Locating the Developmental State and Industrial and Social Policy after the Crisis[1]

Foreword

The breakdown of the Bretton Woods system, the last occasion on which global financial turbulence approached that currently being experienced, witnessed the rise of the postures of neo-liberalism to an extreme and unprecedented extent, and in equally extreme and unprecedented forms, across each of scholarship, policy and ideology. Today, that bubble has burst together with the financial and economic system to which it has given rise. It is a time for bold and innovative thinking. Yet, even before recent events had exposed the fragility of the neo-liberal era, and sent finance galloping to the state in a desperate attempt to save itself from itself, neo-liberal hegemony had already been brought into question, not least in the wake of what has been the most limited progress in development and poverty alleviation under or through its auspices.

Such considerations raise the question of whether bold and innovative thinking, let alone corresponding policy perspectives, are on the agenda. Despite the crisis being of three or four years vintage, the unambiguous answer seems to be in the negative. Of course, neo-liberalism was shaken by the crisis but it seems to have survived intact or even strengthened. Within economics itself, despite murmurings of discontent, there has been business as (un)usual with at most the concession that the wrong models were applied with insufficiently refined behavioural assumptions and account for material, or financial, realities. Otherwise, the methods and technical apparatuses and architectures associated with optimisation, efficiency and equilibrium are judged to be sound. Significantly, a recent google scholar search on "crisis in economics" offers only a few hundred entries, most dating back to the 1930s. By contrast, a similar search on sociology runs into thousands of entries although, of course, no one is blaming the sociologist, as opposed to the economists, for being responsible for, or complicit with, the crisis.

Of course, there has been some increase in the kudos and prominence of dissidents within economics, who had previously been marginalised to an extraordinary degree by the command of orthodoxy over the discipline. The putative Minsky moment has had its moment once more. But, in turning attention to those dissidents within orthodoxy (understood as practising with the methods and tools of the mainstream), it is striking how little they have reconsidered their approaches and, of much greater significance, how little they have influenced policy despite considerable popular prominence and profile.

Before, then, putting forward bolder alternatives, it is appropriate to question why both alternatives and alternative thinking have been so limited, not only over a long period but even in the more conducive conditions presented by the financial crisis that makes them so imperative. Of course, one part of an answer is to be found in the development of economics itself and of development economics in particular.[2] These do not, however, float entirely free from developments within the economy itself and, this leads to consideration of two paradoxes.

The first concerns the nature of the current crisis, particularly in relation to what economics orthodoxy used to refer to as the soundness of "fundamentals". The latter might be thought to refer to levels of deficits and the like but at a more fundamental level, the fundamental "fundamentals" as it were related to underlying material conditions, the prospects for the global economy, have been extraordinarily strong both over the last thirty years of relatively slow growth compared to the post-war boom and into the current crisis. To be specific, what I have in mind, if simply listing and unduly overgeneralising for brevity: the capacity for productivity increase arising out of a huge diversity and range of application of new technologies; the decline in the strength and organisation of working class and progressive movements, especially across trade unions, political parties and anti-imperial struggles; huge increases in the global labour force through migration, the Chinese road to capitalism, and increasing female labour market participation; high levels of advanced country cooperation under the hegemony of the USA not least with the collapse of the Soviet bloc; and the triumph of neo-liberalism, not least in the form of containment of the social as well as the monetary wage.

In this light, the second paradox concerns the responses to the current global crisis. There can be little doubt that the neoliberal ideology of targeting minimal state intervention and leaving as much as possible, especially finance, to the free market has taken something of a battering. But the policy responses in practice have remained extraordinarily timid and limited in scope. If, for example, the state is making a comeback, it certainly is not along the lines experienced during the post-war boom when Keynesian macroeconomic policies were complemented by a whole, arguably more important, sheaf of interventionist policies around health, education, welfare and industrial and regional development. Rather, as symbolised by the notion of "quantitative easing", the top priority is to restore the viability of the financial system. This is accompanied at most by weakening and token deference to re-regulation and clawing back of disproportionate rewards. Stimulus to effective demand has primarily been adopted in the mildest forms of Keynesianism through monetary policy whilst directed fiscal stimuli take a back seat (or are thrown off the transport altogether, as the deficits that have accompanied support to finance dictate austerity measures to cover interest payments to the very financial system that has created the problem and had, accordingly, to be rescued). This is all despite what is a unique characteristic of the current crisis, the common acceptance that it is in general in no way due to excessive wage demands or state expenditure to furnish a social wage. Nonetheless, the blameless in working and social conditions are being hit very hard and to an extent that would, or should, make even neo-liberals or proponents of the Washington Consensus blush. If the post Washington Consensus is alive and well, as its supporters are no doubt aware, it is not in the world of policy.

How do we resolve these paradoxes? For the first, slowdown and crisis despite the most favourable fundamentals, I point to "financialisation". This is a new term, little more than a decade old, and it has yet to bed down in terms of what it is, what it does and how it is to be addressed theoretically. Perhaps, across these issues, it should remain controversial. I hope so as this would indicate significant attention to the defining economic character of the contemporary period so diverse is financialisation in content and so contested is monetary and financial theory – ranging from the nature and origins of money through to the efficient (or inefficient) market hypothesis and Minsky's moments. In brief, financialisation has involved: the phenomenal expansion of financial assets relative to real activity (by three times over the last thirty years); the proliferation of types of assets, from derivatives through to futures markets with a corresponding explosion of acronyms; the absolute and relative expansion of speculative as opposed to or at the expense of real investment; a shift in the balance of productive to financial imperatives within the private sector whether financial or not; increasing inequality in income arising out of weight of financial rewards; consumer-led booms based on credit; the penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social infrastructure; the emergence of a neo-liberal culture of reliance upon markets and private capital and corresponding anti-statism despite the extent to which the rewards to private finance have in part derived from state finance itself. Financialisation is also associated with the continued role of the US dollar as world money despite, at least in the current crisis, its deficits in trade, capital account, the fiscus, and consumer spending, and minimal rates of interest. I observe here, in passing and for future reference, that the policies adopted by the USA and some other developed countries have been exactly the opposite of those advised, or should that be imposed, on developing countries experiencing similar crises in the past. As Ha-Joon Chang has been at the forefront of arguing in the context of historical paths to development, those that have traversed it insist, "Do not do as we **did**, do as we say" to which should be added the nostrum, "Do not do as we **do**, do as we say".

However we define financialisation, its consequences have been: reductions in overall levels and efficacy of real investment as financial instruments and activities expand at its expense even if excessive investment does take place in particular sectors at particular times (as with the dotcom bubble of a decade ago); prioritising shareholder value, or financial worth, over other economic and social values; pushing of policies towards conservatism and commercialisation in all respects; extending influence of finance more broadly, both directly and indirectly, over economic <u>and</u> social policy; placing more aspects of economic and social life at the risk of volatility from financial instability and, conversely, places the economy and social life at risk of crisis from triggers within particular markets (as with the food and energy crises that preceded the financial crisis). Whilst, then, financialisation is a single word, it is attached to a wide variety of different forms and effects of finance with the USA and the UK to the fore. And, even if exposed in acute form by the crisis, its expansion over the last few decades has been at the expense of the real economy despite otherwise extraordinarily favourable "fundamentals" as already remarked. It should also be emphasised that the forms, incidence and consequences of financialisation are highly uneven and diverse across and within national economies as sharply revealed by the current global crisis both within finance itself and more generally.[3]

Financialisation is also the key to resolving the second paradox, why the return of the state in the wake of the crisis should be so weak and narrowly confined. One reason has already been implicitly identified as a component part of the first paradox – the weakness of progressive movements that are more aligned to state intervention. In addition, though, also deriving from the first paradox, the last thirty years has witnessed the emergence, growth, strengthening and institutionalisation within governance and beyond of financial elites at domestic and international levels. As already observed, this implies not only particular sets of policies towards promoting private capital both directly, through privatisation for example, and indirectly through fiscal austerity, but also the transformation of the capacity to conceive and formulate alternative policy itself. I have, on a personal note, been associated with the Municipal Services Project, funded by the Canadian development agency, IDRC, http://www.municipalservices.org/. It has over some time been monitoring the effects of privatisation and commercialisation of basic services across the developing world. In its latest phase, it adopted the different stance of seeking out best practice alternatives underpinned by a more significant role for state provision. I am sorry to report that these are almost impossible to find and not because the state must or does perform worse than the private sector, as popular neoliberal rhetoric would suggest. Instead, it is apparent that developments over the past thirty years have tended both to squeeze out the presence of public sector alternatives where they do exist and also, and equally important, preclude them from emerging in the first place.

Consequently, it is germane to pinpoint the relationship between financialisation and neo-liberalism. It is no accident that the two should coincide with one another over the period of the last thirty years. This is certainly true at the ideological level as the imperative of freeing markets has been applied first and foremost to those pure markets associated with finance. But finance has also been associated with the emergence, strengthening and influence of financial elites at both national and international levels.

As a result, I do not see financialisation as a simple associate of neo-liberalism but as its defining or underlying aspect, with a reach that goes far beyond financial markets themselves. To make sense and even to defend this posture, two further points need to be made. The first is to highlight significant connections but also inconsistencies across the ideologies, the scholarship and policies in practice of neo-liberalism. These have a shifting relationship to one another across time, place and topic. I have argued this at great length elsewhere, particularly in the context of development, Fine (2001 and 2010a), Fine et al (eds) (2001) and Bayliss et al (eds) (2011). Crucial, for example, is that, despite its scholarship and rhetoric, neo-liberalism has always been heavily associated with state intervention. This has, however, been intervention to promote private capital in general and finance in particular. The response to the current crisis is no exception in which the crisis within, and not of, neo-liberalism has been associated with extraordinary measures of support to finance both in levels of finance and even in nationalisation of failing financial institutions. Indeed, so powerful has been finance's influence over policy in the wake of the crisis that it has jokingly been described as "socialism for the bankers" and as not a case of government Treasuries nationalising the banks but of the banks nationalising the Treasuries!

This is all indicative of a further feature of the relationship between financialisation and neo-liberalism that, very roughly, the latter falls into two phases divided by the early 1990s. The first phase is aptly characterised as shock therapy in which, most strikingly, first in Latin America and, subsequently, in the former Soviet bloc, the promotion of private capital proceeded without regard to the consequences. The second phase has been, if only in part, a reaction to the consequences of the first phase in terms of the dysfunctions created, not least in social welfare provision, but it is also more marked by explicit intervention by the state to sustain the processes of, and underpinning, financialisation. Once again, this is one way of perceiving responses to the crisis. And it is, for example, borne out by the shifting policy stances on privatisation, to which I will return below in the context of social policy.

It is hardly surprising, then, that the neo-liberalism/financialisation dualism should tend to preclude alternative thinking and policy. As Mkandawire (2009, p. 45-6) perceptively observes:

> On the assumption that the appropriate structures to emerge will be dictated by market forces, the contemporary strategy of poverty reduction is usually silent on sectoral policies. The model that has dominated economic policy during the past two decades has tended to treat any specific sectoral policies that are not axiomatically derived from the core model as 'distortions'. Up until recently, 'industrial policy', 'social policy' and 'labour market policies' were only acceptable if they involved self-negation and meant the extension of the reign of the market to these spheres.

