1996: 22, Weiss & Hobson 1995: 115). This debt increased from merely two percent in 1688, to 180 percent of national income in 1815, and according to Weiss and Hobson (1995: 115) "this staggering sum illustrates in no uncertain terms the myth that the British state was akin to a minimalist night-watchman". The state's borrowing through the National Debt in turn led to the "financial revolution"; the establishing of the Bank of England in 1694, and the capital market in the City of London (Dean 1996, Weiss & Hobson 1995: 117). Interest rates on the National Debt were paid by rising tax extraction. In this way, the British state financed the Industrial Revolution, although in a non-direct manner (Weiss & Hobson 1995: 119). According to Weiss & Hobson (ibid: 118), the British state's influence was strong when it comes to the financial sector and moderate/strong when it comes to the industrial sector, even though its influence was conducted in an indirect manner.

Repression of workers and political dissidents

The British state influenced civil action through a series of legislations that dealt with public contention in a repressive manner. Prior to 1789, the expression of public contention in Britain occurred mainly at the local level (Tilly 1995: 202). But the French Revolution inspired British radicals; The Revolution Society was formed in 1789, which demanded an extra-parliamentary national Convention modelled after the French example (ibid: 195). The period between 1789 and 1815 saw a rise of popular associations, in which public meetings were the most visible element (ibid: 203).

However, the government was issuing proclamations against seditious publications, closing down debating societies and encouraging the formation of antirevolutionary loyalist associations (ibid: 210). “Almost all states that go to war accumulate powers they could not exercise in peacetime, and use them to suppress dissident. The British state of the 1790s was no exception. War with a revolutionary foe justified and to some extent caused a marked increase in state repression during the 1790s” (ibid). Between 1794 and 1799, the British government imposed several repressive legislations, such as the banning of the United Irishmen, the *Combination Acts* and the *Unlawful Societies Act* forbidding combinations in restraint of trade as well as societies established for “seditious and treasonable purposes”. The *Treasonable Practices Act* and the *Seditious Meetings Act* were implemented in 1795, greatly restricting the rights of speech, press and assembly (ibid: 420). Further, the British state struck hard at Englishmen, Welshmen, Scots and especially Irishmen who displayed sympathy for French revolutionary ideas, and the radicals eventually fragmented under strong state repression of political associations and worker’s collective action (ibid: 209). “Between 1789 and 1815 ordinary people gained little or no practical, everyday power in Britain; the freedom of radicals among them to assemble, organize and protest even declined during the years of war” (ibid: 196). Labour unions remained secret, as they were illegal, and whenever they acted

collectively on wages or working conditions, the workers ran the risk of prosecution for conspiracy (ibid: 202). “Workers in every trade were forbidden to combine for the purpose of obtaining higher wages or shorter hours, of obliging the masters to employ certain men in exclusion of others, or of introducing any regulation whatsoever: this under a minimum penalty of three months imprisonment or two months hard labour” (Mantoux 1961: 448). By 1797 repression was working well, fragmenting the organized radical movement, and driving its revolutionary segments underground (Tilly 1995: 211).

Comparison: State strength and capacity

A “sound institutional framework” has generally been regarded as one of the prerequisite for the East Asian Miracle. However, the allegations of widespread corruption in East Asia make this assumption questionable, in addition to “a sound institutional framework” not being very specific. Further, cooperation between the public and the private sector has been particularly emphasized in the Miracle Literature; the state supposedly worked closely with private businesses to promote industrialization. When looking at Taiwan, however, the linkages between the public and the private sectors have been hampered by the multitude of small and medium sized firms, as well as ethno-historical cleavages. Hence, linkages between the public and the private were weak. Therefore, “state strength” and “state capacity” have been the focal points of this chapter.

The authoritarian government of post-war Taiwan insulated itself from political demands from various interest groups through extensive land reforms, more precisely, the *Land to the Tiller Act*. The elimination of the landowning elite as a political force, as well as distributing land to potential insurrectionists, buttressed state power. Individuals were obstructed in gaining excessive power through restrictions of entry to industry, and large scale capital was prevented from gaining

autonomy to shape the regime. Further, industrial and farmer associations acted more as spokesmen for the government rather than for their members.

The KMT in other words co-opted interest groups through corporatist arrangements. In this way, power was firmly established at a central level, even though democratic arrangements at the local level were in place. Further, the one-party rule established by KMT could not be challenged. This insulation from pressure groups has contributed to the Taiwanese state being able to implement their developmental goals.

According to Evans (1995) the power of the East Asian developmental states was deeply embedded in society. Weiss and Hobson (1995) claims that the governments of the East Asian developmental states gained power *through* society. Wade's (1990) extensive analysis of Taiwan leaves little doubt that the Taiwanese state was strong, but its strength was gained through the co-opting of interest groups and authoritarian-corporatist arrangements, rather than public-private cooperation. The state has been the stronger party, but it has also been sufficiently connected to industry and capital through authoritarian-corporatist arrangements to allocate resources to desired ends, and to shape the economy and society.

