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Resurgence of the Concept of the Developmental State: Which Empirical Reality for Which Theoretical Revival?

By Pauline Debanes and Sébastien Lechevalier

By calling for visible and massive governmental intervention, the 2008 crisis once again foregrounded the role of the state in regulating the economy or at least justified its intervention as a last resort. The crisis thereby revived interest in industrial policy in a sort of Polanyian double movement pitting regulatory forces against pro-market forces, though it did not result in a structural challenge to neoliberal discourse. In the early 2000s, the recommendations tirelessly reiterated by international organizations (first and foremost, the IMF and World Bank) under the aegis of the stabilization-liberalization-privatization triptych were called into question. Since then, industrial policy has undergone a process of gradual rehabilitation within the field of development strategy. The catalysts for this challenge to the “Washington Consensus” were provided by the

1997 Asian crisis and its repercussions, first in Russia and then in Latin America. As President of the World Bank between 1997 and 2000, Joseph Stiglitz denounced recommendations that countries liberalize financial systems and open their capital markets, policies largely responsible, in his view, for the Asian crisis. He also criticized the remedies – restrictive fiscal and monetary policies with procyclical consequences – that were imposed upon affected countries. It is to be noted that these policies have subsequently been extended to OECD member states.

The Revival of the State’s Role in the Economy and Development Strategies

The development paradigm promoted by the Washington Consensus has been widely criticized by reference to the experience of the East Asian countries that adopted the “developmental state” model as the cornerstone of their respective catch-up strategies. The concept of the developmental state was first formulated in 1982 by Chalmers Johnson to describe the state’s role in the “Japanese miracle”. Although the central role played by the state was generally recognized in the Japanese case, Johnson argued that it had been under-estimated in favor of a focus on major conglomerates or Confucianism. According to Johnson, though it favored market mechanisms, the Japanese state strategically – indeed, systematically – intervened in the national economy to promote development. Together with the relatively similar catch-up efforts of South Korea and Taiwan, the Japanese example supplied the basis for a paradigm of late industrialization according to which, by “distorting prices” and “governing the market”, state intervention ultimately allowed for better global market integration. The key characteristics of the developmental state are a developmentalist political agenda, a bureaucracy that is at once autonomous and deeply embedded in the social sphere and close relations between the state and business circles.

Thus conceptualized, the developmental state revives Alexander Gerschenkron’s analysis of the industrialization of economically backward countries in the late nineteenth- and early twentieth-centuries. Opposing linear visions of development such as that put forward by Walt Rostow in the 1960s, in which development proceeds via several necessary and immutable stages towards Anglo-Saxon...
capitalism, Gerschenkron advanced the idea of an “advantage of backwardness”: backward countries might profit from the under-development (or inexistence) of their industrial sector via technology and experience transfers to catch-up with already industrialized countries. According to Gerschenkron, catching-up requires that these countries turn to institutional innovation to make up for their developmental shortcomings in the area of factors of production. Since the scale of necessary institutional innovation depends upon each country’s relative backwardness and potentialities, the state may be induced to play a major role in mobilizing the capital and labor required to initiate the industrialization process as well as in providing social and political justification for this process.

The theorization of the developmental state has tirelessly worked to develop a concept that goes beyond the spatial and temporal experience of catching-up among East Asian countries. This began in the 1980s with a reconsideration of the state’s role (Bringing the State Back In)\(^8\) that was attentive to the Weberian prerequisite of an insular bureaucratic organization while simultaneously underscoring its institutional nature – that is, the fact that it reflected a long and historic process of construction. The effectiveness of state intervention depends upon the autonomy of the administration – crucial to the provision of public goods – while the state’s embeddedness in the public sphere prevents it from drifting towards predatory behaviors. The “embedded autonomy” of the state apparatus thus constitutes a fragile balance allowing for retroactive mechanisms to operate among the elites, policies and social groups necessary for the system’s reproduction.\(^9\)