In other words, and to some degree remarkably, proper consideration of such policies has been taken off the agenda or, when they do make it on, they have been considerably reduced in scope of content and application with this being equally true of those who offer opposition to pure reliance upon market forces. Both our material and intellectual worlds have been heavily constrained by financialisation, and positive prospects for development, and for the state's role upon it, depend upon insulating policy from financialisation so that economic and social reproduction is served by finance rather than the other way about.

Of course, as emphasised, financialisation is both multi-dimensional and uneven across and within each dimension across and within developed and developing worlds. Indeed, financialisation is generally least developed in LDCs and, to some degree, mercifully, this has allowed them to avoid the <u>direct</u> impact of contagion from the global spread of the financial crisis through financial markets themselves. But indirect effects have been significant in terms of loss of export markets with global recession and loss of migrant remittances, and there has been volatility and spikes in food and energy prices, with some gains from raw material prices where supply rather than demand has been on the short side.

In effect, the direct impact of financialisation on LDCs has as yet most probably been greatest where the influence of global (or external) factors have been most important rather than through domestic developments within financial systems. This involves externally imposed adjustment policies, and the corresponding liberalisation of capital movements, and the corresponding liberalisation of capital movements, exposing economies to the risk of capital flight or destabilising inflows (now acknowledged as a risk by the IMF)[4] and the high cost of holding reserves to guard against such eventualities.

Otherwise, financialisation is more likely to have proceeded through the opening of domestic banking systems to foreign competition, again under the auspices of IFI conditionalities, promising much in terms of the mobilisation and allocation of finance for domestic investment. In practice, the evidence suggests totally different outcomes as foreign banks have targeted personal banking of the wealthiest individuals as opposed to developmental finance. The liberalisation/deregulation model for developed countries now lies in tatters, but its impact upon developing countries has been equally significant not least across appropriate sequencing of both reform (prior availability of appropriate regulation and stability) and promotion of different types of developmental finance. As Van Waeyenberge et al (2011, p. 21) summarise from the fuller account of dos Santos (2011), and the corresponding indefensible defence of IFI research in favour of foreign bank entry and banking liberalisation:

> Foreign bank entry then grew rapidly in Latin American and East European countries. The result was a major shift in the structure of lending away from domestic enterprises to individuals. Lending behaviour by foreign banks created vulnerabilities in host economies around the world.

Further, as Demir (2009, p. 314) claims for "the first empirical study that looks into the portfolio choice real sector firms in developing countries face between real and financial sector activities … increasing availability and accessibility of alternative investment opportunities in financial markets when combined with domestic market rigidities and uncertainty can become instrumental in channelling real sector savings to short-term financial investments instead of long-term fixed capital formation and thus lead to deindustrialization in those economies". He concludes that as, "rather than investing in irreversible long-term fixed investment projects, firms may choose to invest in reversible short-term financial investments … there is a need to reorganize the financial system in such a way that domestic (and foreign) savings are directed towards productive investments instead of financial ones", p. 322.

And, if we can take the step of reorganising the financial system, there remains the issue of the how greater availability of longer-term resources might be deployed. In this vein, in later sections, I bring industrial and social policy back onto the agenda as well as considerations of the developmental state. But, before doing so, I offer an account of new growth theory in part because of the light it does, or does not, shed on considerations of growth and development, and also in part because it illustrates the malaise that is characteristic of the new development economics, how it differs from the old development economics, and how the strengths of the latter can be restored with regard to changed circumstances.

Introduction

It is now a quarter of a century since Romer (1986) drafted his classic and pioneering paper on new growth theory. He could not have anticipated the explosion of research that would follow, not least given the modesty of his own research methods. As he confesses in retrospect on whether he was influenced by Schumpeter's notion of creative destruction, Snowdon and Vane (2005, p. 686):[5]

> No, I can honestly say that it has not. Schumpeter coined some wonderful phrases like 'creative destruction' but I did not read any of Schumpeter's work when I was creating my model. As I said, I really worked that model out from a clean sheet of paper. To be honest, the times when I have gone to try to read Schumpeter I have found it tough going. It is really hard to tell what guys like Schumpeter are talking about [*laughter*].

Even if we reduce the issue of development to (endogenous) growth, contingent upon productivity increase, the resulting energy devoted to explaining it in theoretical and empirical terms has been astonishing. Hundreds of variables have been deployed and millions of regressions have been run.[6] They offered the promise of using the results for economic and social engineering – the first model underpinning Poverty Reduction Strategy Papers, suggested the use of growth-elasticities to trade off policy variables whether it be through choice of the elimination of a black market in foreign exchange or the number of telephone lines per thousand head of population.[7]

Now, from similar exercises, especially in the consequences of financial liberalisation and the impact of trade openness, we should have been cautious about the intellectual, let alone the statistical, stability of banging out empirical results, whether on the basis of refined or elementary models. The outcome has been disappointing with a significant literature expressing doubts about the theoretical and empirical rationale of the exercise itself, that growth "models" cannot be common across countries.[8] Yet, interestingly, so extensive has been the empirical work that it has given rise to the emergence of the subfield of growth econometrics, with corresponding survey articles.

What do we learn from these?[9] First as many as fifty or so growth theories are identified as well as three times as many variables (with corresponding opportunities for publication bias – towards finding positive or, at least, significant results – and data mining). Second, whilst most economies have grown over the past forty years, growth rates across countries have diverged to an unprecedented extent other than for all but the richest countries irrespective of initial conditions (casting doubt on convergence hypotheses). Third, growth across the globe has been poorer between 1980 and 2000 than in the previous two decades and with more dispersion of growth rates (although there have been "take-offs" for China and India incorporating two-fifths of the world's population). Fourth, there have been convergence clubs of nations around growth rates, roughly coinciding with East and South-East Asia, South and Central America and Sub-Saharan Africa (in order of declining performance). Fifth, identifying the causes of take-offs and slumps in growth are of importance. Sixth, policy change and reform can be of significance as can be the more or less favourable response to more general "shocks". Seventh, there is a need for country-specific study focusing on historical and institutional context.

Stepping back from these lessons, we can draw three more general conclusions. The first is to reinforce the conclusion that models are liable to collapse the complexity and diversity of the growth experience, partly because of the nature of the beast itself and partly because of the nature of the models whether by virtue of necessity or by design in light of how theory and modelling have evolved in practice. Second is to observe the inconsistency between the empirical results and the theories from which they derive, ones that are almost universally based upon a dynamic organised around steady state balanced growth. Third is the almost unwitting <u>revisiting</u> of the old development economics in the sense of seeking out empirical regularities and explanations and precedents for them, even if on the basis of considerably larger, later and more diverse data sets and more refined statistical techniques.

This is, however, to revisit not to reproduce and update the old development economics. It was bound by the inductively and historically derived experience of the developed countries, with emphasis upon the processes of industrialisation, urbanisation, agrarian and demographic transitions, and so on, with the expectation that similar patterns would be followed by developing countries as captured in the notion of modernisation. It also emerged during an entirely different intellectual and material climate.[10] The latter was dominated by the processes of decolonisation the context of the Cold War and, possibly the most influential contribution in this respect, is Walt Rostow's Stages of Economic Growth: *A Non-Communist Manifesto*, emphasis italicised. It carried a message to the world that could not be clearer in the wake of the launch of the Sputnik in 1957 and the perceived threat of Soviet economic and technological catch-up. Whilst Rostow's ideological credentials could not have been stronger in support of US hegemony, and his volume was to go through three editions and sell three hundred thousand copies, his own stance on economic history was not supportive of the single-minded theory and numbers characteristic of the then emerging cliometric (or new economic history) school. His schema for development followed a stylised induction of stages of economic growth from the experience of the developed countries. Whilst in part relying on standard growth theory, for Rostow, the ultimate causes of such growth are situated in a framework of modernisation, of breaking up of traditional societies and, correspondingly, of major shifts in political, cultural and social variables that are not reducible to the economic.

This is a consequence of the then established style of economic history to which Rostow adhered, but it also reflects his keen commitment to distance his approach from the "economic reductionism" that he attaches to Marxism. Indeed, his book's last chapter is devoted to a critique of Marxism for its economic reductionism (making up 15% or so of the main body of the text). The (mis)representation of Marx should not be taken too seriously except as a fascinating ideological text, reflecting (lack of) scholarly values of the time, but the nature of his construct of Marxism is instructive, (Rostow 1991, p. 149):

> The first and most fundamental difference between the two analyses lies in the view taken of human motivation. Marx's system is, like classical economics, a set of more or less sophisticated logical deductions from the notion of profit maximization.

Ironically, this is a better description of the "economics imperialism" of the present day, Fine and Milonakis (2009). Indeed, Rostow (1957, p. 510) stated his preference for interdisciplinarity "because I was repelled by Marx's economic determinism". In contrast, "In the stages-of-growth sequence man is viewed as a more complex unit. He seeks, not merely economic advantage, but also power, leisure, adventure, continuity of experience and security; he is concerned with his family, the familiar values of his regional and national culture, and a bit of fun down at the local … In short, net human behaviour is seen not as an act of maximization, but as an act of balancing alternative and often conflicting human objectives in the face of the range of choices men perceive to be open to them", Rostow (1991, p. 149).

In short, from its own perspective, Rostow provides a manifesto of sorts more against neoclassical economics than Marxism by seeking to retain the notion of a more rounded individual. His antipathy to the idea that history can be reduced to the optimising individual could not be plainer. For, "The theorist has generally been uneasy if not awkward if forced to work outside Marshallian short-period assumptions; the historian – like the human beings he writes about – cannot avoid working in a world of changing tastes and institutions, changing population, technology, and capacity", Rostow (1957, p. 514). Thus, the old development economics carved a place for itself, like much applied economics more generally, outside the domain of both microeconomics and macroeconomics. In part, this reflected an acceptance that development was to be construed as something more than the economic as traditionally conceived, with a corresponding deference to the limited applicability of depending exclusively on "rationality" and needing to incorporate the insights and methods of the other social sciences to explain development fully.

Even if, as suggested by the account of new growth theory and for other reasons and applications too, the new development economics has warmed to some of the themes of the old, it does so by entirely different methods and theory. It is highly dependent upon deductive models, especially those derived from mainstream neoclassical economics, with little or no conscious reliance upon inductive and historical investigation as such, incorporating little historical and social specificity other possibly than to guide choice of model. For the Washington Consensus, universally acknowledged as an explicit rejection of the old development economics and its reliance upon the state as an instrument for achieving modernisation, the theoretical underpinnings are made explicit by Anne Krueger, Chief Economist at the World Bank between 1982 to 1986. In the first issue of the World Bank Research Observer, she asserts, "Once it is recognised that individuals respond to incentives, and that 'market failure' is the result of inappropriate incentives rather than non-responsiveness, the separateness of development economics as a field largely disappears", Krueger (1986, p. 62). Whilst the subsequent post Washington Consensus, PWC, has been more state-friendly and more reliant upon market imperfections in orientation, it is no less committed to the same methodology albeit with contingent eclecticism in relation to model choice. As Dani Rodrik (2007, p. 3) whose *One Economics*, Many Recipes, emphasis added, could not be more explicit, emphasis added:

> At the core of neoclassical economics lies the following methodological predisposition: *social* phenomena can best be understood by considering them to be an aggregation of purposeful behavior by individuals—in their roles as consumer, producer, investor, politician, and so on—interacting with each other and acting under the constraints that their environment imposes. This I find to be not just a powerful discipline for organizing our thoughts on economic affairs, but *the only sensible way* of thinking about them.