The role of the state in British economic development has largely been portrayed as weak and non-interventionist. Because of the state's military strategies, state power was strengthened. More importantly in this context, the British state had the capacity to extract resources. Income through taxes was crucial in order to engage in the wars of endurance. As a result, the burden of taxation on British subject was amongst the highest in Europe at the time

This ability to extract resources and to allocate them to desired ends may be interpreted as a detriment of state capacity. By levying high and regressive taxes, the

state may siphon income from the peasantry and proletariat and reallocated it into “growth-inducing” projects. Because of parliamentary consent and consent of the dominant land-owning class, the tax-base could be maximized. This is what Gerschenkron (1962) refers to as “forced savings”, and according to him, this is a strategy that late developers engage in, in order to catch up with advanced countries. Nevertheless, even though Britain had the “advantage of the pioneer” it still engaged in so-called “catching up” policies.

Whereas Taiwanese state strength rested on an authoritarian government, the British House of Commons was an elected body, meant to represent the national interest. Regardless, it was dominated by the landed gentry throughout the 18th, and well into the 19th, century. Thus, the state’s extractive capacity rested upon the consent of the dominant classes and the ability to achieve consensus, as the parliamentary consent minimized resistance to war time taxes. This enabled the state to maximise the taxation base, and to redistribute income from the poor consuming class to the rich industrializing class through regressive taxes. Because landlords were given a say in government, it could possibly be claimed that they became a co-opted interest group.

Further, the creation of the National Debt contradicts the idea that the British state merely functioned as a watchman’s state. That the loans were used for military purposes, again accent the importance war played in enhancing the growth of industry. Military rivalry contributed to the developmental drive, which stimulated demand for industry, leading to advancement in technology and higher productivity. The size of this debt suggests that the British state contributed to the actual financing of the Industrial Revolution. This is comparable to the point made in the previous chapter concerning how the Taiwanese government allocated resources towards industries considered important for future growth. This was done through bank loan lists, funds, or loan guarantees, and was possible because of the government’s tight control over the banking system. The government could then direct movement into

heavy and skill intensive industries and target particular production items with fiscal investment incentives and concessional credits. In Britain, debt payment was made possible due to the aforementioned forced savings, which may be regarded as an indicator of the British state capacity in the form of fiscal extraction.

The British state strength is more apparent in the form of extraction capacity than direct government control over industry. Even though the British state in the 18th century was stronger and had a larger extractive power than for instance France, there is a long stretch between authoritarian Taiwan and Britain's parliamentary system. To be able to extract resources from society does not equal authoritarianism. The British government could extract resources because public resistance to frequent war-time tax increases were minimized by the overwhelming authority of the parliamentary consent. Further, both countries enjoyed the advantage of a professional bureaucracy. In Taiwan, a professional bureaucracy, although perhaps not completely autonomous, enabled the state to pursue the national interest of economic growth. The British bureaucracy, being one of the most highly developed in 18th century Europe, contributed to the state's extractive power. As state strength and state capacity are historical-specific factors, it would not be idle to claim that the British state had a significant degree of both strength and capacity.

It could be claimed that Taiwan had a stronger state capacity than Britain, as it deliberately – according to the East Asian Miracle literature - mobilized resources in pursuit of a developmental goal, at least after the flood of aid from the US came to an end. In Britain, the state influenced industrialization and development, but in a non-direct manner. This point is important when it comes to deciding whether Britain may be regarded as an early Developmental State. According to the Miracle Literature, development in itself is an overarching goal. In Britain, the economic development that followed in the course of the Industrial Revolution appears more as a by-product of the geopolitical situation and the war-making. Still it seems plausible to claim that

both Britain and Taiwan had the state strength and state capacity both to penetrate society as well as mobilize resources for various ends. In Britain, resources were mobilized through taxation in order to fight wars, which in turn enhanced industrialization. The KMT in Taiwan, on the other hand, controlled resources through control of raw materials and bank credits, as well as entry to industry.

East Asian state strength is distinguished by the state's capacity both extract resources and to allocate them to developmental goal, thus transforming the economy and society. The British state had a strong degree of extractive power, and allocated resources into the military industry and payments for the National Debt, hence partly financing the Industrial Revolution. An important difference however, is that in Britain this probably happened unconsciously, whereas in Taiwan, development became a goal in itself.

Public contention and civil society

The similarities between Taiwan and Britain are even more evident when it comes to dealing with public contention. In Taiwan, weak linkages with private business, co-opting of public industry as well as the suppression of organized labour and the elimination of land lords have given the government and the bureaucracy leverage to implement policies. Further, civil society was weakly organized, also partly due to the fact that Taiwan had never been an independent state, with its own indigenous bureaucratic or landed elite. The KMT severely limited civil and political rights. Public meetings, strikes, demonstrations, petitions, gatherings and "spreading of rumours" were proscribed due to martial law. Further, the local elections have been accused of being nothing more than a facade of extreme democracy.

