1 *Disembedding Autonomy*

Asia after the Developmental State

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The 'developmental state' has been a core theoretical rubric through which the story of Asia's 'miracle economies' has been told (Amsden, 2001; Evans, 1995; Haggard, 1990; Johnson, 1982, 1987, 1995; Kohli, 2004; Wade, 1990; White and Gray, 1988; Woo, 1991). Rapid economic transformation in Japan, South Korea, Taiwan, Singapore and more recently China has largely been explained in terms of their institutional endowments: centralised economic planning; elite technocracies; strong state involvement in seeding capital formation; and the use of industrial policy to allocate state credit and protection, and nurture fledgling industries. By co-opting the commanding heights of the economy and key strategic sectors (banking, telecommunications, energy, transport and infrastructure), development could be obtained through attracting capital out of 'rent seeking, commerce, and "agriculture"... and into manufacturing, the heart of modern economic growth' (Amsden, 2001: 2). The rise of Asia and the rapidity of economic transformation has thus been cast overwhelmingly in institutional terms: on the plan-rational modalities of public administration, the corporatist bargains struck by the state in co-opting capital and labour, and in the mechanisms of innovation and technological advance in up-skilling industrial capacity and thus national competitiveness. As Amsden put it, the 'greater such assets, the easier the shift from primary product production to industrial production (and later to the supply of modern services)' (2001: 3).

Chalmers Johnson's (1982, 1995) celebrated account of Japan's remarkable economic transformation centred on these institutional endowments and paved the way for similar statist–institutional studies of South Korea by Wade (1990), Amsden (1989) and Woo (1991), and of North East Asia by Haggard (1990), Deyo (1987), Cummings (1984), Kwon (1994) and Evans (1995) – among others. But what for a generation of scholars provided a sturdy theoretical mantle on which to explain successful economic transition in Asia, looks today increasingly problematic. If anything, there is a disjuncture between images of Japan, Korea or Taiwan 'Inc.' as anything other than historical images of an era now past. Statist literatures that invoke notions of bureaucratic centralisation, administrative hierarchies and 'command-and-control' governance systems dominated by coalitions of powerful political elites, large-scale domestic capital (*chaebol* and *zaibatsu/keiretsu* capital networks in South Korea and Japan, for example), or networks of elite families look increasingly simplistic in contexts where power has become more diffuse, markets deeper, circuits of capital more complex and the nexus between national and international economics blurred.[1]

While it is premature to proclaim the final breath of developmental states in Asia, clearly they are being transformed along with the environments in which they operate (Boyd and Ngo, 2005a; Carroll, 2010; Carroll and Jarvis, 2015; Lim, 2010; Pirie, 2012, 2013; Robison, Rodan and Hewison, 2005; Stubbs, 2009; Suh and Kwon, 2014). Two examples highlight this transformation.

In China, reforms commenced in the 1990s produced seemingly contradictory outcomes. On the one hand, the reforms actively supported market development by effectively privatising (officially 'shareholder transformation') smaller, inefficient state-owned enterprises (SOEs), while on the other hand, larger and more efficient SOEs were merged and consolidated within key strategic sectors, creating conglomerates with sufficient size to compete internationally and supported through large injections of state capital – a policy captured by the slogan 'grasp the big, let go of the small' (Breslin, 2012: 33). As Breslin notes, after their introduction in 1996 these reforms structurally transformed the Chinese economy, with some 80 per cent of SOEs privatised over a two-year period and 'with virtually all of them gone by 2002'. Between 1995 and 2001 'there was a 40 percent reduction of workers in the state sector (46 million workers losing their jobs) . . . a 60 percent

[1] Indeed, even in China it is evident that the role of the state and of state-led development is being transformed as the sheer size of market activities and the success of state-owned enterprises alter state–market relations. Shaun Breslin, for example, goes so far as to suggest that the moniker of 'state-led development', applied to the political economy of China's development, fails to capture the degree of policy experimentation and pragmatism, if not federalism, where 'devolved state-led experimentation' is perhaps more appropriate to understand the Chinese economic development vis-à-vis the role of the state (see Breslin 2011: 1329–31).

reduction in workers in collectively owned urban enterprises (18.6 million) [and] . . . a further 34 million state sector workers registered as "laid off"' (Breslin, 2012: 33; Kuo, 1994). State control of the economy was both loosened and centralised in so far as SOEs in strategic areas (telecommunications, energy, banking, resources and transport) were consolidated and grown, while the overall structure of the economy became increasingly dominated by marketisation and cut loose from the state. By the year 2000, for example, the non-state sector accounted for 63 per cent of the economy, delivered 80 per cent of its growth and was the dominant source of new employment creation (Breslin, 2012: 34; see also Lin, 2008; So and Chu, 2012; Xiao, 1988; Yang, 2004).

The rapid expansion of market-based activity has profoundly altered the relationship between the Chinese state and the economy – one that continues to evolve. Macroeconomic and tax reform policies announced in the thirteenth five-year plan released in March 2016, for example, indicate a greater reliance upon markets, committing China 'to continue moving towards a free-floating renminbi and to further reduce capital controls by 2020' (Zoellick, 2016). At the same time, the Chinese state remains a strategic and powerful economic entity, blurring public–private distinctions through state majority ownership of many publicly listed (privatised) entities, through continued ownership of many of the largest economic entities in the economy (SOEs), and through complex and often opaque networks that link market entities to the state through personal connections or *guanxi* (Breslin, 2014: 1003).

In Japan, too, the originator of Johnson's (1982) 'developmental state' moniker, similar dynamics are apparent. The fabled centrepiece of the Japanese miracle in terms of the circulation of Japanese capital between historically frugal citizens who bank their savings, the government, and the Bank of Japan has been Japan Post (Pempel, 1999: 149–50). Outside China, Japan Post is the largest bank in the world with deposits of US$1.77 trillion, and a key source of savings which are typically recirculated to support Japanese government debt and the purchase of government bonds. With a retail network of 24,000 post offices, Japan Post dwarfs all the country's bank branch outlets combined, is 40 per cent bigger than the largest chain of convenience stores, is the largest writer of life insurance policies, and boasts the country's most interconnected, seamless logistics system (Lewis, 2015). Yet despite its vaunted position in Japan Inc. and its role as a key financial intermediary underpinning the country's economic development, Prime Minister Shinzo Abe commenced a mass privatisation process in late 2015. The first IPO in November, one of the biggest in the world, split Japan Post into several financial tranches and logistics businesses, each of which will be listed on the Japan Stock Exchange in a plan anticipated to raise US$30 billion for the government. In doing so, some 400,000 state employees will be impacted, with rationalisation and jobs losses anticipated (Lewis, 2015).

The privatisation of the Japan Post Group is a watershed moment in Japan's political economy and consolidates a two-decades-long series of reforms commenced in the wake of the popping of the asset price bubble economy (1991). The networked (*keiretsu*) financial structure that dominated Japan's post-war economic development – built on groups of enterprises interlinked by cross-holdings of corporate stocks and what Takahashi (2012) describes as a 'system of disciplined risk sharing' – has been increasingly displaced. Rather, the 'Big Bang' financial reforms introduced in 1996 have seen increasing levels of financial-sector liberalisation (interest rates, capital controls), a relaxation in cross-ownership rules for banks and security houses, and deepening financialisation with the introduction of a NASDAQ-style stock market (2000), coupled with liberalisation of the rules governing temporary workers' employment contracts, corporate law reform and the adoption of international financial reporting standards. Each of these reforms has been market-oriented, seeking to reduce rigidities associated with the lifetime employment system, facilitate mergers and acquisitions to manage non-competitive enterprises, and encourage foreign investment by reducing barriers to entry (Fields, 2012: 51–3; Kitagawa and Kurosawa, 1994; Takahashi, 2012: 216). While the state remains an important component in the fabric of the Japanese economy, its role in mediating bargains among economic actors and its ability to co-ordinate industrial activity through the use of state-directed credit or by 'picking winners' has been substantially transformed.

This chapter, and this volume more broadly, are an attempt to understand the nature of this transformation, evolving state–market configurations, the deepening realities of a contradictory world market and the class-based political conflict of contemporary development in Asia. It arises out of a deepening sense of theoretical flux around core analytical concepts, frameworks and explanatory models, a growing unease that statist approaches no longer retain analytical salience, but also that pure market-based narratives simplify the historically important role played by the developmental state in Asia and the long shadow it continues to cast. In asking 'What ever happened to the East Asian developmental state', for example, Stubbs captures this sense of creeping analytical indeterminacy; that historically it was important but is increasingly less significant. As a broad theoretical rubric the developmental state concept continues to have currency, he notes, albeit in contexts where its 'existence and value' are now hotly contested (Stubbs, 2009).

