

China and the crisis of imperialism

“For about four decades, the west and China engaged with each other economically and diplomatically to the benefit of both. But this era is at an end. The crucial question now is to what extent a process of mutual decoupling can be managed to minimise the economic fallout and avert the risk of conflict.”

(“Averting the risk of a China-US conflict”, Financial Times, 23 December 2021)

During the 1970s, the supposedly Marxist and Communist Chinese Communist Party (CCP) government of China threw a life-line to the crisis-ridden **imperialist** states of the US and Western Europe. This provided China with access to world markets, modern technology and finance markets. No one can deny that the people of China have a right to all of this. However, the political side of this deal was deeply reactionary, as we will show below. Fifty years down the line, a hugely changed China emerges as a redoubtable rival, within the system of international imperialism, to the powers which have been her quasi-allies for nearly 50 years.

Chinese workers and peasants paid a price for this deal. For almost half a century their underpaid and sweated labour has enriched both a Chinese bourgeoisie and Western finance capital. The price that workers in North America and Europe paid was to undergo a debilitating war of attrition on their class as industry after industry was closed down and “exported”.

Imperialism (capitalism at its highest stage of development) was in an intractable crisis in the 1970s. Throughout North America and Western Europe, a well-organised and confident working class was asserting itself in the workplace and exerting pressure on bourgeois political systems. On the one hand, Soviet troops were stationed in the heart of Europe to the east of the river Elbe, a reminder that the legacy of the Russian Revolution of 1917 still lived, even under a degenerate and corrupt leadership; on the other hand, a post-war generation of workers in the

west had grown up under bourgeois governments committed (despite themselves) to full employment and increasing social expenditure on welfare, health, working-class housing, access to justice and educational provision.

Marxism provides an irreplaceable weapon for working-class activists in the shape of Lenin's 1915 study: *Imperialism: The highest stage of capitalism*. As far as I know, the best and most systematic attempt to at least sketch out an account of the entanglement of economic, social and political developments in the development of the world since Lenin wrote this is contained in *Marxist Considerations on the Crisis* by the late Balazs Nagy. Nagy concentrates on the period during and since World War II and has a great deal to say about the situation in the 1970s within which the nefarious alliance between Western imperialism and the leadership of the People's Republic of China (PRC) came about. Both these works can easily be consulted online by searching the Marxist Internet Archive.

Imperialism in crisis

By the 1970s, an economic boom based on replacing the massive destruction of productive forces during World War II was coming to an end. Part of this boom had involved US capitalists financing growth in Japan, Korea and Western Europe in order to provide a barrier to further expansion of the Soviet bloc and China. However, these clients were now turning into competitors, and they enjoyed the advantages that their work-forces were cheaper and their plant and technique were more modern. Working-class struggles at home, and investment tied up in often ageing plant, made it difficult for UK and US businesses to compete.

A really valuable part of Nagy's *Marxist Considerations* is devoted to Marx's thoughts on what money is, its place in the overall system of capitalism, and how that was reflected in the events of the 1970s.

Imperialism was flailing around in a crisis and the class conflict was heating up. From the early 1960s onwards, increasingly desperate attempts to claw back working-class gains by the employers and their state machines led to ever more bitter class struggles.

These problems, and the growing competition that the established capitalist powers faced from newcomers such as Korea and a resurgent Japan, were reflected in the monetary crisis. After 1944, all the world's major currencies had been valued by reference to the US Dollar, which itself (and it alone), was anchored in a fixed relationship to gold. But as time passed, this became a burden which the US economy could no longer bear. They could no longer sustain the promise to sell gold to all comers at \$35 to the ounce of gold. It fell to President Nixon to take a step into the unknown and break the link between dollars and gold in 1971.

Meanwhile, the masses in the colonial possessions and dependencies of the various capitalist states were fighting for and in many cases winning independence. This threatened the super-profits, which the capitalist states had previously obtained from cheap labour, and their control over valuable sources of raw materials and energy. Where the imperialists could not directly prevent this, they looked for ways to corrupt the new "liberation" regimes and retain what they could of their economic advantages and privileges.

Intensified class struggle

A notable example of the intensified class-struggles in western Europe was provided by the May-June events of 1968 in France, whose impact was felt across Europe and internationally. These events led to an electoral defeat for the "strong man" president Charles de Gaulle. In Britain, Labour governments (under Harold Wilson and James Callaghan), and a Conservative government under Edward Heath, struggled in vain to tame working class militancy.

And all of the contradictions of imperialism were concentrated in the United States, where the Republican President Nixon was grappling with powerful working-class resistance to attempts to claw-back their hard-won gains in wages, working conditions and social rights. Meanwhile the US was losing the war in Vietnam and facing increasingly widespread opposition to the war at home.

It was Nixon's "fixer", Henry Kissinger, who lined up a way for his imperialist masters, if not to end their crisis, at least to hold off the

collapse of their system. The relationship between President Nixon and his Secretary of State was unusually close and confidential.

From behind the scenes, Kissinger orchestrated the military coup which toppled a left-wing elected government in Chile and murdered President Salvador Allende. 130,000 suspected left-wing activists were rounded up. Thousands were tortured, murdered or simply “disappeared” at the hands of the “Caravan of Death”. At the same time, Kissinger encouraged the government’s “dirty war” against left-wingers in Argentina, where military death-squads kidnaped and murdered activists. He also secured US support for Pakistan’s genocidal war against Bangladesh.

The busy Mr. Kissinger finds allies in Beijing

At the same time, Kissinger had to get the Vietnam war over and off the agenda. His visits to Beijing and Moscow opened the door to the Paris Agreement which achieved that goal. It also opened up a more relaxed relationship with the Soviet Union’s leadership and much closer relations between the US government and the Chinese leadership. A meeting with Chinese Premier Zhou Enlai in 1971 in Beijing established a growing alliance between the US and Chinese governments and deepened China’s split with the USSR.

By the late 1970s – not without considerable disruption in Chinese society and the political leadership of the CCP – the People’s Republic of China (PRC) was preparing to benefit from the opening up of trade relations with western imperialist partners such as the USA and the UK.

The sheer extent of the “technology transfer” which started then is staggering. Under Deng Xiaoping, a crash programme was started to train 800 000 research scientists in the fields of energy resources, information technology, laser and space technology, high-energy physics and genetics. Plans were laid for 88 new universities. Schools were instructed to identify gifted pupils and prepare and enter them for the highly competitive entrance examinations for these universities. Hundreds of students were dispatched to the US and other countries to catch up with the latest developments in all these fields.

None of this was happening by accident, nor could it have done, given the

international relations which had prevailed during the “Cold War”. From 1949 until 1978, Western imperialist countries had inflicted a virtual trade boycott on Russia, Eastern Europe and China – the same policies used today in an attempt to strangle states like Cuba, Venezuela and Nicaragua, who in any way refuse to be dominated by imperialism. This was the other limb of the huge military effort the imperialist states undertake to encircle, isolate and intimidate these countries.