Building upon this new perspective on state intervention, a number of scholars subsequently turned their attention to the role of politics (Bringing the Politics Back In)\(^10\) in order to take into account the processes that underlie the developmental state. The subordination of civil society, it was argued, was another fundamental characteristic of the developmental state. Given the need for structural change to initiate catch-up and the inability of democracies to implement major institutional change, this claim launched what is an ongoing debate regarding the possibility of constructing a developmental state in a democracy. In the third phase of this development (Bringing the Institutions Back In), scholars turned their attention to the role of institutions,\(^11\) examining the effect of globalization on institutional change in order to demonstrate that globalization has not eliminated national-level considerations and emphasize the important role played by individual choices.

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and global-level ideology in processes of institutional change. By understanding institutions as constraints as well as opportunities resulting from political processes, one may conceive of the transformation of the developmental state. Capitalizing on these various phases in the conceptualization of the developmental state, this special issue contributes to a new turning point in the literature: the time has come for ideas to be reintroduced into the analysis of the developmental state’s evolution (*Bringing the Ideas Back In*). By making discourse central to the study of institutional change, this turning point – already embraced in the area of institutionalist analysis – allows one to grasp the effect of neoliberal discourse on the various political spaces. The articles collected here thus offer empirical examples that contribute to reviving the concept of the developmental state by incorporating new actors and examining the ideational and political changes that have presided over the institutional evolutions of the developmental state. The contributions are marked by several transversal themes, particularly in connection with the discussion of recent forms of state intervention. What institutions and which actors do these interventions rely upon? Another question concerns the mechanisms of institutional change and the much-remarked institutional innovations necessary to ensuring the survival of the developmental state. How does neoliberal discourse influence national institutions? And how does developmentalist discourse position itself relative to neoliberal discourse? Since its discussion of the revival of the developmental state concerns all of Asia, the contribution of this special issue is also geographical in nature. Given the degree to which the trajectories of East Asia have marked the catch-up of other countries of the continent, this is not an insignificant choice. The countries of Asia are also engines of world growth, a fact that justifies the greater attention given their development strategies. A special issue devoted to a geographical zone should seek to reveal that zone’s geopolitical dynamics – in this instance, the influence of China, India and Russia, in particular – as well as its economic dynamics from the perspective of the growing regional integration of productive processes. Three contributors thus address current transformations and continuities in the countries that were at the origin of the canonical model of the developmental state: Takaaki Suzuki considers Japan while Elizabeth Thurbon and Yin-wah Chu take up Korea (which Chu also compares with Taiwan). In so doing, they show how this model evolved after these countries embraced liberalization over the course of the 1980s. The contributions of Loraine Kennedy,

on the one hand, and Joachim Ahrens and Manuel Stark, on the other, depart from the historical space of the developmental state to address the cases of India and Kazakhstan, respectively. In both cases, the authors identify a change of course in the late 1990s, with a return to developmentalism on new foundations. They thereby contribute to illustrating the revival of the developmental state as a strategy of industrialization.

New Practices Relying on New Actors

The fragmentation of production chains, the globalization of actors, markets and governance and the “neoliberalization” process – defined by Jamie Peck, Nik Theodore and Neil Brenner15 as “the underlying extension of competition and commodification to what were until recently relatively isolated domains of social life” – lead to social, political and institutional changes that modify the state form. The present context is thus substantially different from that of the postwar years, which was marked by the catching-up of East Asian countries. Indeed, caught up in the struggle for influence then being waged between the United States and the USSR, these countries benefitted from American generosity in the area of financial aid, technology transfer and privileged access to the American market. Today, by contrast, the weak growth of advanced countries increases competition among emergent countries. Moreover, the needs of emerged and emergent countries alike are no longer the same as those of the period of industrialization. With economies now industrialized and even tertiarized, the state is no longer called upon to modernize the productive apparatus or supply an industrial labor force. Other structural difficulties have emerged such as the concentration of jobs in low-productivity and/or low added value sectors, premature deindustrialization and growing social inequality.