In this chapter we explore these debates and questions of the continuing relevance of the developmental state concept. We do so, however, with three objectives in mind. First, to contribute to theorising Asia's contemporary development, emerging state–economy configurations and the relationship of Asian states to the global capitalist system. Importantly, we seek to locate an analysis of Asia's economic transformation amid the changing social relations that support specific regimes of accumulation, the deepening stratification of intra-state material interests, and the disembedding of specific sectional interests from national regimes of accumulation amid the rise of global markets. Our approach is neo-Gramscian in orientation and draws upon critical political-economy approaches, particularly recent literatures addressing global value chains (GVCs) and global production chains (GPCs) in order to highlight the disruption to traditional industrial policy and state developmental agendas (Cox, 1983, 1987; Gereffi, 2009, 2011, 2014; Gereffi, Humphrey and Sturgeon, 2005; Harvey, 1990; Jameson, 1991; Jessop, 1982; Polanyi, 1957; Yeung, 2014).

Second, we revisit the literature of the developmental state, and the state and development more broadly, in order to contextualise it amid three influential and often overlapping intellectual currents that emerged over the last three and a half decades or so. The first of these currents we term 'heterodoxy', in which the developmental state concept first became a theoretical means of contesting neoclassical accounts of Asian developmentalism (state versus market) but subsequently morphed into a series of analyses and policy prescriptions that connected with evolving neoliberal positions – i.e. post-Washington consensus (PWC)-style governance practices and market-oriented policy prescriptions (market plus state)(Fine, 2013: 8); statism, in which the developmental state concept was swept along by broader social-science trends associated with 'bringing the state back in' as a central analytical rubric in political science and sociology; and the institutionalist turn (both old, new and historical institutionalism) in which the developmental state concept was transposed into various applied social sciences from public administration, public policy, organisational studies and management to sociological perspectives focused on the interplay between institutions, social mobilisation and economic outcomes.

The result, we argue, has been a broadly reductionist and instrumentalist conceptualisation of the developmental state – as a specific bundle of institutions and institutional endowments, policy designs, tools and instruments, decontextualised from the underlying social relations of class and the distribution of power, production and wealth on which they are based. Our analysis thus rejects what we characterise as institutional fundamentalism, which in some variants of the literature became a dominant means of defining the developmental state and explaining successful industrial outcomes: institutional capacity, meritocratic and elite bureaucracy, central (technocratic) planning, and the subjugation of the market to the state. We argue this fundamentally mischaracterises the historical relationships between state, capital and labour and the social orders supporting the emergence of developmental states – and indeed particular institutions more broadly.

Third, we argue that institutional fundamentalism creates false methodological dichotomies or what Pradella and Marois term 'methodological nationalism' (Pradella, 2014; Pradella and Marois, 2014: 8). That is, much of the developmental state literature, and the responses to it, deploy idealised theoretical types such as 'state', 'market' and 'society' which are constituted as if separate entities and juxtaposed as theoretical dualisms (state versus market, national versus international, state versus society). A critical weakness in much of the developmental state literature thus takes the state–market dichotomy as given, effectively reducing development to a series of technocratic issues – optimal resource allocation, optimal state–capital relations, the calibration of incentives, and the management of risk to capital in order to find the right mix of state interventionism/support necessary to kick-start and sustain industrialisation (Sato, 2013: 34). This not only positions the developmental state within narrow policy spaces associated with market–industrial supporting activities, but more fundamentally mischaracterises the developmental state as autonomous from social classes and situated exclusively in national contexts. The result is a kind of 'dehistoricised, decontextualised' developmental state model that reifies institutional types, policy tools and instruments in ways that can seemingly be adopted and applied in other national contexts to produce similar developmental outcomes (Pradella, 2014: 189; Pradella and Marois, 2014: 8). By failing to situate the developmental state and industrialisation historically within broader structural processes associated with the international division of labour and spread of capitalist relations of production, development is reduced to relatively simplistic public policy prescriptions and institutional forms. In turn, questions about the continuing salience of the developmental state model, the impact on state capacities and the utility of industry policy amid the rise of globalisation are frequently misread as the rise of markets at the expense or decline (or what some term the 'roll-back') of the state. By moving beyond methodological nationalism, however, we argue that state capacities have simply been repositioned, repurposed and redeployed in instrumental ways to support marketisation and reflect the transforming interests of specific classes and capital – interests which are increasingly aligned with international regimes of accumulation (Brenner, Peck and Theodore, 2010b; Cahill, 2012; Jessop, 2005; Konings, 2012; Song, 2013).

The Developmental State in Historical Context

The wide ubiquity of the developmental state concept, indeed its metamorphosis into a prescriptive developmental policy, stands in stark contrast to its relatively modest beginnings. It commenced life as a shorthand method for capturing the broad and complex sociopolitical processes which had successfully transitioned Japan into a leading industrial nation (Johnson, 1982). As Woo-Cummings argues, Johnson's work was not 'an analytic' thesis in search of causality but rather a 'historical account in search of meaning' (Woo-Cumings, 1999: 2).[2] The developmental state concept was thus designed to capture what Johnson argued was a qualitatively different set of historically contingent socio-economic relations and state–society configurations which had emerged in Japan and among other East Asian societies compared with Anglo-American state–society systems (Johnson, 1999: 32–3).

[2] Wade (1990: 26) argues similarly that Johnson's thesis is 'not much of a theory. Its specification of intuitional arrangements is descriptive rather than comparative–analytic, so what the developmental state is contrasted with is not clear'.

Johnson's approach was historicist, indeed of the Weberian type in terms of his conceptualisation of the state, but with Johnson situating this perspective amid a 'revolutionary nationalism' and the 'exigencies and requirements of national survival and mobilization' which had played out historically so violently in North East Asia (Woo-Cumings, 1999: 2). It was this 'scaffolding', Woo-Cumings suggests, which informed Johnson's understanding of Japan – 'the importance of war in establishing institutions of social mobilization (the Communist Party in China, MITI in Japan) and the role of ideology in revolutionary social transformation'(Johnson, 1962, 1995: 45; Woo-Cumings, 1999: 7).[3] Johnson addresses this directly in *MITI and the Japanese Miracle* (1982), noting that the priority given to economic development reflected Japan's 'situational imperatives', which, since the Shōwa era, had been a cascading series of crises, vulnerabilities, militaristic calamities and external threats. When coupled with the dilemmas of late industrialisation, resource scarcity, a large population and a history of poverty, he notes, the economic priorities of the state were both reinforced and legitimised among the populace, a national consensus forged, with 'a large majority of the population' mobilised in support of economic goals. Nurturing the economy was thus a 'major priority of the Japanese state because any other course of action implied dependency, poverty, and the possible breakdown of the social system' (Johnson, 1982: 306–7). As Johnson later characterised it, Japan was 'an economy mobilized for war but never demobilized during peacetime' (Johnson, 1999: 41).

Much of the analysis in *MITI and the Japanese Miracle* thus concentrates on explicating these broad tenets, particularly the development of the Japanese bureaucracy, its meritocratic elite forms (Chapter 2) and the emergence of, and consolidation of authority within, MITI and related state institutions that planned and managed national economic goals (Chapters 5 and 6). His analysis is thus overtly institutionalist and neo-Weberian, depicting the state in instrumental terms and concentrated within elite institutions where an informal separation of power and authority operate. As Johnson argues, 'Japan has long displayed a marked separation in its political system between reigning and

[3] Strangely, Woo-Cumings does not make these same observations of South Korea and Taiwan, where war and imperialism were equally important in social mobilization.

ruling, between the powers of the legislative branch and the executive branch, between the majority party and the mandarinate . . . between authority and power' (Johnson, 1982: 35). This is not by design but the result of historical happenstance, occupation, and the play of politics in which the power of the bureaucracy was consolidated (Johnson, 1982: 43). For Johnson, this created modern Japan's unique political system, where the decision making of the Japanese state operates through cascading levels of '*omote* (in plain view) and *ura* (inner, hidden from sight)' (Johnson, 1982: 36, 1995), a fact which enables the bureaucracy to predominate in economic planning but absent formal (or constitutional) instruments of authority – 'the concrete hegemony of a covert elite working within a formal system of legality and popular sovereignty' (Johnson, 1995: 48).