The Taiwanese state were characterized by an authoritarian government that successfully co-opted interest groups through industrial – and farming associations,

suppression of organized labour and the weakening of an organized civil society by establishing mass organizations to prevent the emergence of alternative organizations. Thus, there was little room in society to express alternative political or developmental views, and the one-party rule could stand uncontested. By eliminating the land lord class through extensive land reforms, the state gained further autonomy from societal forces, and with political power firmly established at central level, the KMT had the leverage both to extract and mobilize resources. There is little doubt that during its industrializing era the Taiwanese state was autonomous.

It is important to remember, however, that “state autonomy” does not necessarily imply “developmental”; the state could just as well become predatory. “Autonomy by itself does not necessarily predict an interest in development, either in the narrow sense of economic growth or in the broader sense of improved welfare (Evans: 1995: 59). Perhaps it could be claimed that the KMT government indeed, with its harsh suppression of political and civil rights, was predatory, still it could not under any circumstances be compared with arch typical predatory states, such as Mobuto’s Zaire. Because it was a foreign ruler of Taiwan, economic development and growth with equity became a tool for the KMT to legitimize their rule. Further, because of the geopolitical circumstances, the Taiwanese government had will to develop, and it did indeed become an economic miracle.

The British government also was repressive when dealing with public contention and the expression of alternative political views. This was mostly done by implementing several laws that restricted political and civil rights. The *Unlawful Societies Act* and the *Combination Acts* prohibited certain societies. The right of speech, press and assembly were restricted after the implementation of the *Treasonable Practice Act* and the *Seditious Meeting Act*. The laws were mainly aimed at the radicals inspired by the French Revolution, i.e. at the people that challenged the political *status quo*. Further, collective action was circumscribed, both due to the aforementioned acts, and also because labour unions were illegal. This implied that workers had little influence

over issues such as wages and working hours, or perhaps more importantly, limited opportunity to engage in collective action that in turn could shape the regime.

How the state deals with public contention is important in the respect that it gives an answer to a possible source for state strength. It also provides the means to shape society. When demands upon the state is thwarted, it gives the state leverage to manoeuvre, hence state strength and state capacity may be further strengthened. Both Taiwan and Britain had this strength, and were able to keep it for a while, also due to external geopolitical circumstances. The martial law in Taiwan were upheld until the late 1980s, a law that had been imposed because of the potential conflict with Mainland China. Because of the geopolitical circumstances, the Taiwanese government had the will to develop. The war with France legitimized the suppression of civil rights in Britain. Although Britain industrialized in a century when the right to speech and assembly not necessarily were considered universal values, it is interesting to note that civil rights declined during the years of war with France.

The British state had the capacity to extract resources from society, and allocate these resources to military purposes through high and regressive taxes, as well as through the National Debt. In this way, the British state contributed to finance the Industrial Revolution. Whereas mere extractive capacity is not the stuff of state strength today, the British state was strong in its industrial infancy. The Taiwanese state's strength is expressed through authoritarian-corporatist arrangements that co-opted interests groups and gave the state leverage to implement economic policies. Both states were also strong in their dealing with public contention. This also adds to state strength and capacity, as this enables states to transform the economy and society.

Chapter 7: Conclusion

This thesis makes an attempt to challenge the idea of an exclusive East Asian Developmental State model. In order to complete this task, the Developmental State model has been compared to the most unlikely case for such comparison; the Industrial Revolution of Britain.

The first section of this chapter summarizes the empirical evidence from the previous chapters, seeking to answer the question whether the Developmental State model is comparable to the Industrial Revolution in Britain, hence challenging the idea of an exclusive East Asian Developmental State model. Then the question raised in chapter three is revisited; whether separate paradigms or theoretical frameworks may contribute to different explanations of these two great transformations. The last sections are devoted to the implications of this study.

Similarities: An early European Developmental State?

Supporters of the Developmental State model have claimed that the rise of East Asia is the product of unique historical circumstances that cannot be transferred nor replicated to other national or historical contexts (Önis 1991), and that East Asia's successful industrialization and economic growth had more to do with "East Asianess" than other factors (Wade 1990). Whereas the East Asian NICs distinguish themselves from other contemporary developing countries, both when it comes to the rate of economic growth and also growth with equity, this thesis has demonstrated that the factors of the Developmental State model are comparable to the factors of the Industrial Revolution of Britain. In both "revolutions" geopolitics, industrial and trade policies, as well as state strength and capacity contributed to industrial growth. These three issues will be dealt with in the following paragraphs.

Geopolitics

The East Asian state's development has been closely connected to geopolitical circumstances. In Taiwan, the will to develop was galvanized both by the potential threat from the People's Republic of China; an obsession to re-take the mainland which resulted in establishing a heavy industry base in the initial phase of industrialization. Massive amounts of aid from the U.S., motivated by a strategic interest in the East Asian region, also contributed to build the industry and the army. The empirical evidence in this thesis shows that the wealth of the British nation was achieved under a geopolitical situation that bears resemblance to the geopolitical situation of Taiwan.