Indeed, no state can survive for long or make real progress towards a socialist society in isolation from world trade, world economy and the international development of industry and science. It was for this very reason that Lenin and the leaders of the Russian Revolution established the Communist International in 1919 in order to lead and organise the world revolution against capitalism/imperialism.

But after Lenin’s death the new leaders who rose to prominence in the USSR undermined the Communist International politically, turning it into a mechanism for imposing their own bureaucratic methods and approaches and Russian-nationalist interests on the Communist Parties around the world. This led to terrible defeats for working class struggles, in particular in China (1926-1927), Germany (1929-1933) and Spain (1936-1939).

By the way, as we will discuss below, not all states that stand up to, resist and even compete with the existing imperialist powers do so on the basis of socialist internationalism. Some nourish their own imperialist ambitions. South Korea and many of the Asian “tigers” we will discuss later had an alliance with US or British imperialism but also advanced their own interests. For example, during the economic and monetary crisis engulfing the Pacific Rim in the late 1990s, many of the “tiger Economies” in the region defied America’s proposed solutions quite robustly. The rulers of Syria and Iran, who are far from being freedom-loving democrats and a very long way away from being socialist revolutionaries, also face and oppose crippling imperialist blockades and boycotts. This does not lend these regimes a progressive social character.

China’s reactionary alliance with western imperialism

In order to win access to world markets, modern technology and sources of vital raw materials and energy, China rulers entered, at a certain level, into a **political** alliance with Western Imperialism. This alliance freed the hands of capitalists in the USA, Britain, etc., to continue their economic domination of liberated former colonies and dependencies in Africa and South America while handing over governments to often compliant and/or corrupt “independence” regimes, and at the same **time enabled these same capitalists to pull the rug out from beneath the feet of their “own” working classes at home** by a massive transfer, or export, of industrial production.

Meanwhile, Western capital has for over a century dreamed of opening up a new area of exploitation in the shape of China’s massive natural and human resources. Rather ageing businesses in the west were able to warm their hands at the fire of China’s industrial development and huge market for consumer goods. The City of London and other finance centres underwent a revival through dealings connected with, for example, selling raw materials like metal ores to China

On 1 January 1979 full diplomatic relations were re-established between the PRC and the USA (the PRC had already ratified a treaty of peace and friendship with Japan). To ram the message home, to make it absolutely clear which side the government of the PRC was taking, the Chinese government at around that time publicly condemned a treaty which the victorious Vietnamese revolutionary government signed with the Soviet government, and denounced Vietnamese efforts to put a stop to Pol Pot’s murderous regime on Cambodia.

Now American manufacturers were able to pull their investments out from the industrial areas of the USA and re-locate their production in China. Back home in the USA, they were hamstrung by trade unions, workers’ rights (limiting the rate of exploitation on the job) and the “on-costs” (“fringe” benefits above and beyond the wage packet) of labour in an advanced capitalist society. American employers (and their British and European counterparts) resented the burden of taxation upon their profits in order to pay for public health, education, sanitation, housing, policing and justice for working-class communities.

China offered a huge reservoir of cheap, adaptable and above all disciplined labour. US and British manufacturers of textiles, clothing and footwear, automobile parts, electronics and novelty goods very quickly shifted their production to China to escape the limitations to profit-making imposed by the US working class. Locally-owned private capitalist concerns also emerged in China as many state industries privatised production and new businesses started up with local capital made accessible by the government via the state-controlled banking system. The key to their success was a consistently-high economic growth rate based on supplying goods to western retailers very cheaply because of the very low wages and very straitened conditions of Chinese workers and the fact that the new Chinese industries could benefit from the latest technical and scientific developments. While the state-controlled Chinese trade unions dominated whatever labour organisation existed, a new breed of business managers was set free to get rich at the expense of workers' rights and conditions. Much of the labour force was in any case recruited from the countryside, and existed as a disenfranchised semi-illegal population on the fringes of the industrial megacities which sprang up.

Devastated industrial heartlands

Meanwhile, the devastation of whole regions of Europe, and their working-class populations, continued apace. Northern England, the midlands and working-class London; the Scottish midlands; the north of Ireland; the German Ruhrgebiet and the north of France, the US rust belt and the former industrial parts of Chicago, New York, Boston, Baltimore, and many others have been laid waste. Entire industries such as shipbuilding, steelmaking, coal mining, engineering, machine-tool making, bulk chemical production, textile spinning and weaving, have virtually disappeared in these areas. Nothing that governments or employers have done in the last five decades has helped to put the situation right. Is it any wonder that workers in these areas (or rather, very often, the children and grandchildren of actual workers) have in recent years have been misled into voting for (demagogic) politicians who have promised to reverse, the effects of globalisation, "stand up to China" and "Make (X) Great Again! (insert America/Britain/Germany/France etc. in the space provided). These

devastating longer-term effects of China's alliance with the USA (and the character of that alliance) are terrible indeed – and they were completely foreseeable!

Shocking encounter with Chinese employers abroad

Wherever Chinese companies have set up in the West in recent decades, workers have been shocked to discover at first-hand what “labour relations” in modern China really look like. H. Jauch and L. Sakaria paint a bleak picture of the experience of working for Chinese businesses in Namibia:

“Chinese firms have little tradition of unions and organized labour at home. While a detailed survey of labour relations in China is beyond the scope of this paper, we can note that the International Trade Union Confederation (ITUC) call attention to ‘severe restrictions on trade union rights’, with China not having ratified the core ILO conventions of freedom of association and collective bargaining (ITUC, 2010). In particular, workers are not free to form or join trade unions of their choice, only the All China Federation of Trade Unions (ACFTU), which is part of the government and party bureaucracy, is recognized in law. In a study comparing labour right in East Asia, China scores at the bottom on both de jure and de facto rights. De facto rights are considered particularly fragile due to weaknesses in terms of political rights and rule of law, with reports of the use of arrests, detention, and violence to harass labour activists and suppress labour rights (Caraway, 2009).” (*Chinese investments in Namibia: A labour perspective report*, Labour Resource and Research Institute, Namibia (2009).

When the China National Nuclear Corporation bought the Rössing uranium mine in Namibia from Rio Tinto, they guaranteed that workers' rights and conditions and union recognition would continue as before. The good rights and conditions which workers enjoyed at the mine had been fought for and won in historic struggles against the contract labour system prevalent in South West Africa under South African rule. However, very soon the new management imposed many changes which undermined all these gains, and when the local executive committee of the Miners Union of Namibia tried to object, they were unlawfully sacked and they have a real

fight on their hands to assert their legal rights against obstruction by the Namibian state.

Employees of the Chinese-owned Piraeus Container Terminal in Greece have had a similar experience. They report that most of the labour hired to staff this significant investment are not directly employed but “outsourced”. Workers’ collectives and organisations are thus fragmented, with the result that labour regulations and collective bargaining have become “empty shells”.