Accordingly, it is possible to suggest the Washington Consensus and PWC have as much in common as they differ along the market versus state spectrum. Each adopts the same, extraordinarily reduced, method and underlying neoclassical principles; each, nonetheless, applies these across an ever-widening range of economic *and* social applications, and neither has a concept of development itself as opposed to a means to achieve it (reliance upon the market as opposed to piecemeal correction of market and institutional imperfections as and when these can be identified and remedied with positive outcome).[11]

As a result, the marriage of new development economics with some limited restoration of the old is an inappropriate mix by which to assess the record of the past and the prospects, and policies, for the future.[12] Nor is it sufficient simply to restore the old, contingent as it was upon its own context and the necessary inability to take account of changed circumstances as well as the decades of subsequent experience since it has gone into decline. How, then, to proceed? I do so by re-examining three core concepts that have paralleled rather than bridged the passage from what might be termed the pre to the post Washington Consensus. These are the development state, industrial policy and the welfare state.

Lessons from the Developmental State Paradigm

What is it that characterises a developmental state and what makes it so? Answers to these apparently simple questions are elusive. This is not just because of denial of the potential for, or desirability of, the developmental state in deference to the market as associated with the Washington Consensus. For nor does the Developmental State Paradigm, DSP, itself offer satisfactory responses. One reason for this is the tension between the *universal* applicability of the DSP (its analytical framework should apply everywhere, in principle, explaining as required both success and *failure*) and its often confinement in practice to examples of success.

This tension, and how it has itself been resolved, is brought out by acknowledging that the DSP readily if roughly divides into two separate schools, as highlighted in successive surveys of the DSP literature, Fine and Stoneman (1996), Fine and Rustomjee (1997) and Fine (2004, 2006a, 2007, and 2010b and c) and Ashman et al (2010), emphasis has been placed upon two different ways in explaining how successful development has been and might be achieved, this being the goal of the developmental state literature.[13]

For one, termed the economic school, the focus is on those (economic) policies, often narrowly drawn and conceived, that are necessary for an economy to achieve development. Drawing primarily on the idea that markets do not work perfectly and, correspondingly, upon (imperfect market) economics as a discipline, the state is required to accrue, for example, the economies of scale and scope, to coordinate investments within and across sectors, to harness positive and eliminate negative externalities, and so on. For the economic school, then, it is a matter of identifying the appropriate policies, with the presumption that they will be implemented by a developmental state because they ought to be.

By contrast, and completely complementary, the political school with its own disciplinary origins predominantly from within political science (and certainly separate from economics), is remarkably aloof from consideration of the economy itself and the nature of the policies required to bring about development. Rather, the political school is concerned with the nature of the state itself and whether it has the potential in general, and the independence in particular, to adopt the necessary policies more or less irrespective of what these might be. Here emphasis is placed upon the necessity for the developmental state to be free of capture by particular interests, and so to be able to adopt developmental policies.

Taken together, the economic and political schools address what policies are to be adopted and what allows them to be adopted. Successful cases of development in practice can be interpreted through this dual prism, and such is a major methodological thrust of both schools. For each has been highly inductive in practice, examining the role of economic policy in bringing about development and the nature of the states adopting such policies. This is not to suggest, however, that the developmental state literature has been without theory or analytical content. The economic school, for example, strongly emphasises the significance of market imperfections and the role of a developmental state in addressing, if not necessarily correcting them. In highlighting the departure from neo-liberalism, Amsden (1989) famously declared that it was a matter of "getting relative prices wrong", of not conforming to the dictates of the market.[14] In principle, the economic school could have drawn upon orthodox economics and its deductive methods, especially in its emphasis upon market imperfections. In practice, though, as indicated, it has been drawn towards more inductive and case study methods, and it has generally been characterised as sharing a mutual suspicion with orthodoxy even when the latter is based on market imperfections.[15]

Similarly, the political school has tried to identify empirically what characterises the nature of the states, and the societies containing them, in which development has proven possible. Posing this in terms of the independence of the state from economic or other interests has itself presumed an analytical approach in which society is structured along the lines of the state as opposed to the market, with the addition of civil society to fill out the remaining economic, political and ideological space. In this way, not only is the (developmental) state seen as potentially independent, the term favoured is autonomous, it is also perceived to evolve interests of its own that prevail over those of the market and civil society, especially where these conflict with developmentalism. This approach of the political school is admirably captured in the notion of "Bringing the State back in" as an agent of development in its own right, Evans and Rueschemeyer (eds) (1985).[16]

Across both economic and political schools, then, there is a predilection to set up an opposition between state and market. For the economic school, the state overrules the market and so is able to improve upon it. For the political school, the state needs to stand aloof of the market, and the economic interests found within it. The result has been to downplay the role of class in the analysis, Radice (2008). With the economic school, it does not tend to appear at all for it is simply a matter of identifying the right policies and not whether they have sufficient support to be implemented, and on whose behalf or to whose benefit. On the other hand, matters are not so simple for the political school. It is not that class or more general economic interests are absent but it is important that the state has the capacity to neutralise if not to override them. And, of overwhelming importance if so much taken to be granted as more or less to remain unstated, there is a total pre-occupation with the nation-state and its capacity to bring about development irrespective of the impact of international or global factors.[17] This does not mean that the global is absent, only that it needs to be incorporated as a positive (availability of catch-up technology, for example) or as a negative (competition from imports), influence in the policies to be adopted or the attainment of independence in policymaking.[18]

Such are the general characteristics of the economic and political schools, but the developmental state literature has a rhythm of greater or lesser prominence and a more detailed content in conformity with more general events and intellectual trends. Early traces of the economic school are to be found in the protectionism associated with Friedrich List in the nineteenth century and, for the political school, developmentalism is associated with nation-building through industrial and military strength.[19] Latin American import substitution industrialisation from the 1930s until the 1980s is seen as successful (economic school) until radical populism placed undue burdens upon the state (political school).[20] But the developmental state comes of age with the rise of the East Asian NICs in the post-war period. The classic case study derives from Johnson (1982) from within the political school, with his emphasising the role played by the Japanese trade and industry ministry, MITI. Significantly, this study, from a former CIA analyst, was confessed to be motivated by support for the United States in its Cold War aspirations, advising that the unrealistic and abstract propositions derived from neo-liberalism would not bring capitalist development, judging from the experience of Japan, and would make Soviet prescriptions more attractive (and he is particularly scathing of the propositions derived from mainstream economics), Johnson (2006).

But, although still acknowledged as a classic contribution that stands alone in its own way in modern times in its message of the need for a powerful state agent to underpin industrialisation (and with a close account of Japan as latecomer as case study), the ensuing literature on the developmental state focused its critical attention entirely upon the target of neo-liberalism in general and the Washington Consensus in particular whose own version of neo-liberalism could only have been anticipated by Chalmers just a few years before. By contrast, by the mid-1980s, inspired by the developmental successes of the East Asian NICs and the unremitting hostility to state intervention being displayed by both the World Bank and the IMF, the DSP became one of the two leading strands of criticism of the conditions being attached to these organisations' offer of aid.[21] Apart from Amsden's (1989) study of South Korea's industrialisation, Wade's (1990) account of Taiwan's, offering the mantra of "Governing the Market", also rapidly became a classic.

The growing intellectual momentum of the DSP in the wake of the success of the East Asian NICs, and the incontrovertible evidence of extensive state intervention in these countries, was complemented by the growing sense of failure, indeed a crisis of legitimacy, of the Washington Consensus as the 1980s was appropriately seen as a lost decade as far as development elsewhere in the world was concerned. In the early 1990s, the Japanese funded a study to reassess the role of the state in the East Asian NICs. It had three good reasons to do so. First, the Washington Consensus denied the historical reality of its own latecomer success. Second, it was on the point of becoming the leading donor to developing countries. And, third, most important of all, its own industrial strategy, of contracting out less technology-intensive production to countries within the Asia-Pacific Rim, required for success that this be supported by appropriate local industrial policies. Japan could hardly be expected to continue to pay for policies that it knew both to be based on falsehood and to be against its own interests![22]

In the event, the World Bank's (1993) report on the East Asian NICs proved a remarkable piece of intellectual acrobatics. It did not deny that the state had intervened extensively but suggested that it had done so in a way that was market-conforming, doing what the market would have done had it been working perfectly, an unassailable but vacuous position in support of the market. It further suggested that the conditions which had allowed for this were not to be found replicated elsewhere. Essentially, the relevance of the East Asian NICs as a model or models for development were discounted except to confirm the rule of following, or conforming to, the market.[23]

Whether such a contorted logic could have prevailed for long is a moot point, especially given the shifting contradictory relationship between the scholarship, rhetoric, policy and representation of reality that emanates from the World Bank, Bayliss et al (eds) (2011). But the logic did not persist in any case but for reasons that witnessed not the triumph of the DSP but its demise from the second half of the 1990s. First and foremost, the Asian financial crises of 1997/98 cast a long shadow over the region's economic miracle, some economists even denying that it had ever occurred and arguing that it had simply reflected the heavy accumulation of resources as opposed to disproportionate increases in productivity.[24] Second, though, the second half of the 1990s also witnessed the shift in the World Bank from the Washington to the PWC, inspired and launched by Joe Stiglitz in 1997 as Chief Economist at the Bank. Underpinning this shift in paradigm from neo-liberalism is the idea of market and institutional imperfections as the source of failing economic performance, and for policy to be addressed at correcting these in a piecemeal fashion. In addition to a more favourable stance in principle to the state, the Bank also placed emphasis upon good governance, the elimination of corruption, empowerment, and democracy, all elements that were supposed to enable the state to act developmentally.