The *geopolitics of development* is well established in the literature of European state formation (Weiss & Hobson 1995: 248). The point here however, is not how war may contribute to the rise of the modern state, but how militarization may spur industrialization. This argument has also been made by Werner Sombart, who claims that the demand for food, clothing and armaments was the main impetus to the expansion of capitalist production (Sombart 1975, quoted in Weiss & Hobson 1995: 80). Whereas militarization may not be a sufficient condition for industrialization, it may still arguably be a necessary one (Sen 1984: 94). British industrialization was enhanced due to the fact that Britain engaged in wars for a significant period during the Industrial Revolution. The demands on industry contributed to mature the iron- and the textile industry. These industries also created forward and backward linkages in the economy. Further, war spurred technological innovations.

The Industrial Revolution in Britain is commonly interpreted in a *laissez faire* framework. However, as shown in chapter four, the demand for manufactures in crucial industries such as iron and textiles, were initiated by *governments waging wars* and not by popular demand in the market. War also made a strong tax-base crucial, hence the British state extracted resources from society through high and

regressive taxes. The "unique historical context" that provided the framework for East Asian economic growth seems to be comparable to the great wars fought by Britain in the 17th and 18th century. Although the British state aided industrialization in an unconscious manner, there is no escaping the fact that the geopolitics contributed to the industrialization project in both cases.

Industrial and trade policies

Whereas *laissez faire* and free trade commonly have been associated with the Industrial Revolution, the Miracle Literature has interpreted the East Asian economic transformation in a mercantilist, neo-statist framework, in which the state has guided development. An important point to remember is, however, that the Developmental State model and the East Asian Miracle Literature do not leave markets out of the equation. The East Asian Miracle is associated with a dual trade regime with industrial and trade policies which is mercantilist in import, hence protecting infant industry. Export on the other hand, is promoted through various policies, such as the cascading tariff system, which creates a favourable environment for export production.

Protection of infant industry is an economic measure that is an important exception from the universal belief in free trade over trade protection (Gilpin 2001: 199). Alexander Hamilton (1964: 141) argues that "the superiority antecedently enjoyed by nations, who have preoccupied and perfected a branch of industry, constitutes a more formidable obstacle to the introduction of the same branch into a country where it did not before exist... To be enabled to contend with success, it is evident that the interference and aid of their government is indispensable". The German economist Friedrich List follows the same logic, and argues that nations should implement protectionist policies to protect infant industries, and that free trade only is an advantage for the advanced nations (List 2000).

The comparative advantage of British industry, particularly in textiles, was achieved under a mercantilist trade regime, which protected the textile industry from outside competition. At the same time exports was gradually promoted through low duties or non-existent duties on raw materials, high taxes on foreign luxuries competing with British products, as well as the abolishing of export duties. In spite of enjoying the “advantage of the pioneer”, British trade followed a logic that, according to List, would be more suitable for a backward nation. Just as Taiwan, Britain protected home industry, particularly the crucial textile industry, as well as taxing luxuries higher than raw material for industry. In other words, Britain engaged in protectionist policies as a pull-away strategy. When it comes to industrial policies, the British case does resemble a Developmental State.

State strength and state capacity

The East Asian Miracle literature has also emphasized the role of government in industrialization, claiming that a “sound institutional framework” is favourable for growth. However, the allegations of widespread corruption undermine this notion. It is clear, however, that the East Asian states have been characterized by a large degree of state strength and state capacity. In Taiwan, this strength and capacity may not have been expressed in the same way as for instance Japan and South Korea, where state strength and capacity is achieved through extensive public-private linkages. In Taiwan, state strength and capacity is expressed by an authoritarian government which co-opted interest groups through corporatist arrangements. In this way, the government had the leverage to manoeuvre and implement policies, hence transforming the economy and society. Further, the weakening of public contention became a source for state strength, and a way to shape society.

The British state was also characterized by a significant degree of state strength and capacity. The capacity to extract and mobilize vast amounts of resources from society through fiscal extraction and channel these resources to desired ends, compared to its

European rivals, may be regarded as an expression of such strength and capacity, particularly when dealing with an early modern state. The creation of the National Debt indicates that the British state in fact financed the Industrial Revolution, and that it was more than “an aloof night-watchman state”. This in turn contributed to transform the British economy to a modern economy, and subsequently, the British society, however unconsciously. Further, the British state strength is also evident in its dealing with public contention, which also can be seen as an indicator of state strength. The findings of this thesis can be summarized as follows:

Industrialization and economic growth as result of:

Explanation found in:

		Several unique factors	Configuration of some key variables
<i>Drivers located in</i>	Market	The traditional interpretation of the British Industrial Revolution	Empirical-based theories that emphasize markets in relation with a few key variables
	State & market	The East Asian Developmental State model	This thesis' interpretation of the Industrial Revolution and the East Asian Miracle

The first column refers to the traditional interpretation of the Industrial Revolution; as a result of *laissez faire* policies and unique factors, such as industrial “firstness”. The second refers to empirical-based theories that emphasize economic growth and industrialization as a result markets, but where a few key variables also contribute to the explanation. Historical examples may be few, but a possible example could be Weber’s interpretation of the relation between the Protestant work ethic and the emergence of capitalism (Giddens 1978: 124-32). The East Asian Developmental State model is placed in the third column. This refers to the Miracle Literature

interpretation of the East Asian Economic transformation, as a result of unique historical and geopolitical circumstances, and a market guided by a capable state. The fourth column illustrates this thesis' interpretation of the Industrial Revolution and the East Asian Miracle, where factors such as geopolitics, industrial and trade policies and a strong and capable state have aided industrialization and economic growth in both cases.