In 2018, journalist Despina Papageorgiou described how an employee who reported abysmal working conditions in the Chinese part of the port:

“... was allegedly fired for trying to raise concerns about safety violations and promote a workers’ committee He sued COSCO in 2012. Urinating in bottles due to a lack of toilet breaks, horrendous safety conditions, and being called to work at the last minute were among his accusations. Reports verified such accounts. Dock workers addressed an open letter to the Greek president in 2013 voicing similar concerns.

“COSCO employees went on their first-ever strike in July 2014, called by a general assembly. They worked up to 16 hours daily and claimed that work accidents were not registered. Apparently to avoid paying them the proper wage, dozens were registered as ‘figs and raisins packaging workers’. The workers managed to found a union, the Union of Container Handling Workers in Piraeus Port (ENEDEP), in 2014. Through negotiations and strikes, the union achieved improvements like breaks, a minimum daily wage, and minimum monthly wages. Until then, every subcontractor paid workers according to a different wage system. However, daily wages remain fixed—not taking into account weekends and holidays.

“In 2017, shortly after the Chinese took full control of OLP and Pier I, a new OLP General Staff Labour Regulation extended working time from 7.5 hours per day and 37.5 per week to 8 and 40, respectively, while providing for a seven-day work week without extra pay on weekends or holidays, “flexible” forms of labour, and simplified lay-offs. Critics argue this regulation paved the way for extending subcontracting in Pier I.”

At the time of writing, car workers at the Chinese-owned First Automobile Works (FAW) plant in Gqeberha, South Africa, including casual workers, were involved in a struggle for a wage-increase, help with medical costs and full-time employment for all the casual workers. A key issue for the NUMSA union is to get the company to sign up to the Automotive Manufacturers Employers Association and accept collective bargaining. Workers report that the Chinese management constantly renege on verbal promises.

Implications of the Belt and Road Initiative

The Chinese Government has established a China/Pakistan Economic corridor (CPEC) with the government of Pakistan, and the China Overseas Port Holding Company (COPHC) has taken over the operation of the strategic Arabian Sea port of Gwadar in Balochistan on a 40-year lease, monopolising the lion's share of revenues from the port and the Gwadar Free Zone. The UK *Guardian* newspaper (20 August 2021) reported:

“Protests have erupted in Pakistan's port city Gwadar against a severe shortage of water and electricity and threats to livelihoods, part of a growing backlash against China's multibillion-dollar belt and road projects in the country.

“This week, demonstrators including fishers and other local workers blocked the roads in Gwadar, a coastal town in Balochistan. They burned tyres, chanted slogans and largely shut down the city, to demand water and electricity and a stop to Chinese trawlers illegally fishing in the nearby waters and then taking the fish to [China](#). Two people were injured when the authorities cracked down on the protesters.”

Asian tigers fore-runners of China's growth

When they opened their alliance with China in the 1970s, the imperialists had learned from the way capitalism had been adopted by Japan in the second half of the 19th century, and how the “tiger” economies had developed after 1945.

Western capitalism, for its part, had developed in an extended process, spread over many centuries, which involved the emergence of a modern

bourgeoisie at war with the structures and ideologies of the feudal middle-ages. They had to fashion from the ground up and in a series of revolutionary convulsions the political and social instruments and structures through which society as a whole could overcome this past. This involved popular revolutions and the establishment of political democracy. The intellectual movement known as The Enlightenment enthroned scientific practices against received dogma and superstition as the basis for reliable knowledge. (Nevertheless, this movement's roots in bourgeois social relations and practices is revealed, for example, in the justification of African slavery by a number of its prominent luminaries, and their formulation of so-called "scientific" race theories).

Japan, however, entered the process at a much later stage, when capitalism was already morphing into modern imperialism. Rather than a revolutionary bourgeoisie, a tightly-integrated sector of the old ruling class switched to capitalism (not without internal struggles) and simply imported wholesale the best available models offered by the advanced capitalist west.

The late Balazs Nagy explains the process very well in his book *Marxist Considerations on the Crisis*, and a significant section of that book deals with Japan's road to capitalism. The working class which provided the labour force in Japan did so under extremely adverse conditions of oppression and exploitation.

And this became the template for the so-called "tiger" economies which arose in South-East Asia after World War II, in particular in South Korea. The essay *The Asian Tigers from Independence to Industrialisation* (attached as an appendix to this article), which, by the way, makes no academic claim to be more than a useful background reading on the topic, gives a lively account of how authoritarian South-East Asian governments have bulldozed a quite different path to capitalist economic success from the traditional "western" route.

How they Justify all this

The Chinese Communist Party authorities still try to foster around the world, at least among a layer of political, trade union and academic

personnel who have roots in former Communist movements, a conviction that the Chinese state is still in some sense pursuing a Communist or a Marxist “line”.

Characteristic arguments along these lines can be found on the *Learning from China* website which publishes articles over the name of the former member of the International Marxist Group in the UK, John Ross. (<https://www.learningfromchina.net>)

The basic argument they present is that China’s truly unparalleled economic progress in the last 40 years justifies everything and trumps every possible criticism. This is asserted in the same gruff, overbearing and triumphalist tone that trade unionists encounter when their Chinese employers brusquely inform them that they are about to tear up existing collective bargaining procedures and bypass long-established and legally enacted labour rights.

Next, it is argued that the Chinese Communists have learned from the Soviet “mistake” of complete state ownership and control of the economy after 1928, which, it is asserted, was the cause of its failure and the collapse of the USSR in the 1990s (1). Elements of this argument can be found in every bourgeois critique of the USSR and of Communism in general.

Sensing that more needs to be said, Ross goes on to reveal that the author of the 1978 turn of the Chinese leadership was none other than Karl Marx himself! Marx had noted, in his 1875 *Critique of the Gotha Programme*, that in the early years of its existence, a socialist state would not yet be able to go beyond the wages system, where the level of a worker’s pay is established by the workings of the market.

Only later, once economic planning has brought about a massive improvement in the means of production, could a thoroughly socialist system be introduced, where each person gives according to their abilities to the common stock of goods and services and takes according to their needs.

Ross’s sleight of hand here was to insert the idea that, in that early period, Marx somehow proposed that the (large-scale) means of production

should remain in the hands of capitalist owners, as happens now in many cases in the PRC.

Marx proposed no such thing! He devoted several pages of comments to point 3 of the programme which the newly fused German socialist party adopted at the 1875 Gotha congress, but he did not say a word about privately-owned capitalist enterprises surviving at all, let alone as a major economic force. The “defects” he anticipated in “the first phase of a society, as it is when it has just emerged after prolonged birth-pangs from capitalist society” were connected with the fact that the conceptions of “rights” embodied in the wage system under capitalism will persist for a while even after the abolition of the capitalists.