The bureaucratic apparatus of the state is thus uniformly characterised as 'plan rational and developmental', driven by 'situational imperatives' which necessitate pragmatism over ideology. For Johnson, the Japanese state has 'no ideological commitment to state ownership of the economy', but rather its 'main criterion was the rational one of effectiveness in meeting the goals of development' (Johnson, 1982: 23; Chapter 1). When coupled with Johnson's analysis of industrial policy (Chapter 3) – specifically the origins of the Important Industries Control Law and its maturation into formal instruments of government control (licensing and approvals authority) and the broader practices of 'administrative guidance' (principally through industry-specific development laws involving financing, taxes and protective measures enacted by the Japanese state)(Chapter 4) – the image of a preponderant, bureaucratic, top-down, plan-rational development state crowds out the more granular historical details of political contestation, bureaucratic in-fighting or administrative resistance to reform and technocratic leadership.[4] Indeed, in the concluding pages to *MITI and the Japanese Miracle*, while Johnson acknowledges that 'bureaucratic regimes generate two types of conflict: struggles within the bureaucracy, and struggles between the bureaucracy and the central political authorities', he proceeds to highlight how the Japanese devised 'several innovative practices' which largely helped manage

[4] In contrast to Johnson's image of a far-sighted, plan-rational bureaucracy engaged in detailed, systematic economic planning, see the work of Okimoto (1989) and Samuels (1987).

such struggles, in a sense causing Japan to veer from normal political–bureaucratic power struggles and operate in a more plan-rational mode that, while not above politics, was able to control politics (Johnson, 1982: 320–1).[5]

National political competition for Johnson is also sublimated by these same 'situational imperatives' and broad cross-national agreement about national priorities and economic goals. This also reflects what Johnson describes as Japan's unique 'non-adversarial political culture' (Johnson, 1995: 8). Political and social conflict is thus depicted as a process of negotiation, compromise and agreement. The 'puppet Diet working through the LDP [Liberal Democratic Party] majority', Johnson argues, serves as a 'mediator between state and society, forcing the state to accommodate those interests that cannot be ignored . . . and, on occasion, requiring the state to change course' (Johnson, 1982: 50–1). This is not consensus politics, he insists, but borrowing Kawanaka's concept '"interlocking decision-making," which acknowledges the symbiotic relationships among the bureaucracy, LDP, and the business community'. And while Johnson acknowledges that a politics of this nature is contingent and difficult to sustain, for him it defines the fabric of Japanese social relations that distinguish it from Anglo-American sociopolitical systems (Johnson, 1982: 51, 312).

The State, Markets and Statism

The impact of *MITI and the Japanese Miracle* was far-reaching, in part because of the timing of its publication, which intersected with a series of important debates at the core of several social sciences disciplines. In development studies and development economics, for example, the 'market turn' in North America and the United Kingdom, in response to stagflation and the apparent exhaustion of post-war demand-side Keynesian economics, began a series of intense debates about state interventionism, market distortion and growth outcomes in developing economies. Import-substitution industrialisation (ISI) strategies, in

[5] Elsewhere, Johnson characterises Japan as distinctive, arguing that 'Japan, quite differently, has a non-adversarial political culture, and a state that for more than a century attracted the best, most highly educated talent available in the society' (Johnson, 1995: 8).

particular, which had been widely prescribed by multilateral development agencies throughout the 1950s and 1960s as a means to kick-start industrialisation, protect infant industries and develop domestic manufacturing capacity, were increasingly seen as the cause of moribund growth and not a solution to it. More broadly, the structuralist school of economics (Baran and Sweezy, 1968; Cardoso, 1977; Cardoso and Faletto, 1979; Frank, 1975; Prebisch, 1962; Santos, 1970), which since the 1940s had diagnosed conditions of underdevelopment and dependency an outcome of the international division of labour and declining commodity terms of trade, was increasingly challenged by advocates of export-orientated industrialisation (EOI) and market economics. By the early 1980s, for example, neoclassical economists in the World Bank like Béla Balassa (1981; see also Krueger, 1978) were celebrating the achievements of countries like South Korea, Taiwan, Singapore and Hong Kong as exemplars of market liberalisation, arguing that openness to foreign investment and the adoption of free-market principals allowed such economies to develop domestic industry through their comparative advantage in lower-cost manufacturing and thus capture a significant and growing international market share (Balassa, 1991; Clark and Chan, 1994; see also Hughes, 1988; Little, 1982).[6] Rather than the existence of structural obstacles to development because of the nature of the international trading and financial system, for free-market advocates a combination of state meddling, protectionism, government inefficiencies and illiberal financial measures had distorted markets in developing countries, mispricing the cost of capital and thus the allocation of resources to competitive economic sectors.

Johnson's thesis, of course, challenged the increasingly dominant free-market zeitgeist of the era, suggesting the importance of state-managed industrial transition. More obviously, it set the scene for numerous similar studies, each variously detailing the nature of state engagement in the economy: 'governing the market' (Wade, 1990), 'embedded autonomy' (Evans, 1995), 'state interventionism' (Chang,

[6] Similar debates among dependency theorists, the structuralist economic school and Marxist scholars were also taking place, with the latter, led by Bill Warren, identifying new, emergent capitalist modes of production in Asia off the back of new global markets, the relocation of production facilities by multinational enterprise, and an emerging new international division of labour (Brenner, 1997; Cumings, 1984; McMichael, Petras and Rhodes, 1974; Warren, 1971, 1973).

1994; Luedde-Neurath, 1985), the 'politics of growth' (Haggard, 1990), the 'business of the state' (Samuels, 1987), 'state-directed development' (Kohli, Sharma and Sood, 2011), the 'political economy of Asian industrialism' (Deyo, 1987) 'government as entrepreneur' (Amsden, 1989; Fitzgerald, 1995), 'state control of finance' (Woo-Cumings, 1991) – among others. Whatever the exact label, each suggested a strategic role for government in providing the institutional and financial architecture necessary for successful industrial outcomes and economic growth, and that far from market signals cascading through the ether of rational economic actors, it was the *politics of industrial change* that differentiated successful states from others – a fact as true for developing countries as for developed ones (see, for example, Weiss, 1995; Zysman, 1983).

The 'developmental state' concept thus became a lightning rod both for adherents to statist interpretations of economic transition and for free-market advocates who saw it as heretical and fundamentally flawed. Johnson subsequently acknowledged as much, noting that his book was 'an ideological red flag to the bull of Anglo-American' economic orthodoxy (Johnson, 1999: 34). Indeed, this had been made more so by Johnson's disclosure of editorial intervention prior to publication of the book and the insistence that a final chapter be added addressing the question whether the Japanese case constituted a model. Johnson's compliance thus added a dimension to *MITI and the Japanese Miracle* that exacerbated its institutionalist and statist elements, with Johnson highlighting four elements or 'essential features of the Japanese developmental state'. These included (1) 'the existence of a small, inexpensive but elite bureaucracy staffed by the best managerial talent available'; (2) 'a political system in which the bureaucracy is given sufficient scope to take initiative and operate effectively'; (3) 'the perfection of market-conforming methods of state intervention in the economy'; and (4) 'a pilot organization like MITI' (Johnson, 1982: 316–20). Despite several qualifying statements about the limitations of transferability of such a model and the importance of context and history, this penultimate chapter shaped much of the subsequent impact of *MITI and the Japanese Miracle*.

As Johnson later insisted, however, the take-home message he was trying to emphasise was that

> the 'learn-from-Japan' craze then sweeping the United States was dangerously ahistorical and simple-minded . . . My primary focus was the prewar

and postwar continuities, both institutionally and in terms of personnel, that my research had revealed. To the extent that I had a didactic purpose at all, it was to stress that Japan's case would be hard to emulate. If nothing more, it depended to a large extent on losing a big war to the right people at the right time (Johnson, 1999: 40).