Is the Developmental State model unique to East Asia?

It may be claimed that in order to refer to a state's development as a Developmental State strategy, the policies implemented need to be the result of rational choices, and a genuine will to develop. However, it is no escaping the fact that the features of the East Asian Miracle and the British Industrial Revolution do have a lot in common. The means they have utilized in order to industrialize and build a modern economy appear similar, at least when context is taken into consideration.

The empirical evidence clearly demonstrates that the similarities between the East Asian Miracle and the British Industrial Revolution indeed are striking. In both cases, geopolitics galvanized development and industrialization. In both cases, a dualistic trade regime that restricted and curtailed import for the protection of home industry, and at the same time promoted export production was in place. And both cases are characterized by a state that is both strong in the sense that it had the capacity to mobilize resources, and deal with public contention. These similarities are neither supported by the neoclassical explanation of the Industrial Revolution, nor by the idea of an exclusive East Asian Developmental State model. The following paragraph is dedicated to give an answer to why these similarities may have been ignored.

Paradigms revisited

This thesis raised the question whether the theoretical perspective or paradigm applied to explain social phenomena contribute to bring about a specific explanation. The debate between “state” versus “market” has been prevalent in the field of Political Economy. The assumption in neoclassical economy has been that state intervention is “bad”, whereas the theory of the Developmental State emerging in the 1980s and early 1990s saw state intervention as “good”; claiming that markets in late industrializing countries or “backward nations” should be aided by the government.

This suggests that the paradigm, or, to put it more loosely, the theoretical framework, utilized to explain a phenomenon such as economic growth, development and industrialization, to a large extent will influence both the variables chosen for analysis, as well as the end-result. Neoclassical economy has been a prevalent theoretical paradigm in Political Economy, particularly during the Liberal world order (approximately 1870 to the First World War), and was further reinforced when this neoclassical paradigm became prevalent and generally accepted both among decision makers in OECD countries, as well as in the World Bank and the IMF.

As the intellectual cradle of *laissez faire* economy, the development of Britain has without doubt influenced the legitimization this paradigm has obtained as the “correct way to develop”. However, as Chang (2002: 13) claims “the few references to these historical experiences tend to be full of myths that support the orthodox version of the history of economic policy... which emphasize the benefits of free trade and *laissez faire* industrial policy”. He further claims that the story of *laissez faire* paints “a powerful but fundamentally misleading picture” (ibid: 16).

I do not imply that British trade and industrial policies were not at all conducted under the banner of free trade. It is, however, an important detail that *British free trade policies were implemented after Britain had become the hegemonic trading power of the world, almost a century after the traditional dating of the Industrial Revolution*. The increasing pressure for free trade came by the end of the Napoleonic Wars in 1815. Free trade was a fact only in 1860. Up until this point, British industry to a large extent was protected by tariff walls, particularly the textile industries that had to compete with Asian textiles, which arguably held the comparative advantage. Hence, it appears that infant industry protection was an important trait of industrial and trade policy during the Industrial Revolution, a feature that have more in common with mercantilist economic theory, than with neoclassical economy.

Further, the British state was neither aloof nor absent, as the neoclassical interpretation claims. Rather, it appears as having a significant degree of both strength and capacity, both for mobilizing resources that could be channelled into growth inducing projects, as well as cope with public contention. The state also unconsciously contributed to industrialization through war.

Transferability

The introduction to this thesis briefly raised the question whether the East Asian Developmental State model is transferable to other developing countries. This issue has not been elaborated on in this thesis; however, a final comment should still be made: That the Developmental State model strategies could be implemented in various national contexts so that other developing countries perhaps could achieve the same level of economic growth, is indeed a seductive thought. However, many Third World Countries are highly dependent on foreign aid to build their economy and aid development. The central actors in this respect are the IMF and the World Bank. These institutions have been highly influenced by neoclassical economic theories and the neo-liberal interpretation of the history of development. Subsequently they claim

that the best developmental strategy is reliance on free market forces. When countries are dependent on economic aid to develop, and certain conditions must be fulfilled to achieve this aid, following a Developmental State strategy is difficult. This particularly concerns the protectionist industrial and trade policies, as this in some circles is considered less legitimate than relying on the free market, even though history demonstrates that this was the strategy of early developers. Further, a typical problem for governments in developing countries is the ability to resist societal demands on the state (Kang 2002). When rent-seeking demands become too onerous, the state is incapable of implementing decisions and growth is stifled (*ibid*). This implies that state strength and state capacity are important prerequisites for growth.

Important differences

This thesis would not be complete without mentioning an important difference between the development of East Asia and the Industrial Revolution. One of the most important differences between the East Asian Developmental States and Britain concerns the improvement in standard of living amongst citizens. A particular trait that distinguishes the East Asian NICs from other developing countries is growth with equity. According to the World Bank (1993), it is this shared characteristic that causes them to be grouped together and set apart from other developing economies (*ibid*: 8). “The HPAEs are unique in that they combine rapid sustained growth with highly equal income distribution” (*ibid*). In Britain, [t]here is no evidence of improvement of the standard of living among the working classes until the 1820s (Williamson 1984: 689).