As a result, if in its own way, and at a microeconomic as opposed to a systemic level as far as the economics is concerned, the concerns of the developmental state had been at least partially addressed by the new Bank orthodoxy but also in a way that meant that the term never had to be used. The market versus state agenda set by the World Bank gave way to one of market plus state. Symbolically, the person who continues to be seen as leading proponent of the developmental state, Ha-Joon Chang, both tends not to use the term himself and aligned himself with the PWC, at least to the extent of editing a volume of Stiglitz's contributions on his new paradigm, Chang (ed) (2001).[25]

For a decade or so following the Asian crisis, then, the DSP went into decline. But it is important to recognise that doubts about its continuing relevance had already been sewn amongst its own practitioners before the crisis struck, particularly as far as South Korea in particular is concerned. The South Korean model of the developmental state eventually involved a focus on what might be termed the Giants of Asia's Next Giant, to be found within the conglomerate chaebol system. Even before the financial crisis of 1997, it was being argued that the developmental state had become a victim of its own success, possibly as a general rule. For, in South Korea for example, it had spawned the chaebol and, hence, a powerful class of capitalists who were now in a position to challenge and, ultimately, to prevail over the state.[26] In addition, the working class also becomes more numerous, organised and powerful with development (as industrialisation), together with demands for democratisation that challenges the authoritarian origins of the state's autonomy.[27]

Indeed, such insights inevitably informed the eruption of diagnoses over the causes of the crisis that emerged so rapidly despite the failure to anticipate its occurrence. In crudest form, these placed emphasis on corruption and rent-seeking at the expense of the role of the state and of coordinated industrial policy; more subtle was the idea of the demise of powers of the state over the chaebol as they pursued its favour through diversified profitable outlets in industry as well as property, financial and international markets; and, as already mentioned, there were those prepared to deny there had ever been a miracle, and yet others who emphasised the failure of the state to be able to hold off any longer the interventions of international capital as it sought, not without willing domestic partners, both to deregulate the state's control of finance and to open the economy's productive basis and markets to foreign multinationals.[28] In short, following the crisis, the DSP suffered for a decade or so from being outflanked by the new PWC orthodoxy at the Bank and, paradoxically, with the DSP not finding itself on the more state-friendly PWC agenda, being caught by a pincer movement between the consequences of developmental success (capitalists emerge to challenge autonomy) and apparent revisionist interpretation of failure in the wake of the Asian financial crisis.

Yet, without wishing to blame the victim, one of the unnoticed and essential features of the original DSP literature, which persisted with minor exceptions up to the new millennium (see below), is the extent to which it has been extraordinarily self-limiting, especially within the economic school. From the review given above, it is instructive to examine this in some detail. First and foremost, based on its inductive method of identifying developmental states, and explaining them in terms of the policies adopted and the capacity to adopt them, case studies within the developmental state literature have been self-selecting. Elsewhere, this has been parodied as a law of economics, Fine (2010c), that wherever there is developmental success (or not), the developmental state paradigm will be more or less casually applied and prosper.[29] Of course, this is a process of self-limitation in practice rather than in principle. For, from a logical point of view, failed developmental states should also fall within the paradigm as case studies, those economies that did not adopt the right policies or were unable to do so.

In the event, this latter logic has not been followed other than cursorily. Rather, the literature, has proceeded primarily, but not exclusively, by providing a cumulative basket of successful case studies, with East Asia to the fore, and a few bright spots elsewhere such as Botswana, Mauritius, and the Republic of Ireland, Maundeni (2002) and Robinson (2009), Meisenhelder (1997), and O'Hearn (2000) and Riain (2000), respectively, for example. For the economic school, this has commendably lead to the conclusion that there is not a single model for the developmental state, as they share insufficient in common across the different East Asian economies. In a sense, this is all illustrated by the thrust of Chang's (2002 and 2007) work and message: that the developmental states of the past (the developed countries of today) did experience a wide variety of conditions and causes but these all diverged from the recommendations for both economic and non-economic policies that they currently offer to the developing world (especially as regards neo-liberalism and the premature burdens of democracy and modernisation). In this way, failed developmental states or, more exactly, failed development is at most implicitly explained by divergence from one or other developmental state model as opposed to close examination of such failures themselves from within the broader application of the DSP itself.

For the political school, there has been much less single-minded pre-occupation with those developmental states that have succeeded, with the attempt to tease out the surrounding conditions explaining why appropriate policies could be adopted rather than being subverted by special (non-developmental) interests derived, normally, from the economy but also potentially from civil society. Recall that the rationale underlying the gathering of case studies is to identify where the state is able to act independently and/or even to have an interest of its own. Indeed, initially, the presence of a developmental state (as reflected in MITI for Japan for example) was taken as sufficient evidence of the required state autonomy. But, obviously, this does not probe very deeply into the social, political, cultural and ideological circumstances that both create such pre-conditions and allow them to prevail over other causal factors and interests. The search, again within an inductive framework, was mounted for the sources of what became known as relative and/or embedded autonomy[30] – a growing recognition for the paradigm that the state had to be both independent of, and yet, responsive to and controlling of other structures, processes and agents "in thick social relationships with various institutions of society", Khondker (2008, p. 36). This seems to be a matter of bringing back in what has been left out from the state when previously bringing it back in as an autonomous agent!

Not surprisingly, the more case studies of relative, embedded autonomy were addressed, the more (refined) conditions, or their absence, were found to be of relevance. The literature has offered attention to consensus, institutions, political participation, authoritarianism, inclusion and exclusion, the international environment, bureaucratic cohesion, depoliticisation, weakness and strength, efficacy, adaptability, networks, politics in all of its forms (leadership choice, regime maintenance, and interaction between economic performance and coalition formation), and social structure comprising class, gender, ethnicity, culture and religion.[31] In this respect, at least for the political school, the paradox is that limitation to political capacity to deliver developmental policy has lead to unlimited scope of case studies to incorporate both successes and failures.

The difference with the economic school, and its tendency to shy away from failure, despite a common inductive methodology, is explained by the extent to which much state failure in economic policy cannot in and of itself be readily distinguished from the instances of success from within the economic school as both breach with the dogma of relying exclusively upon the market – as it were, where does developmentalism end and rent-seeking and corruption take over? By contrast, because it does not look at the economy as such, and takes the distinction between successful developmental states and unsuccessful states as starting point, the political school can round up the evidence across as many states as it chooses, and across as many variables likewise, and seek to discover empirical regularities in the determination of success or not. In this, it has some sort of advantage over the economic school which can only, for example, insist that some degree of protection is essential for developmental success but cannot guarantee it. On the other hand, the results of the political school are far from solid and are unable to offer simple nostrums around the relationship between authoritarianism, say, and developmentalism. There are also too many variables that can be added to the unpicking of relative, embedded autonomy, and there seems no fixed interactions between them, although the results swing towards democracy against authoritarianism as we move forward in time (in line with more progressive stances along the lines that equality is good for growth, etc). But, by being more rounded than the economic school in addressing state success <u>and</u> failure, the political school becomes vulnerable to being outflanked by a literature that addresses the same issue whilst totally ignoring the DSP, precisely as good governance, institutional analysis, etc, come to the fore, not least with the desire to identify and explain the African dummy for poor performance for example, Jerven (2011).

The limitation to successful developmental states, most notably for the economic school (other than in critique of the rest as relying too heavily upon neo-liberal prescriptions, something that need not arise for the political school more concerned with internal politics and external influences upon it), has inevitably involved a self-limitation with regional bias towards East Asia as the preferred area of application of the developmental state paradigm. Africa, for example, is notable for the relative absence of corresponding case studies, Mkandawire (2001). But, surely, if interventionist policy is able to explain success in East Asian NICs by adoption of the right interventionist policies, it ought equally to be able to explain failure elsewhere by their lack of adoption or of the wrong policies. The point here, and it will recur across other issues around the self-limiting scope of the DSP, is to question to what does the approach apply, how wide is its explanation, does it explain success as well as failure and, is this a matter of self-confinement in its causal principles or analytical framework or not. For simple propositions concerning the necessity of state intervention because markets do not work perfectly seem to be extremely wide in application, more or less without limit, as opposed to being confined to developmental success alone (and within particular regions of the globe). And, by the same token, the concerns of the political school around the conditions which allow for efficacy in state intervention (whatever that might be in practice) are also not confined to accounts of developmental success in particular parts of the world for particular phases of development, especially in large-scale statistical cross-country exercises as opposed to more informal individual case studies for which choice of success over failure continues to loom large even for the political school.

Not surprisingly, given its emphasis on East Asian NICs, and the particular phase in the process of development attached to latecomer, catch-up industrialisation, the DSP has been drawn to assess industrial policy at the expense of other policy and aspects of the process of development and even of other stages of development including those of industrialisation itself other than latecomer catch-up. Most obviously absent is the role of agriculture, in and of itself, and as a crucial catalyst to industrialisation as a source of surplus for investment thereby alleviating savings constraints, labour for industrial employment, demand for domestically produced industrial goods, and measures to enhance productivity of agriculture itself. The same applies to the role of other primary products in development not least oil. As Ikpe (2011) argues in seeking to extend the DSP to Nigeria (as a failed instance):[32]

> Developmental states are expected to address the noted constraints on industrialisation by:
>
> - managing *savings constraints* by extensively taxing the agricultural sector; and manipulating foreign exchange rates with regard to agricultural exports;
> - alleviating *marketed surplus constraints* by adopting policies to appropriate food from producers at low prices; obliging producers to pay for land and inputs and credit repayments in food; making widespread efforts to raise agricultural output and productivity levels through investment in

infrastructure, including irrigation and provision of subsidised inputs; and protecting the domestic agricultural sector from foreign competition;

- limiting *industrial demand constraints* by ensuring the protection of the domestic industrial sector from foreign competition; and pursuing agricultural investments to enhance agricultural output and supporting pluriactivity to improve agricultural incomes; and
- mitigating *labour constraints* by locating industrial activity in rural areas to enable pluriactivity; investing in rural infrastructure and social services including education to enable rural industrial activity as well as preparing the rural workforce for industrial employment; and driving investment in land and labour saving technology to ease the outflow of labour from agriculture.
- … and strengthening the agricultural sector by ensuring *fiscal linkages* between agriculture and mineral resources by enabling fiscal transfers to the former for rural infrastructural developments, provision of subsidised inputs and credits to producers.

It is, of course, not accidental that such considerations derive from seeking to extend and strain the DSP to incorporate the classic concerns of the old development economics. And, by the same token, whilst there are extensive literatures on both agriculture and development (not least for the successful developmental states), this does not tend to have been incorporated into the DSP itself.

This discussion offers the following lessons for LDCs insofar as they seek to become or, more exactly, aspire to learn from the experiences of erstwhile (East Asian) developmental states either from their golden periods of industrialisation or from those foundational periods that preceded them.[33] First and foremost is the need to focus state policy on agriculture (and other primary sectors) to bring about productivity increase for which leaving the sector to the market to exploit comparative advantage and be disciplined by competitive forces is totally inadequate. Second, this must be targeted as both a goal and a means to development. Third, as already indicated to some extent, corresponding policy for agriculture will dovetail with the classically conceived challenges of development in which the state plays a significant role across expanding food and raw material supply, creating a surplus for investment, surplus labour for transfer to other sectors, and surplus product for export to earn foreign exchange, and creating both supply and demand linkages for sectors serving agriculture (fertiliser, seeds, etc) and served by it (food processing). Fourth, the range of potential policies involved are extensive and their suitability and potential highly complex and diverse, and contingent upon crop, climate, land quality and location, and potential for mix of products (by quality and for domestic or export markets), infrastructural provision (transport, irrigation, etc), potential for land reform, integration or not into global (or domestic) value chains, traditional patterns of work and consumption, and so on. In this light, as amply confirmed by the overview of Chang (2009) the task is to identify the appropriate policies for agriculture to be developmental drawing upon a wealth of historical and continuing experience rather than seeking to emulate some elusive market-led route to efficiency. Whilst Chang is mainly concerned with policy for raising agricultural productivity in light of historical and continuing experience, similar considerations apply to, and inevitably mix in with, achieving the broader developmental goals associated with industrialisation. On the basis of case studies, and broader overview, it is found that the state can play a significant role in relation to land tenure, land degradation, either over-fragmentation or over-concentration of landholdings, agricultural research, extension services, rural credit, irrigation, transport, fertilizers, seeds, price and income stabilities, trade shocks, agro-processing, marketing, electrification and education.[34] Last, then, and by no means least, and as suggested implicitly by extension of the political school attached to the DSP, there is no avoiding the politics of agriculture and the complex of interests and public and private, national and international, institutions with which such politics is embroiled. These range from the multinational biotechnology corporations down through more or less wealthy landowners and tenants to landless, casualised wage-labourers.