All in all, the arguments of those ideologues who support the main lines of the policy of the Chinese state amount to three ideas:

1. All those who oppose the Chinese state really back and support the western powers, who are rapacious and brutal imperialists. All we can reply is: No we are not: Workers International has consistently opposed imperialism in every shape and form, whereas the CCP have been in an alliance with the chief imperialists for nearly 50 years!
2. Everything that the Chinese state and various Chinese capitalist enterprises do is justified by the incredible (and they are incredible) achievements of Chinese economy over recent decades. On this, all we can reply is: China as a world power is no less of a danger to the people of the world than Britain or the USA. Imperialism as a system is still as Lenin described it in 1915. The question is, can the working class and the masses organise their forces to overcome this system?
3. “Common Prosperity”: the standard of living of the Chinese working class may be unacceptably low now, say the apologists, but within a few decades the rich and powerful will be forced by a wise and benevolent government to make concessions which will improve the standard of living of the masses. To this, Workers International replies: Marx did indeed write (as Ross solemnly

informs us): “Right can never be higher than the economic structure of society and its cultural development conditioned thereby”. The “turn” of the CCP leadership in the 1970s has called into being a rich and powerful capitalist class alongside a huge working class. Class divisions and class conflict continued to exist in Soviet Russia after the revolution of 1917, and they clearly continue to exist in China today. After several years of the “New Economic Policy” adopted in Russia as a temporary emergency measure in the early 1920s, the better-off peasants won the leadership of the countryside and felt confident enough to challenge Soviet power itself. The bureaucratic clique which had seized control of the Communist Party ignored frantic warnings from the Left Opposition that an urgent programme of industrialisation was needed to provide the mass of the peasantry with mechanical and technical resources which would have made collectivisation a popular step forward. Nothing was done until the threat became palpable, and what was done (forced collectivisation and chaotic and break-neck industrialisation) was by then a series of grotesque crimes against humanity. How will China fare as the newly-rich bourgeoisie and the newly-numerous working class square up to each other? Promises of moderate improvements in working-class living standards in twenty or thirty years’ time might not be enough to control the situation.

What is China?

Many of us insisted in defining the Soviet Union (when it still existed) as a deformed workers’ state. That definition was based on a precise analysis of the forces involved in the October Revolution, Soviet power, and the subsequent fate of the Soviet Union, the Communist International and the world revolution. We pointed out that the collapse of the Soviet Union, which put an end to the deformed workers state, was in its own way a confirmation of that definition. We still defend the correctness of that definition against those who asserted that the Soviet Union had in its lifetime become a “state capitalist” formation.

A class definition of the Chinese Communist Party, its assumption of

power in 1949 and the resulting state and economy is more difficult. The character of the historic Chinese empire does not fit easily into social categories familiar in European history. The first three decades of the life of the CCP involved horrific sacrifice and struggle in the midst of the collapse of the Empire, ruthless foreign intervention and a three-sided civil war with warlords and the Guo Min Dang. The full story of that period and a proper understanding of nature of the country a hundred years ago as that struggle started are minimum requirements for reaching a conclusion on that. Heroic tales (and the real history abounds with tales of resistance, heroism and sacrifice) do not resolve the question.

A look at the history of the People's Republic of China since 1949 does not establish beyond doubt its credentials as a workers' state. That is hardly surprising since the population in 1949 consisted so overwhelmingly of peasant farmers. However, the history since then does not demonstrate the actual existence of workers' power in the state. Because of the Hukou system, large parts of the new working class which has arisen since the 1970s do not enjoy access to education, health provision and housing. The savings to the employers which this provides resemble the super-exploitation of a semi-colonial workforce. For many of these workers, health services are far less than what workers in the UK enjoy and expect. It is more tempting to see a country run by a bureaucracy ruling and remaining in power by dint of an adroit and very often brutally cynical balancing act between opposing forces.

Nearly half a century of "socialism with Chinese characteristics" has produced a very unequal society. The promises made in connection with the policy of "Common Prosperity", as well as the steps taken to curb conspicuous consumption and wayward behaviour on the part of the newly-rich and celebrities (and to deal with over-extended growth in some sectors) are indications of what the CCP will face more and more in the future.

The People's Republic of China is clearly integrated into the system of world imperialism. Workers everywhere who come into contact with Chinese businesses or work for them judge them as workers will judge their employers, and their judgement is damning. Chinese companies in China treat workers badly. Chinese pay is low compared with pay in the west.

Working conditions are worse. The official unions do not provide a channel of protest, but form a wing of the state. Protest leads to beatings and imprisonment.

The defence of workers' rights, and of the masses around the world, depends of the construction of an international workers' party based on Marxism and a confrontation with all imperialist and quasi-imperialist forces which seek to feather their own nests at the expense of the working class and the masses.

Bob Archer, January 2022

Footnote:

1. Posing the problem this way allows Ross to avoid any mention of the very full and detailed debate over the New Economic Policy (NEP) when it was adopted in Soviet Russia in 1921-1922 and subsequently. These were measures to re-establish the bases of an economy torn apart by years of war, revolution and civil war. The Bolsheviks certainly did introduce temporarily a number of market reforms which did enable industry and agriculture to recover – which they started to do. However, the Soviet State retained a large measure of control and, for example, never abandoned its monopoly over foreign trade.

There is not space here to debate the whole matter, but Ross should recall that the Left Opposition (of which he may have some distant memory) understood very well that if the NEP became embedded, and unless the state's own manufacturing industry could make real planned progress, the social forces that particularly prospered under NEP, the NEPmen traders and the richer peasants, would threaten the existence of the Soviet State itself.

These warnings were ignored by Stalin, Bukharin and others, who urged precisely these forces to “enrich themselves”. But when the warnings from the Left Opposition were borne out, and the Soviet Union was threatened in the late 1920s by a revolt led by the rich peasants (Kulaks), the bureaucracy led by Stalin had to switch in utter panic to a thoroughly military-bureaucratic set of solutions, “liquidating the Kulaks as a class” during a murderous and unspeakably violent “collectivisation” of

the peasantry and a development of industry at a breakneck pace which was underpinned by convict labour.

The failure of Soviet economy was not rooted in state planning, but in the weaknesses of **bureaucratic** state planning. The twin roots of the failure were the bureaucracy which had seized power in the workers' state and the lack of access to the world economy.

All these issues are discussed in detail in Trotsky's *Revolution Betrayed*, which indeed becomes more relevant than ever in today's world.

Appendix

"Tiger Countries" (*The Asian Tigers from Independence to Industrialisation*)
The Asian Tigers from Independence to Industrialisation

Bruno Marshall Shirley [nload PDF](#)

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Development, Legitimacy, and the Role of the State: The Asian Tigers from Independence to Industrialisation

Note: Whenever possible Simplified Pinyin has been used throughout for the transliteration of Chinese names and places for its ease of use and predominance in modern literature. As Taiwan typically uses the more archaic Wade-Giles system readers may be unfamiliar with Pinyin names for individuals like Jiang Jieshi (Chiang Kai-Shek in WG) or even Mao Zedong (Mao Tse-Tung in WG), but they have been employed for consistency throughout.