Concluding remarks

This thesis makes an attempt to challenge the idea of an exclusive East Asian Developmental State model, by comparing it with one of the most unlikely “candidates” for such a comparison in both causes and theoretical framework; the Industrial Revolution in Britain. It is not meant to offer an exhaustive explanation to

industrialization. However, if one accepts the key elements of the analysis, this suggests that a few key variables may explain important aspects of a larger class of successful industrialization cases. As both the East Asian Miracle as well as the Industrial Revolution may be considered as economic success stories, this might imply that the factors that have been the focal points of this thesis are important when it comes to explaining economic growth, industrialization and development. An interesting topic for further studies would be to determine whether similar success is identifiable in cases where one or more of these factors are missing.

I have demonstrated that geopolitics is an important motivator for launching a development project, although geopolitics has played a slightly different role in the two cases. In Taiwan, the potential threat from China functioned as motivator for development in the initial phase. The geopolitical climate also motivated the US to pour substantial amounts of aid into Taiwan. In Britain, the constant wars, particularly against France, acted both as a substitute for markets, the *raison d'être* for rising of revenue through regressive taxes, as well as a legitimizing reason for suppression of public contention. Does a geopolitical threat or militarism contribute to industrialization and development?

Both Taiwan and Britain have followed a similar mercantilist protectionist strategy of home manufacture, whereas export industry has been promoted through low or non-existent export duties. Is infant industry protection and export promoting policies important when establishing an industrial base?

The role of government in both cases is clearly neither aloof nor absent, as both the KMT and the British state had the strength and the capacity to extract and mobilize resources from society, as well as deal with public contention. I have already referred to Latin America, where most states have been unable to isolate themselves from the

land owning elite; hence they have not gained the same autonomy from various interest groups as the East Asian NICs, and arguably, also Britain. Is state strength and state capacity a prerequisite for growth?

A deterministic explanation would claim that the common factors shared by the two cases in this study explain the success – or failure – of economic development and industrialization. Whereas generalization to all cases of successful, attempted or failed industrialization and development may be overstating it, it is still interesting to note that two of the great economic transformations in human history do share some important common factors – even though they are context-specific. This opens up for the notion that at least one of these factors is important when explaining economic and industrial growth.

History may appear biased. The neo-liberal interpretation of the history of development has supported an orthodoxy that does not seem to be completely true, at least not when looking at the two cases in this study. When comparing the Industrial Revolution in Britain and the East Asian Developmental State model, this neoclassical interpretation of history is questioned. There are important differences between the Industrial Revolution in Britain and the East Asian Miracle, including growth with equity and the consciousness of the state in guiding the industrialization process. Further, the East Asian NICs, at least before China became the next Asian giant in the world economy, are unique compared with other developing countries because of their spectacular economic growth. However, when context is taken into consideration, the similarities between the late industrializing countries of East Asia and the early developer of Britain are apparent. Hence, the idea of a Developmental State model, exclusive only for East Asia, is challenged.

References

Amsden, Alice (1979). "Taiwan's economic history: A Case of Etatism and Challenge to Dependency Theory". *Modern China* Vol 5, No 3, 341-379

Amsden, Alice (1984). "Taiwan" in Exports of Technology by Newly-Industrializing Countries, *World Development* 12 (5/6), 491-503

Amsden, Alice (1985). "The state and Taiwan's economic development". Chapter 3 in Evans, Peter B., Dietrich Rueschmeier and Theda Skocpol (eds.). *Bringing the State back in*. New York: Cambridge University Press

Amsden, Alice (1990). "Third World Industrialization: "Global Fordism" or a New Model?" *New Left Review*. 182, July/August, 5-31

Andersen, Svein (2003). *Case-studier og generalisering. Forskningsstrategi og design*. Bergen: Fagbokforlaget

Appelbaum, Richard P. & Jeffrey Henderson (1992). "Introduction". Chapter 1 in *States and Development in the Asian Pacific Rim*. Appelbaum, Richard P. and Jeffrey Henderson (eds.). Newbury Park: Sage Publications

Berg, Maxine (1996). *The age of manufactures 1700-1820. Industry, innovation and work in Britain*. London: Routledge

Broadberry, Stephen & Bishnupriya Gupta (2005). "Cotton Textiles And The Great Divergence: Lancashire, India and Shifting Competitive Advantage, 1600-1850". (05.09.2005) [online]

<http://www2.warwick.ac.uk/fac/soc/economics/staff/faculty/broadberry/wp/cotdiv11.pdf>

Castells, Manuel (1992). "Four Asian Tigers with a Dragon Head. A comparative analysis of the state, economy and society in the Asian Pacific Rim".