Indeed, the formation, implementation and monitoring with feedback of policy must be sensitive to the structures and processes through which these interests are formed and exert influence and, equally, how they interact with the emergence and/or strengthening of new constituencies as development proceeds, or not. It is also essential to be mindful of the speed and unexpected directions that might be taken as oil-rich middle east economies (and China) buy up agricultural land in developing countries (especially in Africa) to address their own food sustainability (and, of more longstanding duration, the displacement of agricultural production for domestic production for cash crop production for western European luxury and/or all-year consumption).

Significantly, in light of these issues, it is indicative that the International Assessment of Agricultural Knowledge, Science, Technology for Development (IAASTD) recommended broad conclusions and mixed methods of analysis for dealing with the diversity and complexities of food supply.[35] And even the World Bank, which has tended to neglect agriculture except for the occasional blitzed focus from one decade to the next, finds it difficult, if not impossible, to specify one policy fits all on targets and instruments for agricultural policy even though it does have an ethos of favouring private property rights, minimal state intervention, and the promotion of multinational corporation interests as suppliers to, and customers for, agriculture.[36]

And much the same is true of closer consideration of different stages of industrial development themselves other than that of latecomer catch-up. The exception in this respect is the "flying geese" approach. This has two aspects. On the one hand are the dynamic linkages from one sector to another with potentially increasing degree of technical sophistication and value added as we move through the flock. Here, once again, there have been limitations by taking the Washington Consensus as point of departure. For the neo-liberal reliance upon getting the prices right, perceiving the state as a source of corruption and rent seeking, and denying its capacity to pick and promote winners, induced corresponding counterclaims on these terms alone. Consequently, the result was also not only to focus upon industrial policy but also to frame it in a narrow way, straying little beyond trade policy, preferential access to finance, and coordination and promotion of investment within and across sectors. But this tends to leave a number of vital elements of industrial policy (or factors within industrial policy) out of the picture – such as skills and the labour market, the role of the financial system more generally than directed finance, and technology policy.[37] These seem more or less to have been assumed to fall into place by virtue of other policies as prime movers.

On the other hand, “flying geese” serves to highlight the shifting international division of labour between, or across, national economies as those at lower levels of development and wages and skills take on the relocated manufacturing roles of those already upgrading or upgraded to higher stages of industrialisation. The classic case is Japan’s investment strategy into the Asia-Pacific Rim in the last decades of the twentieth century although China currently presents a more complex picture as it both leads the geese of follower nations and competes with them. This and closer examination of historical experience in terms of, or increasingly at the expense of the metaphor adopted, suggests questioning whether geese fly in a two-dimensional V-shaped pattern or formation alone, and might not other birds or creatures either join the flock and even challenge hierarchy within it. Otherwise is to suggest a limited form of technological determinism that strains both the evidence and the potential for policies that breach with, or progress beyond, confinement to latecomer catch-up that preserves the existing order in the international division of labour, ones that have indeed been broken by the East Asian NICs in the past, with China possibly ready to repeat the exercise in its own fashion.[38]

Thus, certainly, labour-intensive industries in the first instance can then form the basis for a “flying geese” pattern of upgrading into linked higher value, skilled and more capital-intensive production, Shafaeddin (2005, p. 1153) and Haque (2007, p. 6).[39] What will mark the (success of the) earlier stages of such processes is the extent and sustainability of markets against volatility and competition. This means both a premium on export markets, and on domestic production for domestic markets deploying domestic resources. The latter can neatly dovetail with the provision of a number of basic needs. But it remains essential to acknowledge that such stylised forms of progress may not be the only ones, and must be subjected to investigation as such, even if they were the only options available, in order to identify shifting potential in light of technological imperatives and domestic and global market and other economic and social conditions.

This is also, however, to raise the issue of global factors both logically and analytically. Not all can catch up otherwise there would never be leaders despite the pressures towards gaining and sustaining technological advance. Indeed, much of the DSP’s latecomer catch-up perspective not only neglects earlier stages of industrialisation but also the later stage of being on the frontier itself (as if once at the finishing line, the story is over). That this is not so simple or automatic is evidenced by Japan’s industrial travail’s over the past two decades, whilst the record of the East Asian NICs more generally of getting beyond the frontier remains mixed, contingent on the nature of the technologies, consumer products and the strategies of incumbents (the original geese).[40]

And as mentioned, the closely studied impact of China is also relevant in and of itself as well as being indicative of a much more widely dispersed sources of origin and sectors for application for direct foreign investment from multinational corporations and corresponding countries of origin for such investment (with such investment previously heavily dominated by the USA with the UK significant but far behind in second place). Thus, the increasing spread of sources of foreign direct investment is indicative both of enhanced opportunities (availability of, and competition between, sources) and of the erosion of potential for national developmental strategies insofar as there is dependence on global value chains/networks.

But for China itself, there are both lessons and impact to be assessed on which there are burgeoning literatures. Here, a few simple assertions are offered from this literature.[41] First, in the past, Chinese economic development has been primarily based on rapidly expanding domestic markets. This has been accompanied by relatively rapid growth in labour productivity, contingent upon very high levels of investment and has given rise to increasing real wages and the emergence even of shortages for skilled labour.

Second, export growth has been of increasing importance more recently, with corresponding widening of China's trade surplus, but this has been more associated with lower levels of wages, for employment in sectors attached to foreign direct investment, particularly geared towards the processing trade. Whilst this has been large enough at least to account for China's total trade surplus, its contribution to value added is no more than 5% of Chinese GDP, more or less conforming to an enclave-type economy, typically found across multinational corporation activity across the world within export-processing zones, etc. But this should not be taken as typical of, nor predominant in, the Chinese economy and its success.

Third, the dependence of China upon banks for finance for industrial investment is staggering. As Carney (2009) reveals, it is proportionately roughly four times higher than for the United States, and at least double that of most other countries. This is, however, indicative of the limited extent of financialisation of the Chinese economy, since finance has derived primarily from state-owned banks that have been policy driven. Of course, this does not guarantee developmental success in the absence of other conditions but these are precisely what have been present in China where, nonetheless, development is fraught by the tensions associated with sustaining international competitiveness and domestic economic and social stability.

Fourth, this is indicative of the much more extensive reliance of China upon policies that have totally broken from the Washington Consensus in general and those for transition economies in particular, where the outcomes by comparison with Eastern Europe are salient.[42] Significantly, for a short period, China did succumb to Washington Consensus style policies in the mid-1990s but, as a matter of pragmatism in wake of the crisis this induced, it immediately abandoned them for policies of Keynesian expansionism led by welfare provision, a renewal of the role of the state sector, and reversal of foreign sector liberalisation.

Fifth, in this light, it is hardly surprising that a very wide spectrum of opinion from across different positions regarding the sources of China's success and its responsibility, or not, for prompting, aggravating or ameliorating the current crisis, have some common positions on how it should proceed – by expanding domestic production to serve both higher wages and higher levels of social provision, and reducing the overall level of domestic investment as a proportion of GDP. Indeed, such postures are in line with those being adopted by China itself.[43]

Nonetheless, sixth, myths do prevail concerning China and its role in the world economy. These tend to originate from an ethos of blame either incorrectly specifying factors or their causal roles in response to problems that derive other than from China itself. These include the idea of a global saving glut, unreasonable trade surplus and competitiveness from too low an exchange rate, and China's export growth at the expense of domestic consumption. In contrast, it should be emphasised that China's success or impact in these terms, properly interpreted, can only be of considerable benefit to the world economy (as well as its own) although the incidence of such benefits are uneven and possibly negative for some. Failure to realise these benefits is no fault of China and that they do not accrue for other, unrelated reasons, of which financialisation elsewhere is clearly culpable, is no reason to displace blame onto China.

More specifically, as far as China might serve as an enabling factor in the promotion of developmental states elsewhere, its size and diversity give rise to a complex mix of complementary opportunities and sources of competition. Inevitably, these are variously spread across different countries, at different stages of development, across different sectors, technological capabilities and levels of value-added, and corresponding position within global value chains/networks, Kaplinsky (2008) on sub-Saharan Africa for example. Across the literature more generally, the levels of uncertainty and unevenness involved is conducive to appeal to metaphor as China is variously understood as "Engine, Conduit, or Steamroller?", Haltmaier et al (2007), or as a perpetrator of "Flying Geese or Sitting Ducks", Ahearne et al (2006). For Haltmaier et al (2007) in particular, China offers large, growing and varied markets (including its own growing foreign tourism), as well as competition in own domestic and third party markets for other countries. And it is a conduit for regional manufacture and assembling of goods across internationally fragmented production processes and markets and, p. 25:

> As China has moved up the value chain in recent years, increasing its presence in electronic high-tech exports in particular, there have also been shifts in the pattern of production in the other economies in the region. For instance, Japan and Korea have further increased their presence in the medium-tech automotive industry and Singapore has developed its biomedical sector. At the same time, the Philippines has increased its revealed comparative advantage in exports of electronic high-tech products, a large proportion of which are parts and components. However, our analysis of product displacement suggests that China's increasing export share has not reduced export growth for the other countries in the high-tech industries, although it has had a negative effect in the medium-tech and low-tech industries.

Further, though, the following implications are drawn, with the first proposition no doubt being tested much earlier than could have been anticipated:[44]

> First, although China's rise as an economic powerhouse is undisputed, at this point it is unlikely that emerging Asia could weather a significant slowdown in the U.S. economy, for example, without being noticeably affected. Second, our results on displacement of exports and changes in product mix of exports suggest that for some countries the rising trade in parts and components may be an endogenous response to competition from China, as these countries try to find areas of complementarity with China rather than compete head-to-head. Third, China's impact on the economies of the region is not uniform.

And they continue, “Finally it should be emphasized that the debate on these issues is still evolving (the present paper included) and is difficult to settle. Additional research is needed”.

Similarly, Ahearne et al (2006, pp. 2-3) point to the varied manners in which global production is organised, possibly allowing for complementary patterns of growth:

> As an example of how vertical integration might make export growth rates similar, take the example of a small electronic device like a DVD player. The manufacturing of some components—e.g., motherboards, memory, etc.—might be handled in one or several of the ASEAN economies or the NIEs. Those components are then exported to, say, China, where they are assembled into the DVD player. The DVD player is then shipped out to its final destination. Several economies in the region might thus provide value-added to a single device. Hence, as demand for DVD players fluctuates, one would expect export growth to be positively correlated across economies.

However, they add, p. 14:

> When one looks at the sectoral data on U.S. imports from Asia, there is no doubt that China is displacing other Asian economies across a wide spectrum of markets. Not all of this displacement is symptomatic of competition. First, a significant portion of the final assembly of Asian-made products takes place in China.