Similarly, writing in 1984 Johnson reaffirmed the centrality of history and context as core explanatory factors in Japan's economic transition. His observations are worth quoting at length:

The apparatus of plan rationality, chiefly the economic bureaucracy, was greatly if unwittingly strengthened by the occupation reforms. The allied reformers destroyed the civilian bureaucracy's chief rival, the military; they transferred most of the control powers that had been shared with the *zaibatsu* to the state; they broke up the economic bureaucracy's chief civilian rival, the Ministry of Home Affairs; and, midway through the occupation, they made economic recovery rather than 'democratization' their main goal as part of the West's renewed struggle against totalitarianism. At the same time they also created a hospitable political environment for the economic bureaucracy's activities. They rationalized the *zaibatsu* by centering them on banks and trading companies rather than family holding companies, replaced the imperial institution with the Diet as the supreme ratifier of bureaucratic decisions, allowed Yoshida virtually to fuse the executive and legislative branches by making a bureaucratic career the most direct route to political power, and rectified through land reform the grievances of the farmers under the prewar system. The result was a much more effective developmental state than the early Shōwa version. At its heart was a covert separation between reigning and ruling – the politicians reign while the bureaucrats rule – and a method of stabilizing this division of labor through conservative political dominance, an elaborate circulation of elites and 'old boy' networks within the oligarchy, and a relatively equitable distribution of high-speed growth throughout the society (Johnson, 1995: 29).[7]

Johnson was not contradicting his assertion that 'Japan's development was "plan-rational," that it was guided by the state in directions that the state wanted it to go' and that it 'was not purely "market-rational" as American ideology maintained it should be' (Johnson, 1995: 10). Rather, he was attempting to reinforce the vagaries of history, militarism, conflict and occupation as central elements in shaping Japan's

[7] The essay from which this quote is drawn, 'La Serenissima of the East', was written in 1984 for a conference at Hebrew University and subsequently published in *Journal of the Israel Oriental Society* and then republished in Johnson (1995: 21–37).

post-war social and political order, the reconstitution of the Japanese state in specific forms and the reorganisation of the *zaibatsu*, all of which provided the foundations for plan-rational modalities of economic management to emerge.

Despite Johnson's protestations, however, it was the institutional features of the 'Japanese model' which became synonymous with the concept of the developmental state and as a result its extension into a variety of disciplinary contexts. Indeed, this was often reinforced by proponents of the developmental state concept and 'conceptual slippage'. Qualified claims that 'the state plays a central role in promoting economic growth in some countries' morphed into more generalised claims that 'a particular state form (called the developmental state) can be found in countries which experienced rapid economic growth'. As Boyd and Ngo note, this 'growth-paradigm-turned-state-theory slippage' defines the state in terms of its functionality to growth, where the 'fact' of the developmental state is evidenced by high economic growth – developmental state theory, in other words, provides its own ontology: it exists where there are successful growth/industrial outcomes (Boyd and Ngo, 2005b: 4). Far from theorising what the developmental state is, or how it is constituted by specific historical, social, material and political relations, the 'state-led growth theorem' reduces the developmental state to institutional actors who generate policy outcomes through technocratic rationality. More obviously, since the analytical nexus is economic policy and its relationship to growth and industrialisation, the developmental state is typically reduced still further to the economic bureaucracy, to decision-making sites removed from politics in ways that allow plan-rational modalities of public administration to operate. Wade's influential analysis of East Asian industrialisation, for example, explains successful economic outcomes precisely in these terms:

> While the bureaucrats 'rule,' politicians 'reign.' Their function is not to make policy but to create space for the bureaucracy to manoeuvre in while also acting as a 'safety valve' by forcing bureaucrats to respond to the needs of the groups upon which the stability of the system rests: that is, to maintain the relative autonomy of the state while preserving political stability (Wade, 1990: 26).

Such an approach, however, 'requires a fantastical distinction between politics and administration' and between state and market (Boyd and

Ngo, 2005b: 5). Wade's notion of 'governing the market' and 'creating capitalisms', for example, implied state autonomy and market subordination (Wade, 2004). Indeed, Amsden's famous quip that South Korea's success was in part because it deliberately got 'relative prices wrong' venerated 'market augmenting' (interventionist) industrial policy, state-led investment decision making and selective industrial targeting strategies ('picking winners') over 'market conforming' (i.e., minimal government intervention) developmental approaches (Amsden, 1989: 139, 141). Getting the market out of the way, in other words, was a key feature of successful developmental states. By extension, the analytical locus of developmental success rested centrally in the administrative-policy realm; in the choice of policy designs and instruments; in the manner of their implementation and sequencing; and in institutional quality in terms of bureaucratic capacity to plan rationally, implement, monitor and manage growth. Wade, for example, reduces the political ambit of South Korean industrialisation to three policy elements:

> The corporatist and authoritarian political arrangements of East Asia have provided the basis for market guidance. Market guidance was effected by augmenting the supply of investable resources, spreading or 'socializing' the risks attached to long term investment, and steering the allocation of investment by methods which combine government and entrepreneurial preferences (Wade, 1990: 27).

With politics out of the way, Wade lists seven policy instruments or tools of market guidance ranging from management of exchange rates, the subordination of financial capital to industrial capital, mechanisms of technology transfer, export promotion, and the management of scarce foreign exchange in order to maximise capital intensity. Development as *politics* was transformed into development as *administration*.

Collectively, these intellectual trends had two obvious consequences. First, they tended to solidify the state–market dichotomy as the analytical starting point for understanding economic transformation. The problem with this framework, as Sato observes, however, is 'that "success" or "failure" of industrial policy is readily interpreted in terms of the dichotomy': either too much state and not enough market or too much market and not enough state (Sato, 2013: 37). Second, the state–market dichotomy is reductionist, creating abstract, disembedded analytical entities: the state a semi-autonomous actor operating through rationalist institutional structures producing technocratic policy solutions, the market an asocial realm of actors responding to market signals. The *politics* of the developmental state, in other words, disappear from analytical purview, as Calder observes of *MITI and the Japanese Miracle*: 'parsimony did not permit . . . a detailed exploration of the political correlates of the Japanese developmental state' and of how MITI's 'position of institutional prominence in policymaking' was constructed and sustained politically (Calder, 1988: 11). Perhaps with the notable exception of Deyo (1981, 1987, 1989), whose study of East Asian transformation highlighted the role of social conflict and labour subordination (principally through the use of patrimonial labour systems) as core dimensions in generating new regimes of accumulation and redirecting capital from agriculture to industry, the developmental state literature failed to situate specific state forms within sociopolitical–historical contexts or the emergence of capitalist relations of production.

Much of this, of course, was an outgrowth of the statist turn in social science, particularly in political science and sociology. Theda Skocpol's (1985) influential advocacy for *bringing the state back in* as a central analytical rubric in explaining politics, policy formulation and political and historical change, for example, challenged behaviourist (society-based) and Marxist (class- and structuralist-based) approaches. For Skocpol, the state should be viewed as a relatively autonomous entity and, dependent on historical context, comprise institutionalised bureaucratic entities that reflect sites of agential authority, interests, expertise and preferences able to effect policy and impact social and economic outcomes. Indeed, depending on the nature of state capacities, the state could be transformative, realising a 'major episode of bureaucratically sponsored reforms' or a 'revolution from above' (Skocpol, 1985: 17). The constitution of bureaucratic structures, cultures and institutional entities, processes of decision making, policy formulation and implementation, along with state-bureaucratic capacities, thus became renewed sites for empirical and theoretical investigation after a long period of what Skocpol described as Western social sciences averting their attention to the 'explanatory centrality of states as potent and autonomous actors' (Skocpol, 1985: 6).

The state was thus increasingly re-centred at the core of social-science enquiry and as a primary agent in social and economic transformation. The political economy of development at least in terms of analytical focus was thus now firmly statist, but premised on images of the state that were predominantly neo-Weberian in orientation, rationalist and situated in formal bureaucratic–institutional spaces. For Gilpin, for example, the political economy of interstate competition was simply the rational pursuit of multiple states who sought to participate in leading economic sectors while shedding lagging ones: 'every state, rightly or wrongly, wants to be as close as possible to the innovative end of the "product cycle" where, it is believed, the highest "value-added" is located' (Gilpin, 1987: 99). And the question of variation between states in terms of development and economic outcomes rested centrally on institutional endowments, on the policy choices of states and on how adroitly they were implemented. Evan's notion of 'embedded autonomy', for instance, reflected the state-centredness of policy preferences: 'In a world of constructed comparative advantage, social and political institutions – the state among them – shape international specialization. State involvement must be taken as one of the socio-political determinants of what niche a country ends up occupying in the international division of labour.' The question for Evans was thus not whether states were interventionist, liberal or noninterventionist, since this was 'not an alternative'; 'state involvement is a given. The appropriate question is not "how much" but "what kind"' of state intervention (Evans, 1995: 9–10).

Such intellectual currents helped solidify the developmental state as a core theoretical rubric. Equally, however, it also focused attention on institutional quality and bureaucratic capacity as key elements for successful economic transition. North's influential intervention, for example, explained the 'differential performance of economies over time' as a function fundamentally of institutions and institutional quality: institutions 'determine transaction and transformation costs and hence the profitability and feasibility of engaging in economic activity' (North, 1990: 3, 118). Under an emergent post-Washington consensus (PWC), free-market fundamentalism was thus increasingly challenged by a spate of neoliberal ideational approaches in which the state was no longer seen as antithetical to the market (state versus market) but as functional to market development and operation (market plus state). As James Wolfensohn, President of the World Bank, wrote in the foreword to the *World Development Report 1997*,

History and recent experience have also taught us that development is not just about getting the right economic and technical inputs. It is also about the underlying, institutional environment: the rules and customs that determine how those inputs are used. As this Report shows, understanding the role the state plays in this environment – for example, its ability to enforce the rule of law to underpin market transactions – will be essential to making the state contribute more effectively to development (World Bank, 1997: iii).