Chapter 2 in *States and Development in the Asian Pacific Rim*. Appelbaum, Richard P. & Jeffery Henderson (eds.). Newbury Park: Sage Publications

Chang, Ha-Joon (2002). *Kicking Away the Ladder. Development Strategy in Historical Perspective*. London: Anthem Press

Cheng, Tun-jen and Lin, Chia-lung. (1999). "Taiwan: A Long decade of Democratic Transition". Chapter 10 in Morley, James W. (ed.). *Driven by Growth. Political change in the Asia-Pacific Region*. Armonk, N.Y.: M.E. Sharpe

Colley, Linda (1986). "Whose Nation? Class and national consciousness in Britain, 1750-1830". *Past and Present*, no 113, 97-117

Clough, R. (1978). *Island China*. Cambridge: Harvard University Press

Davis, Ralph (1966). "The Rise of Protection in England, 1689-1786". *Economic History Review*, 19 (2), 306-317

Dean, Phyllis (1965). *The First Industrial Revolution*. Cambridge: Cambridge University Press

Deane, Phyllis (1996) "The British Industrial Revolution". Chapter 1 in Teich, Mikulas and Roy Porter (eds.). *The Industrial Revolution in National Context, Europe and the USA*. Cambridge: Cambridge University Press

Dietz, Friedrich C. (1942). *An Economic History of England*. New York: H. Holt & Company

Evans, Peter, Rueschemeyer, Dieter & Theda Skockpol (eds.). (1985). *Bringing the State Back In*. Cambridge: Cambridge University Press

Evans, Peter (1995). *Embedded Autonomy, States and Industrial Transformation*. Princeton, N. J: Princeton University Press

Gerschenkron, Alexander (1962). *Economic Backwardness in Historical Perspective*. Cambridge: Harvard University Press

Giddens, Anthony (1978). *Capitalism and modern social theory, an analysis of the writings of Marx, Durkheim and Max Weber*. Cambridge: Cambridge University Press

Gilje, Nils & Harald Grimen (1993). *Samfunnsvitenskapens forutsetninger. Innføring i samfunnsvitenskapens vitenskapsfilosofi*. Oslo: Universitetsforlaget

Gold, Thomas B (1986). *State and society in the Taiwan miracle*. Armonk, New York: M.E. Sharpe

Hagen, Koo & Eun Mee Kim (1992). "The Developmental State and Capital Accumulation in South Korea". Chapter 5 in *States and Development in the Asian Pacific Rim*. Appelbaum, Richard P. & Jeffery Henderson (eds.). Newbury Park: Sage Publications

Hamilton, Alexander (1964). "Report on Manufacture". Chapter 4 in Cooke E. Jacob (ed.). *The Reports of Alexander Hamilton*. New York: Harper Torchbooks

Harris, Nigel (1992). "States, Economic Development and the Asian Pacific Rim". Chapter 3 in *States and Development in the Asian Pacific Rim*. Appelbaum, Richard P. & Jeffery Henderson (eds.). Newbury Park: Sage Publications

Hartwell, R. M. (1971). *The Industrial Revolution and Economic Growth*. London: Methuen and Co Ltd.

Hsiao, Hsin-Huang Michael (1999). "An East Asian Development Model: Empirical Explorations". Chapter 2 in Berger, Peter L and Hsin-Huang Michael Hsiao (eds.). *In search of an East Asian Development Model*. New Brunswick, N.J. Transaction Books

Hveem, Helge (1999). *Makt og velferd i det globale samfunn. Teorier i internasjonal politisk økonomi*. Oslo: Universitetsforlaget

Ishikawa, S. (1967). *Economic Development in Asian Perspective*. Tokyo: Institute of Economic Research, Hitotsubashi University,

Jacoby, N. (1966). *U.S. Aid to Taiwan: A Study of Foreign Aid, Self-Help and Development*. New York: Praeger

John, A.H. (1955). "War and the English Economy, 1700-1763". *The Economic History Review*. Vol 7, No3, 329-344

Johnson, Chalmers (1982). *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford: Stanford University Press

Johnson, Chalmers (1987). "Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea and Taiwan". Chapter 4 in Deyo, Frederick C. (ed). *The Political Economy of the New Asian Industrialism*. Ithaca, New York: Cornell University Press

Johnson, Chalmers (1999). "The Developmental State: Odyssey of a Concept". Chapter 2 in Meredith Woo-Cumings (ed.). *The Developmental State*. Ithaca, New York: Cornell University Press

Kang, David (2002) *Crony Capitalism: Corruption and Development in South Korea and the Philippines*. Cambridge: Cambridge University Press

Krugman, Paul (1994). "The Myth of the Asian Miracle". *Foreign Affairs* 73 Nov/Dec, 63-78

Kuo, Shirley W.Y. (1983). *The Taiwan economy in transition*. Boulder: C.O. Westview

List, Friedrich (2000). *National System of Political Economy, Volume II, Book II: The Theory*. Roseville, California: Dry Bones Press Inc.