As a result, new practices and new actors emerge. First, the practices: the new geography of production calls into question centralized state intervention of the type encountered in Northeast Asia and demands more localized forms of developmentalist activity. The concept of the developmental state is thus mobilized to underscore the fact that the government can be an actor in its own right in systems of innovation16 and that its actions seek to maintain the competitiveness of its

economic environment in the global economy. Next, the actors: firms have been internationalized, states are integrated into a supranational political network and, at both the national and international levels, civil society has established itself as a possible counter-power. From the point of view of development strategy, these new actors present both constraints and opportunities. The industrialization of the countries of Northeast Asia was mainly championed by a developmentalist alliance between the state and owners of capital. That alliance, however, is political in nature and therefore capable of evolving. Several contributions to this special issue show how, in participating in new practices, some of these new actors have established themselves as the privileged partners of developmentalist elites. Thurbon and Chu use the example of the Korean telecommunications sector to show that, even if the state has lost control over financing the economy, it still plays an active role since it can influence corporate strategy via norms and regulation. Chu also shows how democratization has ushered new actors into the developmentalist alliance, formerly the preserve of large private groups. Political democratization thereby led to a form of economic democratization via the reconfiguration of the developmentalist alliance around SME for the purpose of better distributing resources. In Taiwan, the state retained its industrial strategy of promoting the information technologies sector by covering nearly a third of R&D expenditures and supporting this innovative sector despite growing competition from China.

In his article on special economic zones in India, L. Kennedy looks at industrial policy and the evolution of free trade zones in long-term perspective. Whereas classic developmentalist policies were based on the implementation of major national plans in heavy industry, the local clusters model now embodies the revival of the developmentalist state, which is attentive to innovative and export-oriented sectors. The federal states rely on new actors – real estate promoters – who play an essential role in the development of these clusters. This empirical study shows how some countries experiment with policies adapted to local specificities. Several levels are interwoven and the articulation between the local, national and global levels cannot be understood without studying the underlying political processes that seek to enhance international trade integration while simultaneously responding to national political demands.

The Hybridization of Institutions, Practices and Discourses: Bringing the Ideas Back In

Independently of the geopolitical context, the characteristics of contemporary capitalism necessarily involve an evolution of development strategies. The idea of development and the transformative desire of postwar elites in Japan and South Korea or post-independence India can surely not be compared to recent development strategies in these countries. Although neoliberal discourse does
tend to restrict the state to the protection of property rights and the proper functioning of markets, the possibility of a developmental state is not obsolete for all that. Developmentalist practices endure and even states that advocate neoliberalism – first and foremost, the United States – broadly intervene in their economies\(^\text{17}\) to ensure the conditions necessary for the reproduction of neoliberal discourse and compensate for market failures in, for example, innovative sectors, which are essential to developed economies if they are to maintain their position in global commodity chains.

Since the turn of the century, the effect of neoliberal policies on national institutions and, in particular, the state has occupied a central place in studies of the developmental state, with neoliberalism and developmentalism supplying alternative interpretive frameworks for debating development.\(^\text{18}\) Thurbon takes a strong theoretical stance in this regard, presenting neoliberalism and developmentalism as opposite discursive poles. By clearly distinguishing between developmental and other kinds of state, this theoretical claim supplies a framework for assessing observed institutional continuity and discontinuity. Although the concept depends upon institutional foundations, the ideational dimension is essential. The developmental state is the result of a political vision of the economy that mobilizes opinion in support of a common development project. Two characteristics distinguish the developmental state: elite consensus in favor of the developmentalist project and strategic public interventions in the service of long-term goals. On the basis of this theoretical framework, Thurbon describes the policies pursued by Korea’s last government (2008-2012) as developmentalist.