As recently as the early 1960s South Korea, Taiwan, Singapore and Hong Kong (the "Asian Tigers") were considered to be a part of the third

world: Harvey and Lee rather unkindly refer to it as “economic backwardness.”^[1] Since the 1997 Asian Financial Crisis, praise of the “Asian Miracle” has dwindled in academia,^[2] yet the Tigers still stand as rare examples of states which have successfully “developed” in a manner no one could have predicted 50 years ago – and at a considerably faster rate than any of our current efforts at third-world development seem to be proceeding. Are there lessons to be learnt from the rapid economic growth of the Tigers, from the 1960s through to the 1990s, and do these have a practical application in contemporary development?

In 1949 Harry Truman introduced the concept of development to the world, identifying it as a key priority of the West in order to maintain peace and prosperity amongst all the people of the world.^[3] In the beginnings of the great ideological war against Communism, he took care to articulate that his program of development would be “based on the concept on of democratic fair-dealing.” This vision shapes the nature of development even today, with economic development and state-building more generally predicated on the assumption that if liberal democracy is established then all other aspects of development will naturally follow. We see this in IMF loan conditionality, requiring liberalisation of economies in regions where the government formally had tight control,^[4] and even in post-conflict statebuilding exercises, where the end goal is often the establishment of democratic elections.^[5]

I will not dispute the value of democracy, but there is a fundamental difference between a thing being good in its own right and a good thing leading to other good things. The examples of the Tigers show us an alternate path to development: a strong central government guiding the economy rapidly forward through distinct stages of development until it reaches full industrialisation. This hypothesis, the “developmental state,” is one that has been argued for by a number of economists for some time now. However if we accept this as a viable method of development two questions remain unanswered: why was it particularly successful in East Asia, and how can we transplant it to other parts of the world in need?

Mary, Mary, Quite Contrary: How Economists Think the Garden Grows

Before examining the economic development of the Asian Tigers it is important to identify the theoretical framework in which they might sit. Models for economic development are as varied as there are development economists, but at the risk of sacrificing diversity for ease of analysis we can broadly identify three distinct models. These three models are less cohesive blueprints and more categories of development policy broadly derived from the Neoliberal, Keynesian and Heterodox economic traditions respectively, which for our purposes we can identify as Market-led, Interventionalist and State-led models for economic development.[6]

The Market-led development model is that traditionally pushed by the IMF, advocating market liberalisation following a classical faith in the rationality of market actors.[7] The blame for the failures of some economies and the success of others is placed at the feet of interfering governments, and the removal of tariffs and other barriers to trade liberalisation are seen as an important initial step in the development process.[8] According to advocates of this model for development, a free market will naturally result in development of those industries that are most efficient, described in HOS theory as specialisation in production of goods produced using their relatively-abundant factor (to the world market).[9]

In practical terms, the liberalisation of both the domestic market and international trade is expected to result in semi-sustainable economies relying on export of either raw materials or (in land-scarce, labour-abundant states) perhaps even the product of light industry to balance the import of the machinery and other tools needed for these industries.[10] While critics point out that this leaves high value-added industries controlled by the developed countries of today, with the countries pursuing this model stuck with low-value-added industries like agriculture, resource extraction, and at best light industry, advocates would respond that it is still a clear improvement over the current situation of developing states.[11]

The second model for economic development proposed is what we might call the Interventionalist model. This model broadly follows from the writing of Lord Keynes and his views on the role of government in moderating the

errors of the free market when necessary.[12] The Interventionalist development model acknowledges the role of actors in the free market but also the need for government action and intervention in stimulating growth and reducing unemployment.[13] Actors may be rational, but oversight is needed to stabilise output. Chandavarkar, while refuting the existence of a Keynesian model for development, does concede that he presented the first “economic rationale for a central bank as a development agency,”[14] setting the stage for a development model in which both government and market work together to achieve economic growth and ultimately development. The actual policies pursued by the state will be highly reactive and tailored to the needs of the market.

This skepticism regarding the ability of market actors is taken to its logical conclusion in our third model for economic development, the State-led model. This is borne out of the Heterodox tradition, as it refutes a basic principle of classical economics that what is good for the rational actor is good for the economy as a whole. The criticism is hinted at above in the limitations of market-led growth, as rational actors will always focus on the optimal activity available to them at the time of decision making, whereas development should always focus on improving future activities. The clearest way to illustrate this is with an example in the two-factor HOS tradition: given Country A’s high level of industry and skilled labour, and their trading partner Country B’s high level of unskilled labour, the optimum activity for entrepreneurs in B to engage in would be along the lines of light industries or resource extraction. This unfortunately reinforces the imbalance in value-added activities between A and B. For B to develop its industrial base and ultimately engage in higher value-added activities in the future, it would require considerable investment in activities that currently are sub-optimum. As rational actors would never engage in sub-optimum activities, it requires the guidance of the state to invest in those industries which will (hopefully) pay off in future, and therefore develop the economy as a whole.

This model is essentially a reworking of the “developmental state” hypothesis used by commentators to explain the very cases we will be examining, but it has not received much favour as a model for

development. Chang and Grabel suggest that this results from the challenge a state-centric development model posed to the Neoliberal establishment, an argument discussed in a later section.[15] As a model, Chang and Grabel suggest the following policies should be pursued by the government seeking development: trade protectionism while new industries are developing, a clear strategy for systemic development of higher-value-added industries, a cautious approach to privatisation and the nationalisation of some industries where appropriate, a relaxed approach to intellectual property law and strict control of both capital and foreign debt.[16]

As we will see below, and unsurprisingly given its origins in analysis of the Asian Tigers themselves, all of the countries under discussion conform to the state-led development model in contrast to the market-led or state-intervention models. However supporters of the market-led and interventionist models would argue that while state-led development may have been effective in East Asia, it is not applicable to other parts of the world.[17] The failures of state-led economies like China under Mao, North Korea and the Soviet Union all indicate that strong states do not necessarily mean strong economies – there must be some other factors missing from past analyses of development in the Asian Tigers that can make the state-led model work.

The Tigers' Stripes: Case Studies in Successful State-led Development

South Korea

In 1945 South Korea was finally made independent of Japanese rule, only to immediately be placed under US military occupation.[18] The long-awaited autonomy it achieved was rapidly overshadowed by the Korean War (1950-3) with the North, which destroyed two-thirds of existing production facilities worth some three times the GNP.[19] The long road from these humble origins to its current position in the G20 can be analysed as a systemic movement in four discrete phases, beginning in the Rhee era but mostly taking place under the Park government (both before and after the establishment of *yushin* government).