Little, I. (1979). "An economic reconnaissance". Chapter 7 in *Economic Growth and Structural Change in Taiwan: The Post-war Experience of the Republic of China*. W. Galenson (ed). Ithaca, New York: Cornell University Press

Mann, Michael (1993). *The sources of social power. Volume II: The rise of classes and nation states 1760-1914*. Los Angeles: Cambridge University Press

Mantoux, Paul (1961). *The Industrial Revolution in the eighteenth century: an outline of the beginnings of the modern factory system in England*. New York: The Macmillan Company

Martiniussen, John Degenbol (1999). *Society, State and Market: A guide to competing theories of development*. Halifax, Nova Scotia: Fernwood Publishing

Mathias, P (1983). *The First Industrial Nation*. London: Methuen

Mathias P. & P.K O'Brien (1994). "Taxation in Britain and France, 1715 – 1810". Chapter 9 in Hoppit, Julian & E.A. Wrigley (eds.). *The Industrial Revolution in Britain II*. Oxford: Blackwell Publishers

Melberg, Hans (1998). "Explaining the appeal of protectionism - from mercantilism to today's popular opinion". (14.09.2005). [online]
<http://www.geocities.com/hmelberg/papers/980811.htm>

Moore, Mick (1984) "Agriculture in Taiwan and South Korea: the minimalist state?" in *IDS Bulletin* 15 (2) April, 57-64

More, Charles (1997). *The Industrial Age. Economy and Society in Britain 1750-1995*. London: Longman

Nojonen, Mattii (2005). Lecture at Fudan University, Shanghai, 04.07 .

O'Brien, Patrick (1988). "The Political Economy of British Taxation, 1660-1815". *The Economic History review* Vol. 41, No 1, 1-32

Önis, Ziya (1991). "The Logic of the Developmental State. *Comparative Politics*, Vol 24, No 1, 109-126

Papanek, Gustav (1999). "The New Asian Capitalism: An Economic Portrait". Chapter 3 in Berger, Peter L and Hsin-Huang Michael Hsiao (eds.). *In search of an East Asian Development Model*. New Brunswick: Transaction Publishers

Pollard, Sidney (2000a). "The Industrial Revolution – an overview". Chapter 3 in Holmes, Colin (ed.) *Sidney Pollard: Essays on the Industrial Revolution in Britain*. Aldershot, Hampshire: Ashgate Publishing Limited

Pollard, Sidney (2000b). "Political competition and the British industrial revolution". Chapter 4 in Holmes, Colin (ed.). *Sidney Pollard: Essays on the Industrial Revolution in Britain*. Aldershot, Hampshire: Ashgate Publishing Limited

Pressnell, L.S. (1953). "Public Monies and the Development of English Banking". *The Economic History Review* Vol. 5 No. 3, 378-397

Robson, Robert (1957). *The Cotton Industry in Britain*. London: Macmillan

Sen, Amartya (1981). "Public Action and the quality of life in developing countries". *Oxford Bulletin of Economics and Statistics* 43, 287-319

Sen, Gautam (1984). *The Military Origins of Industrialisation and International Trade Rivalry*. London: Frances Pinter Publishers Ltd.

Smith, Adam (1776). *An inquiry into the nature and causes of the wealth of nations. Book IV* [online]. Available at netlibrary: <http://www.netlibrary.com/Reader/>

Toynbee, Arnold (1956). *The Industrial Revolution*. Boston: Beacon Press

Vaughan, Diane (1992). "Theory Elaboration: The Heuristics of Case Analysis". Chapter (in Ragin, Charles C. & Howard S. Becker (eds.). *What is a case? Exploring the Foundations of Social Enquiry*. Cambridge: Cambridge University Press

Wade, Robert (1984). "Dirigisme Taiwan-Style" in *IDS Bulletin* 15 (2) April, 65-70

Wade, Robert (1988). "State-intervention in "Outward looking" Development: Neoclassical Theory and Taiwanese Practice". Chapter 2 in White, Gordon (ed.). *Developmental States in East Asia*. Houndmills, Basingstoke: Macmillan

Wade, Robert (1990). *Governing the Market, Economic theory and the role of government in East Asian Industrialization*. Princeton New Jersey: Princeton University Press

Weder, Beatrice (1999). *Model, Myth or Miracle? Reassessing the Role of Governments in the East Asian Experience*. New York: United Nations University Press

Weiss, Linda & John M. Hobson (1995). *States and Economic Development: A Comparative Historical Analysis*. Cambridge: Polity Press

White, Gordon and Robert Wade (1988). "Developmental States and Markets in East Asia: An Introduction". Chapter 1 in *Developmental States in East Asia*. Houndmills, Basingstoke: Macmillan

Williamson, Jeffrey G. (1984). "Why Was British Growth So Slow During the Industrial Revolution?" *The Journal of Economic History* Vol. 44 No. 3. 687-712

Wilson, C. (1965). *England's Apprenticeship 1603-1763*. London: Longman

Wilson, Charles (1994). "The Entrepreneur in the Industrial Revolution in Britain". Chapter 12 in *The Industrial Revolutions Volume 2: The Industrial Revolution in Britain, 1*. Hoppit, Julian & E.A. Wrigly (eds). Oxford: Blackwell Publishers

World Bank (1993). *The East Asian Miracle. Economic growth and public policy*. New York: Oxford University Press

Yin, Robert K. (2003). *Case study research, Design and Methods*. Thousand Oaks: Sage Publications