His contribution illustrates the recent turn towards discursive institutionalism in the literature on the developmental state. As an ideology, neoliberalism can only be understood in terms of the practices and discourses of actors. However, because these practices participate in dynamics other than those of the discourse they serve, they can be ambiguous. By following Vivien Schmidt’s advice to take ideas seriously, we may reveal the performativity of discourses on the state and, more broadly, institutions. The other contributions to this special issue take part in this revival by emphasizing the hybridization of neoliberal and developmentalist discourses and practices.

In institutionalist and regulationist analysis, the term “hybrid institution” refers to the incorporation of a foreign institution into the national space.\(^\text{19}\) It is this notion of hybridity that is at issue in Joachim Ahrens and Manuel Stark’s article on the


practices of the Kazakh state, which has adopted a developmentalist discourse. For reasons relating to the national specificities of Kazakhstan, they argue, these practices deviate from the canonical model of East Asian countries. The institutional heritage of this country is indeed particular: with the transitional years of the 1990s, the central planning of the Soviet-era gave way to shock therapy and a rentier market economy. Ahrens and Stark include Kazakhstan in the list of Asian developmental states by reconsidering the main characteristics of this concept. In the discourse of President Nazarbayev, they argue, a developmentalist strategy gradually took shape, justifying a recentralization of power. This allowed the President to gain the upper hand over the private sector despite the Kazakh state’s structural institutional deficit, which limits the role of the bureaucracy. Relying on several institutions, he succeeded in disciplining national actors and channeling foreign investment towards strategic sectors – all characteristic attributes of developmental states.

Revisiting the transformations that have taken place in the Japanese developmentalist state since the Nakasone government of the early 1980s, T. Suzuki discusses another type of hybridization, that of developmentalist practice and neoliberal discourse. At the discursive level, the state has gradually withdrawn from the economic sphere. In practice, however, it still plays a significant role, today promoting a liberalized and financialized model of growth. In describing the perimeter of the Japanese state, Suzuki shows that the old social practices of the developmentalist state were gradually shunted aside by the state’s growing financial assets. Institutions that had been central to the developmentalist era such as public sector financial institutions were strategically reoriented towards practices consistent with neoliberal discourse. As this happened, other institutions were created to consolidate the well-functioning of the financial sector. The author refers to this reorientation of developmental state institutions and the embrace of a new, neoliberal dynamic as the “neoliberal hybridization” of the Japanese developmental state.

Whereas Suzuki insists that the developmentalist spirit has broken down to the degree that the state no longer compensates for the adverse social effects of liberalism, Chu addresses the reconfiguration of the developmental state in Korea and Taiwan, cases marked by greater continuity. Her examination of the strategic character of state intervention in these two countries’ innovative sectors illustrates the hybridization of older and more recent developmentalist practices. By respecting the specificities of these sectors while simultaneously adapting to new economic and political issues, the state has been able to promote and maintain competitiveness in a way that capitalizes on its relative embeddedness. Chu insists on “soft institutions” and the cultural dimension to better underscore the specificities and, to a certain extent, the continuities of each state’s trajectory. By doing so, she connects the hybridization she observes to contemporary political processes marked by cultural beliefs inherited from the period of developmentalist catch-up.
Taken together, the various contributions to this special issue in several ways reflect the emergence of a new research program, one to which we hope we have contributed. What distinguishes this research program, besides the renewed interest it brings to bear on issues relating to development and the role of the state in a context of liberalization, is its geographical breadth, the fact that it no longer confines itself to the study of East Asia. It therefore appears necessary for research in this domain to explore new terrain. The evolution of practices marked by decentralization and the involvement of new actors demand that the developmental state be reconceptualized so as to allow for the diversity of situations to be taken into account. What’s more, although this issue is distinguished by its adoption of an ideas-centered approach, it does not rule out more “classic” approaches that focus on the institutions and social and political processes upon which the institutional dynamic is based. It demonstrates, finally, the vitality of a research program focused on the political economy of Asian capitalism and anchored in the study of realities far removed from the European context, realities that the theoretical discussion of the evolution of the state’s role in the economy can no longer afford to neglect.

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