And, further complicating matters, they observe that, “to some extent the changes in trade shares reflect a longer-term trend of China moving into the product space vacated by the Asian NIEs as they move to higher value-added products”, p. 14, but also quoting McKinnon and Schnab (2006), who suggest yet another role around intra- and inter-regional assembly for which, “China is merely the face of a worldwide export surge into American consumer markets”, p. 15.

Here, given the diverse and shifting roles to be played by China, it is necessary to be mindful of the most recent lessons to be drawn from the Japanese experience. Prior to the emergence of China, it was seen as driving the Asian region and, with it, the potential for developmental states to emerge, Chia (2007) for example. Its own malaise over the past two decades, and its turn towards a new “industrial policy” based on infrastructure and social welfare, possibly to be reinforced by the tragic consequences of the tsunami, is a telling testimony not only of the need for continuing research in and of itself but because of how rapidly circumstances can change. And as a result, as Haltmaier et al (2007, pp. 25-6) suggest, “In particular, acquiring a more detailed understanding of the country-specific responses to the rapid emergence of China would be a fruitful line of further inquiry”.

More generally, the DSP might paint too rosy a picture of what will be attempted, and what can be achieved at the national level in light of neoliberal globalisation and the constraints that this imposes. The extent to which these constraints prevail, in or out of global crisis, is yet to be tested and depends upon how it is addressed at both global and national (and other) levels.[45] For Hayashi (2010), for example, this means that neo-liberal globalisation has not undermined the potential for developmental states.[46] Indeed, far from being outdated, they are necessary in order to integrate into the world economy, rather than protect from it, p. 62:

> the developmental state is a model of state-led industrialization for developing countries, where the market mechanism is underdeveloped or the market itself does not exist. The underdevelopment (or nonexistence) of the market means that the market does not signal which industries should grow or disappear. Under the circumstances, the government should be more proactive than just leaving any economic activity to the market: the government should identify which industries should be targeted and actually promote such industries. However, the means to promote particular industries do not have to equate to trade protectionism. Southeast Asian countries have implemented state-led industrialization by utilizing MNCs, and have been successfully upgrading their economic structure through FDI. Their experience provides an important insight when considering future strategies that today's developing countries could pursue.

This stands in sharp contrast to developmental state agnostics, not least Pirie (2012) who argues that the prospects for successful industrial policy on a broad and national front are limited by virtue of first-comer advantages of competitors and the scale of domestic markets that would need to be available to be able to compete even if protection were a viable policy option. The alternative is offered of national promotion of social provision as some insulation from global dominance.[47] Yet, the burden of these arguments surely depends upon the nature of the sectors concerned, how they are or can be organised and integrated nationally and internationally, and how domestic and international interests are forged and realised. This suggests the need to finesse a number of (false) dualisms – reformism versus revolution; nation-state versus globalisation; state versus market; and democracy versus authoritarianism, and so on, each of which can only fit uncomfortably within the DSP itself as traditionally posed.

Yet, over the most recent period, the DSP has experienced a limited revival, to some degree stretching beyond the limitations previously highlighted here but without regaining the prominence previously enjoyed as a leading form of critique of the Washington Consensus. But it has done so in a way that tends to depart from its original ethos of examining the systemic role of the state in bringing about development (conceived as latecomer catch-up development). Instead, scope of application has been extended by incorporating any positive role played by the state as evidence of presence of a developmental state. First, for example, especially but not exclusively through the South Korean experience, the DSP has attracted renewed attention. Reports of its death have been taken to be exaggerated as the Asian crisis and its preconditions and aftermath have neither entirely dismantled state intervention but nor has the latter been detached from the influence of the chaebol, with corresponding consequences for the nature and depth of recession and speed and extent of recovery.[48] Consequently, different but continuing state intervention of different types, in different circumstances, and under different influences, lead the DSP to be invoked once more, with emphasis upon continuing state intervention to support both industrial and financial restructuring and the relations between them.

After all, both state and development are involved, and so more or less casually constructed descriptors are deployed to resurrect the developmental state. Thus, for Chu (2009), there is a "reconfigured developmental state", geared towards the knowledge economy, in which "Korea remains inclined towards development and does so by serving as a leader and an arbitrator of interests. In seeking to attain its development goals, the Korean state articulates visions and deploys public resources to structure the market and shape innovation," p. 291 and see also Lim (2010) and Lee, K-S. (2009), and Lee and Kwak (2009) for a comparative account of South Korea and Japan.

Wider afield, Kuriyan and Ray (2009), in an account of ICT industries in India, perceives public-private partnerships as a form of developmental state and, in a sophisticated analysis of the Tema port in Ghana, Chalfin (2010, p. 580) concludes that, emphasis added:

> The result is a port dominated by what can be described as a *neo(-liberal)* developmental state maintaining select features of an earlier statism rooted in the expansion of bureaucratic oversight and the protection of national interests and market share, now repurposed in line with a neo-liberal agenda focused on trade facilitation, multinational corporate advantage, and financial speculation.

The counterposing of neo-liberal with developmental state is striking but raises the question of just how far the two can be accommodated with one another, conceptually and in practice.

Second, as suggested, the DSP has now come to serve as a blanket term for any circumstance in which there is state involvement and some aspect of development.[49] This also allows a certain promiscuity in forging relations between the DSP and other paradigms. For Yeung (2009), the development state is situated in relation to global production networks and regional integration; Gomez (2009) incorporates firm organisation by appeal to Chandler's approach to big business; Kwon and Yi (2009) and Kwon (2009) address poverty reduction and international policy transfer, respectively; Eimer and Lutz (2010) offers a comparative study of HIV/AIDS drugs policy across India and Brazil; Aiyede (2009) questions whether federalism can overcome predatory fragmentation; and de Haan (2010) is concerned with corruption, clientelism, patronage, resource curse, and rent-seeking, p.109:[50]

> So neo-patrimonial states do not have to democratize, liberalize and outlaw corruption before they can become developmental states. But their political-administrative elites *do* have to feel a need—because of political pressure from society—to engage in a social contract for economic growth with their population instead of just engaging in a redistribution system of state revenues based on patronage and a fat bank account abroad.

Interestingly, such a prognosis within the political school is entirely without roots within particular economic activities at whatever stage of development.

The DSP is, in principle, and to some degree then in practice, of universal applicability. Further, such widening of the scope of the approach is also unsurprising as those who are newly, or continue to be, attached to it, seek to find new avenues for their research. Mok (2007), Green (2007) and Gopinathan (2007) are concerned with the developmental state and (higher) education as East Asian NICs have responded to crisis; Neo (2007) with the environment; and Fritz and Menocal (2007), Sindzingre (2007), and Randall (2007) with aid, taxation and political parties, respectively. And industrial policy also benefits from a broader perspective, as Park (2007) examines the treatment of SMEs, Lazonick (2008) is mindful of entrepreneurship, Lee and Tee (2009) take on cluster analysis for the bio-medicine in Singapore, and Bowen (2007) weds global production networks to aircraft manufacture in the Asia-Pacific Rim.[51]

And, third, as in the past, newly emerging developmental states provide the raw material for further contributions, not least with China's economic miracle to the fore.[52] What is more novel is the goal of identifying developmental states in the making. This is true of the hopes placed for a new developmental state on more progressive governments in Latin America, Moudud and Botchway (2008) and Caldentey (2008), as well as on Africa, Matlosa (2007) and Moudud and Botchway (2007). Barbara (2008, p. 311) views post-conflict states as potentially developmental since, "The economic environments of failed states provide extreme examples of market failure". And, in a bizarre way, developmental state optimism takes extreme form after a decade or more of neo-liberalism, with the self-declaration of post-apartheid South Africa as a prospective candidate, all evidence to the contrary Fine (2010c) and Ashman et al (2010). This is ironic given that most developmental states were, at least initially, blissfully unaware of their status as such whilst experiencing, let alone anticipating, it! They needed western academics to tell them what they were after they had already been it.

In short, the attempt to realise the goals of the DSP can potentially make a major contribution to the progressive transformation of global capitalism and national capitalisms although it does not offer a model or collection of models from which appropriate policy can be picked from the shelf. The DSP serves at most as a stepping stone that must be surpassed both analytically and strategically. But for the moment, at least, as neo-liberal scholarship, ideology and policy in practice remain severely unchallenged in the alternatives being offered in the wake of global crisis, the DSP is worthy of critical attention as opposed to deliberate and far from benign neglect and marginalisation.

Industrial Policy

In many respects, discussion of industrial policy, especially for economists, has suffered a similar fate as the DSP. It has gone out of fashion. And, where it has clung onto survival at the margins, it has been marked and limited by its neo-liberal alter ego of leaving everything to the market, reducing its methods, substantive content and scope of application. For, the new orthodoxy (market- and institutional-imperfections approach) around industrial policy still accepts a basic division as starting point between state and market, but accepts that there is a role for each, and that they can be complementary rather than antagonistic. Thus, for Hausman and Rodrik (2006, p. 25):

> the government is only focused on providing complementary inputs to the market. It is not an issue of state vs. market. If the government does not provide the inputs, market efficiency will be low. In this world, laissez-faire is

> a dead-end street. Instead, the ideal alternative is for the government to provide all the complementary inputs to all potential [market] activities.

Significantly, though, with the pro-active state only making up for the deficiencies of the market, this is all set within an analytical framework firmly grounded upon microeconomic principles and corresponding market imperfections. The latter are general and drawn from the microeconomics that has emerged over the past two decades to greater prominence and without development initially in mind as an application. It involves universal notions of potential market failure derived from the presence of externalities, scale economies, informational problems and those of coordination, Haque (2007, p. 3) for example. And, although occasional and even inevitable reference is made to the macro or systemic aspects involved in development and industrialisation, especially in pursuit of structural change, the thrust of the approach is to favour the market (or globalisation) other than in piecemeal and selective interventions to correct market imperfections. In this respect, the limited departure from the Washington Consensus is striking. For the latter also offers no concept of development as opposed to a putative mechanism to deliver it, reliance upon market forces. By the same token, enhancing or complementing the market by piecemeal state intervention offers little more insight into the nature of development and industrialisation.

As a result, the Washington Consensus can be seen to have had the effect of narrowing down how industrial policy has been conceived, not least if ironically in the opposition to it, over the past decade. This has occurred on a number of levels. One has been, as already suggested, in the extent to which industrial policy has been transformed from a mechanism for systemic industrialisation and development into an instrument for correcting market imperfections. At a second level, what counts as industrial policy has been unduly circumscribed. Whilst in principle anything falling under the rubric of market imperfection could count as a prompt to corrective industrial policy, the Washington Consensus has funnelled attention into a few, particular directions. The most obvious and prominent has been trade policy, followed closely by privatisation. This does itself reflect a more longstanding feature within the industrial policy literature of its being subject to fashions and shifting, but limited, focus on particular factors – trade policy, competition policy, promotion of SMEs, privatisation, skills, technology, and so on. Industrial policy has tended to search out and hit upon either highlighted obstacles to be remedied or removed, or magic bullets to be targeted, with specific factors and case studies being unduly generalised. In a sense the Washington Consensus is an extreme case with the market as the golden shot, and the state as the impediment.

