## Terms and Ideas

- Developmental state
- Industrial policy
- Soft authoritarianism
- Bureaucratic autonomy
- Myth of the market
- State- vs. market-led growth
- Extractive vs. inclusive institutions
- Path dependence

## Questions

**Q: How can states impact economic development?**

**A:** There are a number of things that states can do to both create and steer markets. Among them are setting economic targets, investing in education and infrastructure, providing loans, subsidies, and tariff protection to firms and industries, implementing monetary policies, and enforcing contracts and property rights. These actions impact the incentives that economic actors face, which can in turn either foster or stifle growth. For instance, states can help overcome coordination issues and promote deeper capital markets, but they can also suppress competition and protect inefficient firms and industries. As Chaudhry notes, the question might not be whether the state or the market drive growth; instead, we might better ask what structures and capacities these institutions have and what coalitions underpin them.

**Q: How come East Asia succeeded where other regions failed?**

**A:** Various East Asian states (Japan, Korea, Taiwan) succeeded because their bureaucracies were autonomous and developmental. Johnson and Amsden detail the policies that were pursued, including investments in education and land reform. Meanwhile, Bates describes how African urban coalitions used bureaucracies to extract resources from the agricultural sector. Differences in outcomes therefore do not appear to be linked to state intervention, but in the bureaucratic structures. The historical context also matters. East Asian states received U.S. assistance during the Cold War and faced external threats, encouraging elite cohesion. Meanwhile, African postcolonial states contained fragmented societies, and leaders' short time horizons encouraged patronage.

**Q: How do historical legacies matter in economic development?**

**A:** Past institutions can influence the present through path dependence. Acemoglu and Robinson discuss how colonial institutions had substantial long-run effects; past extractive institutions led to worse outcomes today and vice versa. Examples thereof can be seen in the impact of the monopsonistic marketing boards established in Africa during the colonial period and covered in the Bates reading, or in the influence of Japanese investments in Korean education and administrative structures on later development.

**Q: Is authoritarianism helpful or harmful for economic development?**

**A:** As discussed in lecture, there is no established relationship between the regime type and economic growth. Authoritarianism might enable better coordination and more decisive action, while democratic institutions might provide greater accountability and more inclusive economic participation. Perhaps the answer differs at different stages of development; authoritarian regimes might lead to better growth in earlier periods but not in later ones. A similar argument might be made about short-term versus long-term growth. It is also important to consider which factors inherent to a regime matter most for economic development, whether these be differences in state capacity, coalitions, economic incentive structures, or time horizons. Were these to be held constant across different regimes, would we expect differences in development outcomes to disappear?

## Takeaways

Last week, we considered the broad theories originating from the modernization literature. This week, we introduced the state and politics to these frameworks and challenged some of the more linear and deterministic accounts we had encountered. From our lectures and readings, we learned that states are central but can have different impacts; the East Asian states fostered growth, while their African and Latin American counterparts often undermined it. Successful development often required strong and interventionist states, but state interventions often did not succeed.

Other points to consider from this week are the role of coalitions and the contrast between short-term and long-term dynamics. These are things to reflect on throughout the rest of the semester. Overall, it is unclear whether there exists a single model to explain development outcomes; geography, historical contexts, the international environment, and domestic institutions combine to shape development paths. These factors might also influence a host of other things that we care about beyond economic growth.

Next week, we will turn to state-building and consider how states become either strong or weak. The week thereafter, we will revisit the connection between the regime type and economic growth from the opposite angle as we consider whether development leads to democratization. Our discussion from this week will thus continue to come back to us.