The first phase of development constituted recovery from the devastation

of the war, with an average of 15.9% of GNP coming from US aid (with a peak of 22.9% in 1957).^[20] 64% of investment savings were US-owned, and Import Substitution Industrialisation was adopted with 30% of aid going towards agricultural equipment.^[21] Worker's unions were suppressed by the Rhee government to keep labour cheap.^[22] Korean economic growth in this period was highly dependent on US aid and investment savings and vulnerable to intense fluctuations.^[23]

The Park coup in 1961 demarcates the second phase of Korean economic development: the development of light industries and export-oriented growth. Having recovered from the war and no longer entirely reliant on US aid to pay for imports, the Korean economy could now begin to utilise its cheap labour force to grow through exportation of light industrial goods. Here we begin to see the first clear departure from the Market-led or even Interventionalist models of growth in the adoption of the First Five-Year Economic Development Plan (1962). This established clear macro-economic growth targets in investment, industrial structure and trade balance, and established trade policy, industrial policy, and macro-economic policy in pursuit of these goals. This was called "guided capitalism," in which "the state shall either directly participate or indirectly render guidance" to key industries, particularly the labour-intensive light industries that would lead to rapid export growth.^[24]

To return to classical terminology, the optimum activity at this phase in Korean history for an individual actor to participate in would be those same light industries. Unfortunately if this were the case then the Korean economy would have been perpetually stuck in the same phase with no high-value-added industries being developed. Obviously this did not happen. While growth in the early 1960s was fantastic, as high as 10% in some years, the Park government did not see this as a sustainable means of growth. The foreign currency earned through this explosion of export was reinvested in the advanced technologies and machinery which was necessary to progress to the next stage of development, while tariffs and subsidies were used to shield growing advanced industries from the international market.^[25]

This set up the third stage of development, articulated in Park's second Five-Year Plan: the development of heavy and chemical industries,

supported by legislation and key policy instruments.[26] Foreign capital, though still under heavy government restrictions, was sought to help bolster growth and exports grew at almost 39.2% per annum.[27] This phase of development has lasted the longest of any thus far, with export-driven growth from heavy industry carrying Korea forwards until the early nineties. During this period factor input increases, both in capital accumulation and in quality of labour through education, accounted for a massive degree of growth in industrial output, setting up Korea well for the next phase of development.[28]

The 1990s saw a number of significant changes in the South Korean economy and marked the fourth and current phase of development, the push into high tech industry. The World Bank data on high-technology exports sadly only extends as far back as 1988, but even this shows a dramatic change. In 1988 high-technology exports made up only 15% of total export, but this number increases almost by an entire percentile every following year.[29] This international demand for Korean goods, coupled with a dramatic increase in domestic consumption and higher standards of living across society, marked the definite movement of Korea into “successful state” status.

In Korea’s economic history we can identify four discrete phases of development: a period of Import Substitution Industrialisation; the development of light industry and export-led growth while reinvesting in and protecting heavy industry; the development of heavy industry, increases in labour quality through education and permissal of limited degrees of foreign capital; and finally the development of the high-tech industry, the skilled labour required for which stimulating domestic consumption. The second through fourth phase show remarkably steady GDP growth in all but three years: the year of Park’s assassination and the 1997 and 2003 crises.

All of this was driven by the central state with a clear end-goal in mind and a range of effective legislative and policy tools for implementation. Aggressive reinvestment in infrastructure, state-owned industries and clearly communicated economic plans over a long period of time allowed for a progression through distinct phases of development even when reinvestment in the newer phases would have appeared the less optimal to

individual market actors.[30] It was this incessant push forward that eventually led to Korea's development as a fully industrialised and technological economy.

Taiwan

Taiwan shares a similar story to Korea, although at least in economic terms its origins are marginally less humble. Our story again begins at the end of a war, but Taiwan itself was left relatively unscathed by the fighting and still bearing the remnants of Japanese colonial attempts at development: some established agricultural exports in rice, sugar and pineapples, basic food processing plants and a handful of textile factories.[31] Leadership initially adopted a policy of ISI in pursuit of subsistence, but due to bad experiences with inflation on the mainland a more aggressive growth policy was not adopted until the USA threatened to reduce aid in the 1950s.[32] Only then did Jiang and the GMD begin to industrialise along the lines we saw in Korea.

Before this period the primary sector (mainly agriculture and fishery) accounted for nearly a third of GDP before rapidly dropping to just 7% in the industrial explosion, and food processing (the dominant industry on GMD occupation) fell from 47% of manufactory output in the 1950s to just 31% in the industrialised 60s, finally dropping to 12% in the early 1980s (the end of the heavy industry era).[33] Interestingly after the initial boom of light industry (particularly textiles) we would expect to see from from Korea's experience, light industry remained statistically significant all the way into the 1980s.[34]

Heavy industry was quickly established, in particular steel, electronics and petrochemical, as soon as the state ascertained that domestic and international demand was sufficient.[35] While other state firms were privatised during the development process to encourage foreign investment and expertise, these industries were always seen as essential to reconquest of the mainland and so remained firmly nationalised.[36]

While Yongping Wu points out that small- to mid-sized firms had an important role to play during this phase of development,[37] the state never lost its firm grip over the direction of the economy. A key measure

here was control of foreign exchange, limiting the access of private firms to imported materials and serving both to keep up domestic demand for processed raw materials (which was done in state firms and onsold to selected firms) and to reduce capital risk.[38]

Vincent Chang describes the final phase in economic development, to fully-fledged technological state. Once the competitive advantage in labour-intensive products seemed to be slipping (both as a result of a more educated workforce and the rising competition from China in the late 1970s) the state essentially decided to jump before they were pushed: “the export-oriented economic structure... must be upgraded to become more technology- and skill-intensive.”[39] The state’s role in “the inception of pivotal technologies and in the export vigour of Taiwan’s information industry,” as well as in key large-scale industries like semiconductor production was immense,[40] and as in Korea led to the development of a substantive skilled-labour population who with their increased disposable incomes stimulated both domestic consumption and the service industry.

Taiwan followed a similar trajectory to Korea in its progression through four distinct stages of development, though with two exceptions of note: first that light industry played a key role in the economy all the way into the 1980s, and second that leadership did not seek to move beyond the first phase until threatened with aid reductions by the US. The unexpected lack of decline in light industry once heavier industries were developed could perhaps be attributable to the role of small- and mid-sized industries as discussed by Chang – with most heavy industries nationalised but small-scale entrepreneurship tolerated, this is a logical industry to gravitate towards. The second point is by far more significant, and may contain a clue as to the underlying reason that the Asian Tigers successfully developed through state-led, rather than market-led or interventionalist, methods.