Getting institutions right, building institutional capacity, setting in place the 'rules of the game' and market-regulating structures (e.g. property rights) thus became core functional requisites for successful economic transition – a project encapsulated in the World Bank's 'Good Governance' agenda (Carroll and Jarvis, 2014: 9–10; Carroll and Jarvis, 2015: 291; Fine, 2013: 7–8). The state had in effect been rehabilitated from market nemesis to market-enabling, with statist approaches now embraced as orthodox development practice in so far as they were 'market-conforming' (World Bank, 1993). Further, with the subsequent appointment of Joseph Stiglitz as chief economist at the World Bank (1997–2000), the turn toward regulationist developmental approaches renewed the emphasis on the state and institutions in the management of market imperfections and growth (Carroll, 2010). Such approaches reflected increasingly influential trends in economics, political science and sociology with the rise of institutionalist perspectives, particularly rational-choice institutionalism which understood institutional design as a core determinant of economic and political behaviour and thus of principal-agent outcomes (policy outcomes, for example) (Chang, 2003: 27; Hall and Taylor, 1996). As Lohmann notes, 'Institutions constrain political choices and thus commit the future path of policy. Well-designed institutions square the circle of generating commitment that is both credible and flexible' (Lohmann, 2003: 95). In other words, 'institutions matter: they influence norms, beliefs, and actions; therefore they shape outcomes' (Przeworski, 2004: 527). And since by far the most important institutions are constructed, influenced or impacted by the state, under this logic the state-as-actor (and its constituent bundles of institutions) becomes the de facto means of explaining economic and historical transformation.

Statist and developmental state literatures were net beneficiaries of these intersecting trends, legitimising the analytical focus on the state, liberal notions of state autonomy and neo-Weberian images of rational bureaucracies as core actors in economic and social change. It also channelled scholarship into relatively discrete, policy-oriented studies.

The minutiae of industrial policy, bureaucratic–organisational types, institutional operation and managerial styles became a staple focus of scholars keen to identify those vectors through which policy learning and policy knowledge could be transmitted and the developmental state 'model' emulated (Green, 2008; Huff, Dewit and Oughton, 2001; Lee, 2011; OECD, 2012; Sakakibara and Cho, 2002; Tan, 2009).

Yet this also limited the conceptual apparatus on which to theorise the developmental state or develop explanatory models able to account for economic transformation in some contexts but not in others. The sociopolitical dimensions of state capture, for example, how and why particular social formations developed in certain contexts, how capital was redirected into industrial pursuits, and how the interests of labour and capital were mediated, largely escaped theoretical consideration. Labour subordination, class stratification and the utilisation of growth to legitimise authoritarian rule also fell predominantly outside the analytical scope of developmental state literatures, while broader considerations associated with the rise of transnational capitalism, changes in the international division of labour and the role geostrategic Cold War politics played in underwriting Japanese, South Korean and Taiwanese development were mainly ignored (Bello and Rosenfeld, 1990: 5–14; Rodan, Robison and Hewison, 2006; Stubbs, 2005). As with earlier patterns of development in Europe, capitalist development in Asia demanded cognisance of social conflict and competing material interests; and of how institutions were created and mobilised to realise these interests; and of the interplay between class, politics and institutional actors in distributing material outcomes (Rodan, Hewison and Robison, 2001: 25). More obviously, it demanded cognisance of the evolving nature of interests and that these were not static and quarantined in particular containers ('the state', 'domestic capital', 'labour', etc.) – but were evolving, coalescing and fragmenting in relation to emergent challenges and opportunities as a result of the increasingly integrated nature of global capitalism. Without a systemic understanding of these underlying forces it becomes impossible to explain the developmental state and those forces transforming it (see also Sasada, 2013; Underhill and Zhang, 2005: 45, 49).[8]

[8] A small body of literature exploring the historical origins of developmental states did subsequently emerge, seeking to historicise and contextualise the social relations and broader political developments which had enabled the

These analytical shortcomings were revealed with the onset of the Asian financial crisis in 1997, where the impact of global finance markets on domestic economies highlighted the explanatory and practical weaknesses of both statist approaches and policy responses. The preoccupation with explaining 'successful' outcomes by focusing exclusively on domestic institutional actors like economic bureaucracies and industrial policy was laid bare. Not only did this produce an 'incomplete portrayal of the East Asian landscape', one otherwise 'littered with rent-seeking, policy failure' and unintended policy consequences, but so too did it fail to provide any 'analytical and empirical space for real politics', treating civil society, labour and business as 'residual categories' and subservient to the state (C. Clark and Chan, 1994; Moon and Prasad, 1994: 19–20). Policy choices, however, were in fact political choices and reflected the political entrepreneurship of leaders who chose 'economic policies not solely by "developmental" ideology, but also by political rationality' (Liddle, 1992; Moon and Prasad, 1998: 20–1). Industrial policy was as much an outcome of political calculation, co-option, trade-offs and conflict as it was a rational process of bureaucratic management – where the line between economic co-ordination and government–business collusion was blurred. As Haggard notes of the developmental state concept: 'How could we square a state that was strong, but not predatory, credible to the private sector, but not captured?' (Haggard, 2015: 49).

Most fundamentally, of course, the crisis highlighted the inherent 'methodological nationalism' of statist explanatory models, blinding them to increasingly important international trends that were shaping domestic political economies. For example, the relationship between the new international division of labour and national regimes of accumulation; the impact of global production chains on domestic patterns of finance capital, investment, manufacturing and employment; the impact of deepening international financial intermediation on domestic structures of finance (borrowing, speculation and inflation); or the implications of emerging multinational Asian enterprise whose global

emergence of authoritarian political systems in East Asia. The earliest of this work (Cumings, 1984), despite the breadth of its analysis and, in our view, correctly situating emergent capitalist relations of production in the changing international division of labour, stood in relative isolation until subsequent studies (Waldner 1999; Doner, Richie and Salter 2005; Kohli 2011; Inkster 2001; Sasada 2013; Vu 2007).

interests were increasingly non-aligned with *dirigiste* national development policy in terms of investment, employment and sectoral specialisation. *Dirigiste* economic systems, in other words, were effectively being transcended, disembedding state autonomy and thus the practical and theoretical salience of the developmental state.

Disembedding Autonomy: Repurposing the Developmental State

The Asian financial crisis served as an important historical marker in several respects, highlighting the increasing enmeshment of various Asian states within global markets and the pervasive influence of transnational governance regimes on trade, investment and finance – interlinked processes that were effectively forcing states to repurpose not only their approach to development but also the tools and policy instruments in support of this (Carroll and Jarvis, 2015). As we argue in this section, in part this reflected the growing emphasis on market solutions which in the West witnessed administrative and governance reforms that often 'removed some of the policy capacity of the state by displacing political and institutional capacity downwards in the political system, outwards to agencies and NGOs, or upwards to transnational institutional systems' (Painter and Pierre, 2005: 1). Similarly, the highly centralised hierarchical bureaucratic governance systems typical of 'developmental states' were also being transformed, with an increasing emphasis on decentralisation, flexibility and the adoption of 'new forms of accountability and transparency' – in effect chipping 'away at the old pillars of state capacity' and disembedding state autonomy. (Carroll, 2010; Carroll and Jarvis, 2015; Gerny, 1996; Karo and Kattel, 2014; Painter and Pierre, 2005: 1).

Equally, however, these changes also reflected the shifting contours of the global and regional political economy. First among these was the 'twenty-year-long incorporation of China into the world market system', a process that was diverting increasing amounts of foreign investment and low value-adding manufacturing away from the rest of Asia and undermining its export-driven growth model. Relatedly, Japanese capital, which since the Plaza Accords of 1985 had been a huge driver of export-led investment into South East Asia (in particular Singapore, Malaysia and Indonesia), was itself being drawn to China, further disrupting regional investment patterns and sources of growth

(Rodan, Hewison and Robison, 2001: 15; Stubbs, 2009; Woo, 2007: xii).