At a third level, and by the same token, the goals of industrial policy have been unduly reduced to some sort of notion of (international) competitive success and survival as if market criteria for the firm or industry were sufficient in and of themselves. In the limit, market success has been taken as the ultimate and exclusive goal. Or such success could be understood to be an efficient and effective way to allow for other objectives to be pursued in principle without examining whether this occurs in practice (exports to earn foreign exchange are taken as sufficient in and of themselves without examining whether these are retained or shifted abroad for example). And the same neglect applies to the broader, systemic goals and drawbacks of development whether it be industrialisation or environmental degradation, respectively.

Further, whilst it has now become fashionable to emphasise diversity, complexity and context in considering industrial policy, these are often endowed with a shallow content, no more than is necessary to move beyond the one model fits all point of departure, and one that tends to be removed from broader economic and social goals and the transitions associated with, and as a component part of, development and industrialisation themselves. Consequently, and in contrast, industrial policy should both elaborate broader goals than simply attaining competitive survival and incorporate or integrate them with other processes and policies. The goals and means of modernisation attached to what might be termed the pre-Washington Consensus, as it were, need to be reinterpreted and reformed in light of historical experience and the transformations to contemporary conditions.

It would be a mistake, however, to see each individual contribution or all contributions taken collectively as simply collapsing the goals and instruments of industrial policy. Rather, it is more useful to recognise that there are tensions within the literature. As already remarked, whatever the practice, the principle underpinning much discussion of industrial policy is that it is necessary to correct market imperfections, and these are extraordinarily wide-ranging across the literature especially when case studies are gathered together. For these cover each and every aspect of industrial performance - technology, finance, markets, skills, competition, trade and so on. Further, as Haque (2007, p. 1) notes, "Contrary to a general perception – born out of the current sway of the neoliberal orthodoxy – industrial policy is alive and well". And Rodrik is cited to the effect that, "The reality is that industrial policies have run rampant during the last decades – and nowhere more so than in those economies that have steadfastly adopted the agenda of orthodox reform". A literature search on the scholarship over the past few years reveals thousands of examples of industrial policy successfully implemented, although much of this both focuses upon (new) technology and is not within the mainstream economics literature.

As mentioned, this raises questions over whether the market imperfection theoretical approach to industrial policy can accommodate the evidence gained from case study material. Consider trade policy for example. The Washington Consensus offers an approach in which it is advised that levels of effective protection should be reduced in order that developing countries should be disciplined by world prices. This presumes, however, that the notion of effective protection is itself well-founded, that it can be appropriately measured, and that a policy of reducing effective protection is advantageous. As summarised in Deraniyagala and Fine (2001 and 2006) by reference to various contributions to the literature, such propositions depend upon a series of wildly unrealistic assumptions ranging over there only being two sectors in the economy, perfect competition in all markets, full employment of resources, no intra-affiliate trade, on which see Bhaduri (2005), no non-tradeables, no scale effects, even uncertainty of outcomes across sectors of different capital-intensity, and so on (including absence of smuggling and transfer-pricing!).

Similar considerations will apply to other elements of industrial policy where the incidence of market imperfections are equally legion. The issue is not so much that this renders the Washington Consensus nirvana of the free market as otiose, as it does, as how to pose alternatives across a multitude of so obviously relevant factors in influencing industrial performance. In this light, the response from the orthodoxy that still favours the market is significant. For Pack and Saggi (2006, p. 267) accept the case for industrial policy in principle if rejecting it in practice because of the complexities involved, particularly in view of globalisation (as the "dominance of international production networks"). Indeed, "Overall, there appears to be little empirical support for an activist government policy even though market failures exist that can, in principle, justify the use of industrial policy".

In practice, however, their argument in favour of this conclusion is not drawn from the empirical evidence but from speculative reasoning around the capabilities of government, even leaving aside "the possibilities of rent-seeking", p. 282. They suggest that the breadth and depth of knowledge necessary for a policymaker are too demanding. Indeed, "They would have to be accurately informed about an enormous range of complex questions, understand their relevance, and be able to accurately evaluate subtle differences". They go on to list what is involved as a minimum, pp. 281/2:[53]

- The firms and industries that generate knowledge spillovers.
- The firms and industries that benefit from dynamic scale economies – the precise path of such learning and the magnitude of the cost disadvantage at each stage of the learning process.
- The sectors that have a long-term comparative advantage.
- The size of scale economies of different firms and sectors, to facilitate investment coordination.
- An ability superior to that of individual firms to learn about their potential competitiveness.
- The nature and extent of capital market failures.
- The magnitude and direction of interindustry spillovers.
- The relative amount of learning by individual firms from others and from their own experience.
- The extent to which early entrants generate benefits for future entrants.
- The extent of heterogeneity of firms' learning abilities.
- Whether consumers learn the quality of a good after consuming rather than by inspecting it.
- Whether firms that are trying to reduce production costs also begin a simultaneous effort to improve their product's quality to obtain a better reputation.
- The potential effects of FDI or international trade on coordination problems, including a detailed knowledge of which of tens of thousands of intermediates are tradable.
- A forecast of which firms can create new knowledge and discover better production methods.
- The spillover effects of FDI and the likely intensity of foreign purchase of domestic intermediates.

The conclusion drawn is that no state is capable of meeting these demands and, paradoxically, doubts are cast on whether the private (consulting) sector could do it either, “Quite apart from the dangers of optimal policy being subverted by industries and firms that would benefit, the sheer knowledge and skill requirements would exceed that possessed by almost any institution, including the best consulting firms”.

Through this prism, it is remarkable that any development continues to take place at all, given that the same demands will have to be met by the private sector in the absence of the state. In effect, this is simply the argument about the state being unable to create or pick winners raised to a higher and more detailed level. These and other demands upon the state in making industrial policy have to be assessed against goals, what would happen otherwise and what can be achieved rather than denying “that government officials might be this omniscient”. What is interesting here, then, is less the dogma of relying upon the market – even on its own terms, the issues raised do not lead to this conclusion – as the acknowledgement of the complexity and diversity of considerations to be broached by the state. Strikingly, the laissez-faire argument has shifted from one of the free market being a simplistic choice against the alternative of the state, to one of being the only satisfactory way to deal with the complexity of market and other choices.

Yet, those more favourable to state intervention to promote industry do not depart substantially from a similar conclusion. For Hausman and Rodrik (2006, p. 25), as noted above, the ideal is for the state to intervene perfectly to complement the market. It cannot do so for two reasons. First is because “it is unaffordable. The government cannot address all potential infrastructure needs or fix all the standards and rules affecting all existing and potential economic activities. It would overwhelm its financial, managerial and political resources”. Second, “the list of interventions is unknowable ex ante. Institutions and markets co-evolve and this implies that transaction costs and problems will be revealed as new transactions appear and new markets develop. Solutions have to fit the specifics of the context. This may be the reason why there is such an enormous variability of institutional arrangements across industrial countries”. As a result, Hausman and Rodrik recommend that the state limit itself to providing the framework within which the private sector can best seek out the way forward, a process of enhancing what they term “self-discovery” in another paper, Hausman and Rodrik (2003). Analytically, then, there is very little to distinguish Hausman and Rodrik from Pack and Saggi. One is just a little more state-friendly than the other in supporting the private sector, and arbitrarily so in denying a more extensive intervention because it cannot be perfect. Indeed, emphasis on correcting static market imperfections has given way to a parallel universe in which a neo-Austrian commitment to the free market as a recipe for innovation is complemented by some degree of state support to facilitate that innovation or path of discovery.[54]

Interestingly, part of the argument of Hausman and Rodrik is that, empirically, there is no consistent relation between comparative advantage based on factor endowments and patterns of production and trade. This is because they see comparative advantage as evolving over time in a path-dependent way, using the analogy of a monkey jumping from tree to tree in a dense forest, with the result that outcomes depend upon differing co-evolving institutional arrangements. But this all points to a much deeper conclusion to the effect that either comparative advantage is a tautology (you are competitive in what you are competitive) or it has no analytical purchase (there are no underlying and fixed determinants of industrial performance such as factor endowments). As Hausman and Rodrik rightly argue, this renders industrial development to be context specific. But their understanding of context, as well as path dependence, is relatively limited depending upon a monkey-forest analogy at one extreme and co-evolving institutions and markets at the other. Whilst this marks a welcome and explicit shift away from the one model fits all associated with the earlier Washington Consensus, with emphasis placed upon piecemeal correction of institutional and market imperfections, this shift is itself both piecemeal and insufficient in remaining heavily marked both by its origins within mainstream economics and by taking the Washington Consensus as point of departure. In a sense, the new approach, which claims both universal applicability and wide consent, might be dubbed a "one model of one model does not fill all". Significantly, as already observed, Rodrik's own recent collection of essays is entitled, *One Economics*, Many Recipes, emphasis added, and Hausman and Rodrik (2006) see "Industrial Policy as Predicament".

Corresponding limitations in approach can be seen from a different perspective, and from what is in general a different literature, one more concerned with understanding and reflecting upon industrial policy in practice through case study rather than speculative reasoning. This immediately confronts the problem of providing a definition of industrial policy. As Välilä (2008, p. 101) puts it, "It is difficult to define industrial policy unambiguously ... Against this background, it is hardly surprising that the quest for a common definition of industrial policy is often abandoned in favour of a looser delineation of the concept or even in favour of outright agnosticism … 'Industrial policy' is the label that has come to be used to describe a wide-ranging, ill-assorted collection of micro-based supply-side initiatives which are designed to improve market performance in a variety of occasionally mutually inconsistent ways. Even in the absence of a universally agreed definition, industrial policy has nevertheless been recognised as a distinct area of economic policy in its own right, so there has to be a way to characterise it, if not define it". At one extreme, as already suggested, there have been fashions in which particular policies have come in and out of favour as definitions of industrial policy. This suggests that a more comprehensive definition would gather these together as a composite set of policies that might be used to promote industry.[55]

The result is to move close to, but not as far as the opposite extreme to single policies, in which industrial policy is perceived to be synonymous with any policy that affects the performance of industry. As Lin and Monga (2011b, p. 304) put it:

> It is useful to start by stressing that every country in the world, intentionally or not, pursues industrial policy … This is surprising only if one forgets that industrial policy broadly refers to any government decision, regulation or law that encourages ongoing activity or investment in a particular industry.

In general, this is seen to be too far-ranging as almost all policies will have some effect on some industries. Consequently, Pelkmans (2006, p. 47) structures "policies (somehow) affecting industry" into two broad categories – those "NOT for industry" and those that are. The latter is itself then subdivided into what are still not designated as industrial policy (regional planning and price control, for example) and those that are included in a "(Wide concept of) industrial policy", comprising three categories – framework aspects, and horizontal and sectoral/specific industrial policy (see below).

Otherwise, there are intermediate definitions, as is the one favoured by Memiş and Montes (2008, p. 45) in following Chang (1993), "It is useful here to summarize the key points of this paper. Industrial policy is the application of selective government interventions to favour certain sectors so that their expansion benefits the productivity of the economy as a whole".