The City-States: Singapore and Hong Kong

Singapore was perhaps the most “democratic” of the Tigers in its early life, if in name only: so charismatic was the leadership of Li Guanyao that in the words of a British diplomat “politics disappeared” leaving only an “administrative state.”[41] After reluctantly accepting

Singapore's independence from Malaysia in 1965, Li took control of Singaporean politics in "soft authoritarianism" until his retirement in 2011 and much of Singapore's success is directly attributed to his personal vision and ability.[42]

Singapore's development follows a now-familiar path. While not facing the challenges of rebuilding after a war, Singapore stood alone as a modern city-state with too little land to effectively feed its citizens. Food and water had to be provided for by imports, necessitating a quick push towards export-oriented light industries to balance trade.[43] Interestingly Singapore sought to supplement the local lack of technical and managerial knowledge by attracting international firms, albeit in a limited fashion, using their capital and resources to kick-start the light industry that would provide the backbone of Singapore's economy for the next few decades.[44]

The 1970s saw a dramatic change in the structure of Singapore's economy, with manufacturing and heavy industry becoming increasingly more of a priority throughout the 1970s and 80s.[45] This was largely in response to the challenge that China's burgeoning light industry under Deng posed to Singapore's output, and was pushed forward by the central government through a combination of reinvestment of wages in industry, infrastructure, housing and communications through the Central Provident Fund and an increase in minimum wage, forcing employers to seek more efficient modes of production.[46]

Unlike Taiwan and South Korea, Singapore's move to the final phase of development was not marked by the establishment of the high-tech industry but rather by fulfillment of Stamford Raffles' original vision for Singapore as the trading and financial hub of Southeast Asia.[47] Trade, import refinement and finance all require skilled labour, much like high tech industry, and Singapore's unique geographic position and recent market liberalisation allow this to serve as the high-level industry that cements its position as a fully developed nation, just as high tech industries do for South Korea and Taiwan.

Given today's liberal markets, and the nominal democracy of Singapore's modern history, it is tempting to think of Singapore as an example of

liberal market-led development in action. However the importance of the Central Provident Fund in establishing the infrastructure needed for heavy industry and the dominant role of Li in both politics and economic direction both suggest that the state was the principal mover in the development of Singapore's economy, with liberal elements only being introduced in the late phases of development to pave the way to a financial and trade hub.

Hong Kong is similar in many ways to Singapore, although it is notable for being the most consistently laissez-faire (and therefore market-led) of the Tigers. As in Singapore the pressing need to balance trade deficits due to poor agricultural potential led to a rapid development of light industry, but then advocates of market-led development would argue that the next steps through to trade and financial services would have been a logical step for market actors to take, given the proximity to China and the historical nature of Hong Kong as a trade port.[48]

The importance of market actors in the development of Hong Kong cannot be denied, but there are some features of development (glossed over in Neoliberal accounts) that suggest that the state had a not-insignificant role in guiding the economy. In particular Vogel points to the allocation of public funds, with the vast majority diverted to developing the infrastructure that would be required by heavier industries – roads, universities, and most interestingly land development specifically for the use of factories; and all this a good decade before there was any significant market-led demand for these public goods.[49] The state may have left market actors to find their own way, but they were not subtle about putting a map in their hands.

Hong Kong, like Singapore, ended up as a financial centre for its region as well as a major industrial producer – not bad for a former entrepot.[50] It is unusual among the Tigers for having a fairly consistent laissez-faire approach to the market, and is by far the closest to a market-led model of development. However this is not to say that the state had no hand in pushing development forward when the market might have been content to stay in one phase.

When taken into consideration with the other Tigers, we have a clear idea

of how their economies developed. In all cases barring to an extent Hong Kong, a strong central state created a long-term plan for development that saw it through from the early days of ISI all the way to the establishment of advanced technological or financial industries. The state was able to implement these plans through a range of policy tools, without considerable domestic challenges and with the ability to adapt the details of the plans to the challenges they encountered along the way. Rather than dwell in any particular phases of development, the Tigers pushed forward, aggressively reinvesting in the infrastructure needed to establish the next phase and protect it from the advantages of the international market until it was ready to shoulder the burden of economic growth. This saw them through, with some variation, from backwards islands, peninsulas, and losers in war, to four of the most powerful economies in East Asia. But can this success be replicated elsewhere?

The Missing Link: Leadership and Legitimacy

We may now have a model for economic development, but this does not mean that we can easily transplant it to other parts of the world. Other countries, notably the Soviet Union, Maoist China and North Korea, have attempted to lead development from the state with little success. Why was state-led development successful in the Tigers, but not elsewhere? And can we replicate this in other parts of the world?

Advocates of market-led or interventionalist growth would say that we could not. According to them the development of the Tigers, while ultimately successful, was highly idiosyncratic to the East Asian region and cannot be exported elsewhere, the universal alternative obviously being the liberalisation of markets (to the varying degrees required of their models). The most common explanation of the Tiger's success is that it was in some way due to their shared Confucian culture.^[51] Confucianism's emphasis on social hierarchy and the nation-family, they would say, provides East Asians with the unique outlook required to tolerate the submission of personal economic interest to the state's long-term goals. Other parts of the world, lacking such an ingrained cultural disposition, would not accept the state's mandate and frustrate progress.

Beyond the obvious objection that there are still a number of Confucian states in the early stages of development, Chang has considerable disdain for this argument. He describes culture as having a “Jekyll and Hyde” nature, the positives and negatives being called on as needed to justify an argument.^[52] The first example he gives here is an account of an Australian businessman touring a Japanese factory in 1915 and concluding that the reason for Japan’s then-backwardsness was due to the inherent cultural laziness of the Japanese people. How times (and cultural stereotypes) have changed. Indeed, when East Asia was still in the early stages of development the blame was placed as firmly on Confucianism as its current success is today. Chang’s response to the culturalist argument is essentially that within any culture or religion an observer can find sufficient characteristics to justify just about any argument that they wish to make, which somewhat undermines the claim that state-led development can only be successful in countries with a certain culture. “No culture,” he concludes, “is either unequivocally good or bad for economic development. Everything depends on what people do with the raw material of their culture.”^[53]

If the success of state-led development in East Asia cannot be attributed to their shared culture, then what? I would suggest the missing link here is the legitimacy of these countries’ leaders. All four Tigers had a strong central leadership able to effectively steer the direction of the economy without significant internal challenges, an indication that all enjoyed considerable legitimacy. Most governments today derive their legitimacy from democratic elections – when the Obama administration makes a decision, the decision is made by the people and for the people. Older forms of government have derived their legitimacy from the Divine Right of kings or from Hobbes’s Leviathan, to name a few examples. But from where did the leaders of the Tigers derive their legitimacy?

In all four cases, to varying degrees, the legitimacy (and continued survival) of the leadership rested in some way on the continual economic success that they were able to provide to the people. This meant that the leaders of all four of these countries had considerable motivation to aggressively seek sustainable development, and the fact that legitimacy was based on neither democracy (which can lead to instability and a lack

of long-term planning) or ideology (as in the Communist states, binding development to a prescribed course with no room for adaption) allowed them to pursue this sustained development with stability and flexibility, explaining their particular success.