These developments commenced an intense debate about the fortunes of the developmental state and the processes by which state autonomy was being disembedded – broadly encapsulated in three interrelated typologies: globalisation, in which the developmental state was effectively being transcended; governance transformation, in which the instruments and mechanisms of governance were being retooled from interventionist to regulatory systems of governance; and neoliberalism, in which the state was being repositioned and repurposed in relation to markets through a combination of changing ideational values and the activities of multilateral organisations and international institutions. We briefly address each of these.

Globalisation: Transcending the Developmental State

A central pillar of the developmental state has been the ability to manipulate tariffs, manage market access, distort prices and direct credit through *dirigiste* means – policy tools which have been substantially denuded in the context of globalisation. This has occurred along four interrelated axes:

1. the globalisation of governance regimes and liberalisation,
2. the globalisation of competitive domestic enterprises and national decoupling,
3. the globalisation of value and production chains,
4. the global agglomeration of production and increasing market entry barriers for newcomers – especially into high value-added production.

The first of these axes, the emergence of global governance regimes in trade (WTO, GATS, TPP), investment (TRIMs) and intellectual property rights (WIPO, TRIPs), among others, has been a deepening feature of the global economy since the 1980s. (Chang, 2003, 2005). Led by the interests of the G7 industrialised nations, various 'international market-opening and technology-rent-protecting' bilateral and multilateral agreements have sought to dissolve barriers to entry; standardise regulatory, legal and procedural systems; and remove discrimination in terms of the treatment of foreign goods, services and capital, often behind a rhetorical commitment to 'universal liberalization and privatization'. However, as Wade argues, such agreements effectively shrink the 'developmental space' available to governments, limiting the policy options for economic diversification and industrial upgrading by preventing 'developing countries from pursing the kinds of industrial and technology policies' that built East Asia's miracle economies (Wade, 2003: 622). *Dirigiste* policy initiatives centred on ISI, for example, which use a combination of tariffs, licensing, taxes and other protectionist measures to capture manufacturing and kick-start industrialisation and economic modernisation, have become problematic under market-opening multilateral agreements. Similarly, state policies designed to seed firms and industries in terms of state procurement strategies, subsidies, tax concessions, soft loans and preferential market access, under multilateral and bilateral agreements, are treated as anti-competitive, market-distorting and discriminatory, limiting the policy options and instruments available to governments in terms of industrialisation strategies (Wade, 2003: 622).

At the same time, the ability of states to control financial systems, direct credit and 'mis-allocate' resources in order to develop domestic capacities has equally been impacted by pressures to liberalise exchange rate regimes, capital controls and domestic banking systems – reforms which have served to integrate national financial systems into global capital and financial markets. As Jayasuriya points out, however, this is not a benign process. Financial liberalisation undermines illiberal systems of national economic (though not necessarily political) governance, forcing governments to adhere to market-conforming principles and gain the confidence of the market which otherwise determines credit ratings, the cost of capital, foreign investment, the exchange rate and growth outcomes (Jayasuriya, 2001a). *Dirigiste* industrial policy thus becomes problematic as 'the possibility of seeing the value of assets impaired by effective official discrimination and intrusive non-market-based controls on management's freedom to pursue profits' diminishes the confidence of global investors in the economy (Pirie, 2005: 360). More importantly, of course, financial liberalisation disturbs the macroeconomic arrangements that proved so effective in East Asia's development. In the case of Japan and Korea, for example, the ability of conglomerates to rely on debt financing, opaque inter-firm guarantees and subordinate market short-termism (i.e. higher returns on equity and profit maximisation) for rapid expansion and diversification proved instrumental to successful industrialisation. Liberalisation, in other words, kicks away the developmental ladder, depriving states of *dirigiste* policy sets centred on protectionism and the ability to direct resources and manage core sectors of the economy (Chang, 2002; Pirie, 2005: 360).

The second and third axes of globalisation similarly disembed state autonomy. The promotion of national champions in the form of leading conglomerates, for example, had historically been a core developmental strategy to build industrial capacity and gain international competitiveness. The growth of conglomerates such as Toyota, Honda, Nissan, Mitsubishi, Hitachi, Daihatsu, Fuji, Hoya, Isuzu, Mazda, NEC, Panasonic, Sanyo, Sony, TDK and Yamaha in Japan, and in Korea of Hyundai, LG, Samsung, SsangYong, Kia, Daewoo, and SK reflected the 'axiomatic belief' that strong national firms would equal a strong national economy (Pirie, 2005: 358). But aided by transport and communication technologies which have facilitated the disaggregation of national production systems and their offshore movement, the basic notions that underpinned *dirigiste* industrial policy are increasingly problematic. Since the 1980s, for example, there has been a systemic 'disembedding of lead firms from the developmental state'. In part this reflects the success of three decades of *dirigiste* industrial policy which catapulted various Asian conglomerates onto the global market, allowing them to graduate from their earlier dependence on the developmental state for capital, largesse and preferential treatment. Increasingly, East Asian conglomerates have taken a more direct role in steering their business and industry, reflecting an 'evolutionary change in "role play" between leading firms and the developmental state' and a strategic shift from state–firm partnerships to firm–firm relationships in economic governance. Conglomerate enterprises are thus no longer strategically coupled with the state but triangulate, 'coordinate, mediate and arbitrage' their domestic interests with their 'counterparts in the global economy'. National firms have thus been disembedding from the developmental state and re-embedding within global production networks and value chains (Yeung, 2014: 84–5, 93).

However, this is not simply a process of 'offshoring' in which the interests of multinational enterprise become global in orientation. It also reflects the emergence of global value or production chains (GVCs), which undercut the validity of traditional, state-centred strategies for economic development. Traditional *dirigiste* industrial policy, for example, attempted to 'pick winners'; evolve large, diversified conglomerates; and build 'single-nation supply chains from scratch'. By contrast, the advent of GVCs means that today 'nations seek to industrialize by simply joining a supply chain to assemble final goods or make specialized inputs' (Gereffi, 2014: 18). The problem with this is twofold. First, if countries engage in the simplest form of EOI and plug into low or nominal value-adding processes in a GVC (assembly, parts production, etc.), then such countries 'develop neither the institutions, nor the know-how, nor the consumer markets needed to create and sustain entire industries' (Gereffi, 2014: 18). For Gereffi, the problem becomes one of understanding and identifying those conditions which allow developing and developed countries 'to climb the value chain' and capture 'more advanced forms of "full-package" supply and integrated manufacturing' (Gereffi, 1998, 2014: 18).

Second, and more importantly, the capture of specific value segments within GVCs is mediated by various forms of governance relationships. Gereffi, Humphrey and Sturgeon (2005), for example, identify five forms: market chains, modular value chains, relational value chains, captive value chains and hierarchical value chains, which arise from three key variables (1) the complexity of inter-firm transactions; (2) the degree to which complexity can be mitigated through codification; and (3) the extent to which suppliers have the capacities to meet purchaser requirements, which by their nature distribute proportions of value to participants in the GVC unequally. In the automotive GVC, for example, suppliers face a perennial problem: 'even if they enhance their capabilities and produce more efficiently, the lead companies that control key dimensions of the value chain such as brand names, design or distribution channels' capture the lion's share of the gains (Ravenhill, 2014, 266). Similar issues arise in branded products, high-end apparel/textiles/footwear, electronics, patented products and similar products where technical or brand innovation creates more captive governance relationships in the GVC. Captive value chains reflect the asymmetrical power relationship between buyer and suppliers in the GVC, where brand recognition, distribution or dominant market share imposes high costs on suppliers switching to new buyers. Walmart's enormous distribution system and sizable segment in the US retail market, for example, allows it to capture the lion's share of the value in its apparel and footwear merchandise sourced from Chinese manufactures. Similarly, recent research has highlighted the truncated nature of value capture in the iPhone GVC. Assembled entirely in

China (via a Taiwanese firm, Foxconn), with a per-unit export value of $194.41, the value captured in China, after accounting for input costs per unit of technology and components from the US, France, Korea, Japan and the rest of the world, is just $6.54. China, in fact, secures much less value from the assembly of an iPhone than does Korea at $80.85, Germany at $16.08 and the rest of the world at $62.79, while the retail value of the iPhone at around $700 allows Apple to capture the lion's share of value (Gereffi, 2014: 21; see also Seabrooke and Wigan, 2014: 260; Yeung, 2014: 89–90).