The unity and legitimacy of Korean leadership was based on “forced unity” against the ideological foe of the North.[54] The division was based on ideological grounds, with leaders of both North and South claiming to represent the ideology that was in the people’s best interests, and so the success of either leadership could best be gauged by their subjects by how much better off they appeared to be when compared to their neighbours. Park knew that he was relatively safe from uprising (though apparently not from assassination) because the USA would not tolerate the fall of an anti-Communist regime, meaning that he had considerable stability and the ability to make long-term plans, but he also knew that the best means to maintain legitimacy was by proving ideological superiority over the North by achieving greater economic gains.[55]

Even today, much of Taiwan’s identity is based around its relationship with mainland China, and a recent study concluded that while public identification with the mainland is less clamorous than it was a decade ago, continuous GMD leadership until the 2000 elections meant that the leadership was always committed to their One China policy.[56] This rivalry with the Mainland, shared by both leadership and wider society, provided the legitimisation for continuous GMD rule[57] and again gave a strong economic focus to the regime: they needed a strong economy both to prove superiority over the PRC but more importantly to support the military forces that they needed to pose a challenge to the mainland. This manifested most obviously in the continued nationalisation of the steel, petrochemical, electronics and vehicle manufacturing industries, as all have an obvious military application. Taiwanese leadership needed these industries in particular to have a strong foundation in order to support their claims, both necessitating development and removing the potential obstacles of democratic instability and ideological inflexibility.

The relationship between the economic development of Singapore and Hong Kong and the interests of their respective leaderships is an even more

pressing issue of survival: given their tiny size, they simply didn't have the agricultural basis to survive as independent countries. If they had not industrialised and maintained a position of economic necessity within the region (as trading ports and later as financial centres) then they would not have been able to feed their population. The legitimacy of the leadership here is based simply on continued economic survival of the state, partly mitigated in Hong Kong's case by its colony status. The legitimacy of its leadership was also tied to its status as a Crown property and it might ultimately have relied on Britain to support it should it have failed to develop successfully – this would account for it being the most laissez-faire of the Tigers. Singapore, sandwiched between its economic rivals of Malaysia and China, had no such fallback and the leadership's continued rule rested solely on their ability to deliver the economic goods.

In the cases of all four Tigers we see a clear trend in the leadership and the location of its legitimacy – to varying degrees the position of the leadership is sustained and justified by the economic development that they were able to deliver. Because they did not rest their legitimacy upon democracy or ideology, leadership not only had the motivation to aggressively pursue development, it had the ability to do so with stability of government and flexibility of approach. The Tiger approach to development is perhaps best characterised then as “success due to coherent and flexible policies, effective implementation by the state... and political capacity to insulate economic planning from competing interests.”[\[58\]](#)

Putting It Together: Replicating the Tigers' Success

So how could we replicate the success of the Tigers in other developing states? The crucial element is the leadership. If a state's has a leadership that in some way derives its legitimacy from economic success, rather than democratic elections or ideological correctness, this will provide it both the motivation and the ability to effectively pursue the long-term and aggressive development progression we saw in the Tigers, with clear transitions through ISI, light industry, heavy industry, and finally into a fourth stage of high tech industry, skilled labour and increased domestic consumption.

The biggest issue facing developing states is that in too many cases the leadership rests its legitimacy not on the economic benefits that it can bring to its subjects but rather on the military forces that it commands and with which it can suppress any dissent.[59] A good number of these states (and too many more besides) likely face a not-unrelated issue that with their position secured by some form of legitimacy leadership is more concerned with the benefits that its position can provide for itself than to the country at large – they might be stable government not bound to inflexible ideologies, but without the motivation of legitimisation they are happy to focus their attention on patronage rather than enacting development policies.

In order to rectify this situation, and to encourage development in states sorely in need of it, some drastic measures must be taken. Statebuilders need to generate in state leaders a pressing urgency to pursue sustained economic development that will make the government stable (non-democratic) flexible (not bound to ideology) and motivated to actively pursue sustainable development progression. Alternate sources of legitimisation, such as military strength, need to be stripped by some means from leaders who show no signs of interest in the long-term economic interests of their state in order to refocus their attentions, while short-term revenue streams that will eventually dwindle need to be limited – extractive industries for instance should have their exports limited to fight the “resource curse” and force consideration of alternate industries.[60]

Here overzealous democratisation poses its own danger, quite apart from any criticism of market liberalisation in developing states. Democracy at best provides a degree of instability in leadership – it is hard to make effective Five Year Plans (as in South Korea) when the government could be radically different as little as three years into the future, let alone long-term plans for development of key strategic industries as in Taiwan. At its worst, democracy provides yet another legitimisation for leaderships primarily concerned with its own benefit and not sufficiently motivated to aggressively push through development plans.[61] Democracy is certainly a good thing and should be a goal of statebuilding, but it is not the only good thing, and it may even provide an obstacle to

development – better perhaps to wait until the government is more institutionalised and society is more stable overall than to introduce it too soon.

Ultimately the pattern of economic development achieved by the Asian Tigers is replicable elsewhere in the world, if the key issue of legitimisation and the role of the leadership in development is addressed. However it may require some rethinking of the priorities of statebuilding exercises, and other goals like the establishment of democracy may need to be pushed back in order to maintain the stable, flexible, and economically-motivated leadership that seems to be required for effective state-led development.

Conclusions

Of the three models of development we can identify in literature, it is the state-led model that was successfully employed in the “Asian Miracle” of the Tigers. In contrast to the Neoliberal approach of market liberalisation and faith in the rationality of individual actors, this model describes a strong central state utilising a range of policy tools to aggressively pursue development even against the wishes of market actors. This sees development follow a clear progression through ISI, light industry, heavy and chemical industries, and then finally technological industry, with the export revenue of each stage being used to fund the next and heavy protection from the international market until industries have been sufficiently established.

Rather than being a product of particular cultural values, the success of this model in East Asia can be attributed to the unique pressures placed on the leadership of these states to pursue economic development lest stagnancy threaten their legitimacy. The reliance on economic development for legitimacy rather than democratic elections or ideological justification allowed the East Asian states to have both stability and flexibility in their planning, effectively enacting long-term plans for reinvestment and development while still adapting to the situation of the international economy and any new challenges that might arise (such as China’s development of light industry in competition to Singapore’s). A state-led economy has every chance of failing if they are not

sufficiently stable, flexible and motivated to pursue development, as other cases might suggest.

The Asian Tigers provide us with an interesting alternative to the developmental strategies most commonly seen in statebuilding exercises, with their emphasis on liberal values like democracy and market-led growth. Replication of their successes may well be possible, though it will require a dramatic rethinking of our approaches to development economics and our conception of the relationship between a regime's legitimacy and security.

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