The advent of GVCs thus has important consequences both for how we understand economic development and also for state developmental strategies in terms of how value and wealth is created and captured. More obviously, as Gereffi argues, there are alarming trends associated with value concentration within GVCs; 'as more types of intermediate goods are traded within global supply chains, the discrepancy is growing between where final goods are produced and exported and where value is created and captured' (Gereffi, 2014: 20). Yeung expands on this, noting that since the 1990s and especially in electronics, apparel and the automotive sectors, among others, there has been a specialisation by lead firms in the upstream (research and development) and downstream (marketing, distribution, post-sale services) segments of the GVC, leaving the manufacturing segments of the value chain to 'international strategic partners and supply-chain managers in . . . East Asian economies'. Much of the rationale behind this reflects the strategic considerations of lead firms in terms of where most value in the GVC resides and how to 'extract greater value from specialization and core competencies' (Yeung, 2014: 87; UNCTAD, 2013: 127). Applying the iPhone case, for example, the value chain for the iPhone 6S Plus involves some 200 separate suppliers of component, technology and logistics inputs with a per-unit cost of $236, while it retails at $749. Similarly, the component cost of 64 GB of storage for the iPhone costs $17, while Apple retails it at $100 (Minasians, 2016). The greater share of value for the iPhone clearly resides in the upstream segments of the value chain controlled by Apple, while the smaller share of value resides in mid-stream component manufacture, logistics and assembly which is captured by firms drawn predominately from East Asia.

These trends run side by side with other trends associated with the global agglomeration of technology and increasing barriers to entry, particularly for high-end technology-related industries (electronics, pharmaceuticals, biotechnology, automobiles, robotics, medical technologies, aeronautics, precision instruments, etc.) (UNCTAD, 2013: 127–33). Industrial consolidation in sectors such as automobiles and automotive supplier parts, for example, has witnessed fewer firms able to support the enormous R & D efforts required to bring products to market and the technological requirements for increasing fuel efficiency and lower emissions, while also being globally competitive. Since the 1980s the industry has thus witnessed a cascading series of mergers and acquisitions (M & As), with ten producers now dominating the global market. More importantly, as a recent study by PwC's *Strategy&* highlights, this process has been deepening, with consolidation in the sector hitting record levels in 2015 and M & As increasing 340 per cent from 2014:

> Perhaps the primary catalyst for more activity will be the efforts among many automakers to gain efficiency, improve margins, and increase scale by implementing more global architectures and platforms for their vehicles, designs that can be used in any market around the world with minor modifications (Ostermann et al., 2016: 17).

The trend across the sector has been to reduce the number of technological platforms that support various models (VW, for example, reduced its platforms from sixteen to four) while the costs associated with developing global platforms in terms of R & D run to several billion dollars annually. Equally, the precision, reliability, product quality and sheer scale required to operate effectively within the global automotive parts-supplier value chain also generate increasing barriers to entry, with fewer global automotive producers able to capture greater proportions of the value generated by supplier-technology innovations and efficiencies. As Pirie concludes, it is thus 'difficult to see how the experiences of Korea and Japan in automobile manufacturing can be effectively replicated' as barriers to new market entrants continue to grow and as further consolidation in the sector make novel national automotive platforms hugely uncompetitive (Pirie, 2013: 161).

Similar observations can also be made of the semiconductor industry, where R & D expenditures continue to expand year-on-year in order to keep a head of the technology curve – and in order to protect market share for established producers. Intel, the industry leader, for example, invested a little under $4 billion in R & D in 2007–8, 9.2 billion in 2012 and 12.9 billion as of 2016 (YCharts, 2016). This compares to lower barriers to market entry in the 1980s which allowed Taiwan Semiconductor Manufacturing (TSMC) (established in 1987) and UMC (founded in 1979) to rapidly gain market share and Taiwan to establish itself as a leading innovator and supplier of semiconductors. Sustaining this market position, however, has also required TSMC and UMC to devote an increasing share of post-tax profits to R & D (39 per cent), a phenomenon that also reflects the technological challenges of 'Moore's law', where the technical advances needed to 'squeeze more circuitry on each square of silicon . . . takes longer and costs tens of millions of dollars more than earlier technology'. The result has been a wave of consolidation in the sector which in 2014–15 set new records, with 645 M & As worth a combined $138.3 billion, leaving just six firms capturing 43 per cent of global semiconductor sales (Clark, 2015). In the chemicals industry, too, the movement into higher-value sectors associated with life sciences (genetic engineering) has witnessed similar increased barriers to entry, with global chemical firms devoting an average of 40 per cent of operating profits to R & D and the sector also experiencing ongoing consolidation (Lang et al., 2015; Pirie, 2013: 161).

These observations are not meant to suggest that niche areas for product specialisation no longer exist or can no longer be successfully exploited with the appropriate state–firm or firm–firm strategic partnerships. Rather, the ability to upscale and gain the type of market position across various industries (but especially at the higher end of value chains), a trajectory that was the historical experience of many East Asian firms and states, is inherently more problematic today than was the case forty years ago. The trend toward global agglomeration across industrial sectors, for example, the movement from the production of goods for national to international markets, and the technological capacities required for market entry and to sustain market position, represent barriers to entry of a scale and scope that are of historical proportions. Moreover, these trends are deepening, as evidenced by the growth in multinational enterprise and the share of global trade and economic activity they account for. As a recent UNCTAD report noted, a staggering 80 per cent of global trade 'takes place in value chains linked to transnational corporations while the two hundred largest global corporations are responsible for thirty percent of global GDP' (Kicsi and Buta, 2012; UNCTAD, 2013). Clearly, the dominant trend in industrial and economic activity over the last quarter of a century has been a movement from a world 'dominated by nationally-owned firms' to one in which economic actors are increasingly disembedded from national contexts in terms of developmental policy, tax regimes, or juridical authority (Pirie, 2013: 157; Cox, 1987; Gill, 1997; W. Robinson, 2005; Yeung, 2014: 93).

These observations raise serious questions about the viability of state-developmental strategies that aim to develop globally competitive firms in a context of deepening globalisation and of GVCs, and where barriers to entry across industrial sectors continue to rise. Indeed, it suggests a diminution in state capacity relative to competitive firms whose interests are increasingly aligned with lead firms in GVCs and firm–firm trade relationships centred on maximising value extraction. More fundamentally, it raises questions about the developmental options available to states in a context where international governance regimes in trade and investment – but also in macroeconomic management (e.g. capital account and exchange rate liberalisation) increasingly require governments to adopt market-conforming principles and to abandon illiberal, *dirigiste* policies.

Governance Transformation and Neoliberalism: Repurposing and Retooling the Developmental State

A related and no less significant set of processes impacting the developmental state has been those associated with governance transformation and neoliberalism – processes that disembed autonomy by relocating informal authority in diffuse market systems of governance, and which appeal to the interests of transnational/financial capital. To be sure, these processes are not discrete but correlational. They reflect the impact of globalisation; the diffusion of ideas, policy approaches and market rationality; as well as ideational values about the appropriate role of government in relation to market activity – debates which have resounded throughout Asia particularly in the wake of the financial crisis. Indeed, in the immediate aftermath of the 1997–8 crisis various governments experienced such ideational impost first-hand as part of the World Bank and IMF conditional lending packages negotiated to help stabilise their economies. These included banking-sector and investment liberalisation, austerity measures, debt write-downs and divestiture of specific state-owned enterprises, as well as governance (transparency) reforms (Carroll, 2010, 2014).

Many of these reforms were, of course, resisted and politically mediated. But equally, many have taken hold, reorientating the nature of public-sector engagement in the economy and the choice of governance tools and instruments. As Brenner, Peck and Theodore observe, however, neoliberal governance transformation has been 'discontinuous, uneven, conflictual and contradictory', driven through multiple complex pathways and resisted or reinterpreted in light of institutional path dependencies. These pathways include 'regulatory experiments' mediated by 'place-, territory-, and scale-specific projects designed to impose, intensify, or reproduce market-disciplinary modalities of governance'; 'systems of inter-jurisdictional policy transfer' in which networks of knowledge and institutional systems transmit, disperse, reproduce and redeploy 'prototypical' forms of neoliberal regulatory strategies; and transnational rule regimes that deploy meta-governance prototypes ('rules of the game') and frameworks (e.g. WTO) and are mediated by multilateral actors like the IMF and the World Bank who construct and deploy 'neoliberalized, market-disciplinary regulatory arrangements within national and subnational arenas' (Brenner, Peck and Theodore, 2010a: 335–6). The result of which is what they term the 'variegated character of neoliberalization processes' and 'a politically guided intensification of market rule and commodification' (Brenner, Peck and Theodore, 2010b: 184; Peck and Theodore, 2015).

Such transformations have implications for the capacity of developmental states and the path-dependency analyses of many statists. As Jessop argues, rather than simply changes in the dimensions of the 'market–state couplet' they represent a deeper, more complex reconfiguration in the institutional, social and 'extra-economic' relations that underpin capitalist modes of accumulation. This supersedes the 'old institutional separation between market and state' through what he terms a 'mix of neoliberal reforms ("more market, less state"), new forms of governance ("less market, more networking"), and state rescaling and restructuring (a different kind of state)'(Jessop, 2005: 20). It suggests, perhaps most importantly, a new state project in terms of the requisite policy tools and instruments to ensure and sustain economic growth amid regimes of production and accumulation which are increasingly global in scope (Brenner, Peck and Theodore, 2010b; Brenner and Theodore, 2002; Cahill, 2012, 2014; Harvey, 1990; Peck, Theodore and Brenner, 2012). Rather than governance emanating from the state and cascading downwards through instrumentalities designed to elicit and enforce compliance, governance is pushed upwards, sideways, downwards and inwards, or, as Braithwaite characterises it, there is 'increased delegation to business and professional self-regulation and to civil society, to intra-national and international networks of regulatory experts', and denser 'regulation of the state by the state, much of it regulation through and for competition' (Braithwaite, 2008: 11; Ayres and Braithwaite, 1992). The state, developmental or otherwise, is thus being repurposed and retooled, to lead development not from the pointy end, as it were, but through the deployment of negative systems of co-ordination and regulatory tools of governance that are market-enabling and support market outcomes (Jarvis, 2012; Jayasuriya, 2001b; Karo, 2012).

In practical terms, these processes are manifesting equally in Asia as elsewhere. They conform to broad trends associated with the decline of the interventionist state, a reducing state presence in infrastructure and network sectors within economies (electricity, water, transport, etc.), the privatisation/corporatisation of state-owned assets, and the increasing use of regulation and regulatory systems of governance to create economic spaces subject to market forces – all broadly designed to embed markets as the primary driver of economic activity (Cammack, 2006; Carroll, 2010; Jarvis, 2010, 2012). In the last decade, for example, the redistributive function of the state (especially the use of fiscal transfers to offset income and wealth inequalities) has become more problematic as governments embrace competition and market forces as preferred instruments to distribute economic gains and deliver welfare outcomes. Likewise, in the wake of the Asian financial crisis, the emphasis on reducing state fiscal burdens and long-term debt financing has progressively challenged the normative role of the state as a source and allocator of capital for infrastructure and fostering production, while the divestiture of state assets and, to varying degrees, reductions in direct state provision of public goods have witnessed the growth in various forms of new public management (NPM) designed to mobilise private capital and marketise the provision of public goods.

These efforts have been supported by various multilateral agencies (e.g. the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD), among others). Multilateral lending for public goods (whether in energy provision, roads, airports, rail networks, water, sanitation, health or the education sector), for example, is now commonly supplanted by marketisation strategies which require significant private-sector participation, the emplacement of legal and regulatory systems to support market activity, the establishment of risk mitigation systems for the allocation and co-ordination of financial exposure, and the state construction of market institutions or 'enabling environments' that facilitate the orderly operation of markets, investment and profit repatriation to owners of capital (Carroll, 2012). As Richard Common observes, policy transfer of NPM agendas into Asia has been promulgated by a broad coalition of international organisations and global ideational debates, the veracity of which has had a profound impact on Asian governments and their approach to public policy and development (Common 2001).

These policy shifts represent far-ranging ideational shifts about the role of the state; ideational shifts which question the state's efficacy as an instrument of industrial policy, economic growth and development, and which advocate a repositioning of the state as a supplier of an 'enabling environment' for capital. Ideological debates within organisations like the World Bank, for example, most notably between neoclassical economists and institutionalists (of various forms), represent broader ideological clashes over the efficiency of markets versus state planning, about the ability of markets to be self-actualising in realising capital formation, about the efficient allocation of resources and sustaining growth and welfare gains, and about the relative merits of institutions versus unfettered market forces (see World Bank 2002; Carroll and Jarvis 2013; Jomo 2001; Stubbs 2009). Asia has been no less insulated from these ideational shifts and ideological debates, and is perhaps more than other regions a 'testing ground' for their implementation and veracity.

Marketisation in Asia: Social Conflict, Competition and Power

The impact of these reforms on the political economy of Asia's development has been widely acknowledged, including even by the ADB, one of the principal proponents of neoliberal reform agendas in the region. In a document that is clearly conflicted, the bank both explains Asia's recent economic success as a function of neoliberal reforms while also noting that they pose the single most important threat to the region's future development:

> the bulk of developing Asia's population lives in countries with rising inequality. This is in contrast both to the 'growth with equity' story that marked the transformation of the newly industrialized economies in the 1960s and 1970s, and to recent trends in other parts of the developing world . . . where income inequality has been narrowing since the 1990s.

A key message in the analysis is that technological change, globalisation and market-oriented reform – the main drivers of Asia's rapid growth – are also the basic forces behind rising inequality in the region. These forces tend to favour owners of capital over labour, high-skilled over low-skilled workers, and urban and coastal areas over rural and inland regions (Asian Development Bank, 2012: 37). As the bank goes on to note, if left unchecked, deepening inequality without corrective state intervention 'could undermine the momentum for economic growth and for a better quality of life for *all* Asians' (Asian Development Bank, 2012: 37, original emphasis).

The ADB has clearly spotted a trend and identified points of contestation in the material distribution of wealth – a trend it postulates may impact future growth. What it fails to do, of course, is identify the underlying structural forces responsible for this or the power configurations that produce particular institutional arrangements and their attendant social, political and economic outcomes. The axiomatic relationship between deepening marketisation as functional to growth, on the one hand, and, on the other, deepening inequality is not simply a governance failure. Developmental outcomes are more than simply 'the triumph of "good" policy or competent technocrats, of developmental elites over self-interested rent-seekers'; the rule of law over arbitrary edict; the 'relative insulation of decision-makers' from politics; of strongmen/rational individuals 'neutralizing obstacles to a naturally efficient market'; or of institutional adeptness in the management of externalities and uncertainties. Rather, at the core of development is social conflict over the distribution of power in relation to 'production, work, and the accumulation of capital and wealth' (Rodan, Hewison and Robison, 2001: 8, 15, 26). Within this context, the particular political accommodations that are struck, and which are constantly in competitive tension, comprise the political contexts through which subsets of institutions, technocrats, policy making and implementation occur. Robison's mapping of the evolving nature of these relationships between capital, elites, the ownership structures of wealthy families, the military and the state, for example, tells as much about the mechanics of development in Indonesia, its fits and starts and the unequal nature of its distribution, as do the 'policy formulas' of BAPPENAS (State Ministry of National Development Planning) (Robison, 1986). Without a mapping of these power networks and how these articulate across domestic institutional entities, economic spaces and increasingly global capital, it becomes impossible to understand the basis of economic transformation.

This point is underscored by the fact that throughout East and South East Asia, late development occurred among different countries with different resource and institutional endowments, different political and administrative systems, different geopolitical relationships, indeed different approaches to industrial policy and economic modernisation. What was common was not the 'right policy mix' of rational economic incentives or elite meritocratic bureaucracies and central planning, so much as a 'compatibility between political regimes and associated interests on the one hand and the prevailing structures of capital accumulation on the other' – including the changing dimensions of the international division of labour which made possible modalities of growth associated with export orientation. A complex array of 'social, political and institutional outcomes', in other words, 'accompanied the shift from commodity trade, to import-substitution industrialisation (ISI) and, in turn, to EOI' (Rodan, Hewison and Robison, 2001: 15).

Such considerations have generally been omitted from the developmental state literature and, more generally, from public-policy, management and organisational studies literatures, many of which have approached economic transformation as a set of technical issues in terms of emulating as 'best practice' the institutional features of successful developmental states. But transplanting policy designs, bureaucratic structures or cultures of economic decision making into political systems where interests are non-concordant or disproportionately captured, or social relations are organised in ways that reflect traditional exchange relations, patronage, or elite systems of clientelism, is unlikely to succeed. It is, rather, the underlying emergence of new social relations, classes and class alliances, and how these articulate with broader interests manifested through state–society relations, and beyond the state in terms of global capital, that explains developmental outcomes. Johnson, of course, was convinced of this in the case of Japan and Korea, situating economic transformation amid the unique social relations that had evolved out of war, privation and threats to social stability. It was, however, the telling of this story in explicitly institutional terms, abstracted from political, historical and social contexts and magnified through a prism of bounded statism, which ultimately failed to appreciate that state autonomy was being disembedded and that the potency of the developmental state was in decline.

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