Not surprisingly, the conundrum surrounding what is industrial policy is complemented by similar doubts about how. For Välilä (2008, p. 101) "There is in general no public agency devoted to industrial policy, nor is there a legal framework for industrial policy. Second, and again in contrast with most other areas of economic policy, industrial policy does not have a well-identified and universally recognised set of goals to achieve. Industrial policy has goals, such as innovation support or protection of sectors in decline, but those goals change over time and from country to country. And finally, industrial policy does not possess a clearly identifiable tool kit of policy instruments that would be devoted exclusively to achieving the goals of industrial policy". In similar vein, Bianchi and Labory (2006, p. 23-4) conclude that, "Our definition of industrial development policies implies a new view of the debate: what is relevant is not whether selective or functional policies are useful but what is the appropriate mix of measures to determine industrial development. Industrial development policies are programmes or strategies consisting of a variety of measures (both rules and capabilities), the mix of which is specific to a country's conditions and historical experience". Thus, "the 'new' industrial policies consist of large sets of measures that aim at providing the appropriate framework for industrial development to take place, via both the creation of firms and sectors (creation of comparative advantages) and the structural change of existing firms (structural change)". And, in relating competition to industrial policy, Lorentzen and Møllgaard (2006, p. 130) conclude that, whilst "competition policy is rule-bound … By contrast, industrial policy can afford to be much more eclectic: what works, works … Hence there is no one-size-fits-all".

Across such literature, industrial policies tend to be divided into three categories: the horizontal which, in principle, could influence each industry, as in trade, competition or innovation policy; the vertical that is targeted to particular sectors; and the structural that are designed to promote a compositional shift in economic activity, either in downsizing or expanding particular sectors (although this might be thought to be part of, or to straddle, the other two categories), Välilä (2008, p. 103) for example. Especially for the first of these, there is a very large number of factors involved in terms of the determinants of industrial performance even in the narrow sense of competitive success. And each of these factors commands a rich and contested literature over the role of trade, competition, and innovation as well as finance, sources of investment, skills, labour markets, regulation, privatisation, and so on. By the same token, the intersection of these factors within particular sectors is bound to be different from one sector to another and from one country to another for the same sector (and across global value chains and networks).

This diversity is itself complemented by two further complicating factors, both of which have already been raised. On the one hand, possibly reflecting the amorphous nature of industrial policy, it tends to be subject to a mix of policy-making institutions, more or less dedicated to the purpose. These range over competition boards, regulatory authorities, sectoral associations, quite apart from the various government departments and ministries. There are inevitably problems of insufficient powers to make policy as well as of coordination of powers where they do exist in policymaking. The corresponding potential for lack of instruments, goals and institutions in the making of industrial policy leads Välilä (2008) somewhat precipitously to presume that it is, or even should be, narrowed down in scope. In a perverse way, this point, concerning both the scope of industrial policy and its interaction if not inclusion with other forms of policy and policymaking, is revealed by the way in which international trade disputes (as one element of industrial policy) have spilled over into issues around unfair competition through discriminatory pricing, competition policy, subsidies to training and research and development, and so on. As it were, anything that the state does that might improve industrial performance is open to be deemed to be unfair in a trade dispute.

On the other hand, particularly in the context of industrialisation and development, the goals of industrial policy need to be expanded to incorporate much more than competitive success (as well as questioning what success means), with achievement to be assessed in terms not only of growth, productivity increase, trade balance but also of employment generated, wages and conditions in general and across different socio-economic strata, skills engendered, linkages to other sectors, and so on.

On this last point, Mackintosh et al (2007) confirm that the blinkered analysis of industrial policy derived from the one market model fits all has closed down the breadth of considered policy space. In addition, though, this has precluded consideration of the relationship between social sectors and industrial policy. More specifically, for Paci and Schweitzer (2006, p. 301), "The health sector is made up of a significant number of inter-connected industries that produce health services and manufactured goods, including pharmaceuticals and medical equipment". They identify three clusters of industries: healthcare providers, financiers and manufacturers. This leads to the conclusion that, "Policy towards health could be reconsidered, in order to take account of this broad concept of the health industry, as a system of intertwined actors and thus also industrial policy, can be implemented in this field", p. 302. It inevitably follows that there are synergies between health and industrial policy, and the same would apply to other elements of economic and social provision, including basic needs such as housing and education, as these too incorporate and/or are attached to industrial sectors, see next section.

This all leads here to a different and novel approach to the definition of industrial policy, one that does not seek a more or less arbitrary general definition of narrower or wider scope that can be applied in specific instances. Instead, first, it allows for case study and policy analysis itself to identify the key areas for intervention although, as will be seen, this does not imply neglect of the various factors that inform policymaking and industrial performance. In other words, context and specificity is understood in a different way, to be empirically induced rather than imposed by choice of model and corresponding configuration of given factors. Perhaps, although it can also be misleading, the most appropriate analogy is with the idea of national culture for which general models are neither appropriate for the diversity within and between countries although general considerations can be identified. Similarly, industrial policy will have its own culture or cultures, deeply rooted in the economic and social history and the continuing structures, relations, agencies and practices within the economy and, for which, the approach associated with national systems of innovation offers some insight. This is because of its emphasis on empirically grounded attention to evolution, institutions, networks and so on.

Second, emphasis is placed upon how the state and market are integrally related, especially in the context of development, and that one is not necessarily or simply at the expense, or even the complement, of the other. As a result, it is a matter of exploring the underlying factors that allow for synergy between state and market and how to mobilise these for development. This is recognised in the older development economics where industrialisation is not simply seen as structural change in the sense of changing composition of output but as part and parcel of a wider process of transition involving class relations, urbanisation, agricultural transition, and so on, as indicated by the admittedly heavily disputed notion of modernisation.

Third, traditional measures and achievement of industrial success are important (competitiveness and productivity increase, etc) but they have to be set against wider goals related to economic and social development. These wider goals are what constitutes horizontal or strategic factors that are both the conditions and consequences, and hence the instruments and targets, of industrialisation. Not only employment generation, but what kind of employment in terms of wages and conditions as well as the creation of, and transformation in, labour markets forms one such horizontal factor.

Fourth, industrial policy does need to be targeted to specific sectors and the location of such sectors within the economy in terms of its inputs and outputs and impact upon economic performance narrowly conceived (most narrowly in input-output terms but more broadly in terms of the agents, structures and processes involved in provision). Such a vertical approach, however, needs to be complemented by a horizontal approach, incorporating the strategic requirements and contributions attached to industrial performance. These range over finance for investment, technology, skills, environment, markets, infrastructure, employment intensity and creation, balance of payments impact, poverty alleviation, and so on. Conversely, such horizontal factors need to be addressed as part and parcel of industrial policy – how the financial system functions, how technology and skills are to be generated and retained, gender, regional, environmental and other balances, and so on.

Fifth, the heady and diverse mixes of horizontal and vertical factors within and between economies, with correspondingly different priorities and content in policies, is the reason why "industrial policy" as such needs to be context specific. But there is equally the danger of overlooking the macro or systemic functioning within which industrial policy and transformation is occurring. So, it is also important to take a view on the structure and dynamic of the economy and society within and through which policy is being directed in order to gauge both potential feasibility and impact.

Sixth, readily overlooked and treated as secondary, is organising the systematic collection of adequate data for the policy process. Without such data, it is neither possible to formulate policy adequately nor to monitor its effects. Further, government departments must have the skills and motivation to carry out the necessary policy work. And there must be the determination to overcome, or incorporate, underlying economic and political interests in formulating, implementing and monitoring (and providing feedback to) policy. These aspects must be carried forward together with, for example, data collection responding to the impact analysis of policy work, and policy responding to and informing monitored outcomes.

Last, and as a special instance of much that has gone before, the most recent financial turbulence on a global scale has revealed the extent to which the increasing financialisation over the past thirty years is now proving extraordinarily dysfunctional for economic performance in general and for industrial policy in particular. The impact of financial crises on industrial performance can be devastating, both more or less directly in collapsing market demand and finance for investment, and indirectly through the resources and capabilities that are gathered to shore up the financial sector itself at the expense of other activities and provision. In this light, careful attention needs to be paid to how industrial (and other policy) can be insulated from, rather than subordinated to, finance with testing issues to be addressed in terms of the internal workings of the domestic financial system and its integration into global finance.

This bears further consideration, not least because the dysfunction attached to financial crisis ought necessarily to raise the issue of the extent to which this is normal in some sense as opposed to exceptional for being particularly acute. The central concern must be to what extent has the rise of finance met the aims of economic and social development, not only in providing financial services (and profits) but also in generating finance for industry and for government expenditure more generally. And, in the realms of both policy and resource allocation, there are questions concerning whether the vested interests and (free market) ideology of finance has prevailed at the expense of other interests and stances, not least given the extent to which finance has currently shown itself to be excessively dependent upon the state to save both itself and the wider economy from collapse.

In this respect, the experience of China offers a salutary lesson in terms of the extent to which finance has, to a large degree, remained under central control. In making the contrast between China and elsewhere, Lo (2007, p. 207) suggests, “There is thus an intrinsic contradiction with financialization: the speculative pursuits of profitability tend to crowd out productive activities, therefore resulting in systemic demand deficiency and undermining the sources of profitability”. More generally, as argued in detail by Jomo (2008), the financialisation associated with neo-liberalism has failed to deliver on any of its putative benefits for the functioning of individual economies and for the global economy as a whole. Moreover, remedial measures need to be extensive at national and international levels. In this respect, the relatively recent, but now largely set aside, distinction between bank-based and market-based financial systems needs to be revived as well as refined and developed now that the previously triumphant market-based approach has been thoroughly discredited. It is a matter of placing finance at the service of industrial policy and investment, and of developmental goals more generally, and the same applies to macroeconomic policy (for which it is significant how huge sums of government funding can be found to support the financial system during a crisis whilst these were denied for health, education and welfare during more prosperous circumstances). Significant is the extent to which the East Asian NICs subordinated both finance and macro-policy to developmental goals rather than vice-versa. In addition, the deregulation of the financial system has both raised volatility and removed the mechanisms for handling it, other than through extremely costly holdings of foreign reserves (quite apart from capital flight both legal and illegal), Rodrik (2006) and Ndikumana and Boyce (2008).

Of course, finance, and corresponding financial systems across varieties of markets and functions, each of which will have its own country-specifics as well as integration with international and state finance, is just one of a number of horizontal or strategic factors that will need to be addressed in and of itself and in its particular incidence upon industrial policy in its vertical or sectoral aspects. The issues involved are very different in case of direct foreign investment of a multinational corporation as opposed to small-scale enterprises serving localised markets. And the same applies to the difference in the role of finance in case of primary commodity exports (themselves to be differentiated from agriculture through to precious metals) as opposed to clothing, say, or casualised and informal sectors.

For industrial policy, required across each of these horizontal factors is to break not only with the mantra of the Washington Consensus but also with the limited departure from the laissez-faire approach that has already been delineated. This entails an analytical departure from the market/institutional imperfection framework and a more extensive empirically grounded input from historical experience as begins to be provided by the developmental state approach. In case of direct foreign investment, for example, it can offer varieties of benefits from increased exports through to technological upgrading. But this is far from the inevitable consequence of adopting policies in pursuit of a spurious business-friendly environment or competing in sweet-heart deals for investment by affiliates, Memiş and Montes (2008, p. 3). Rather, the accrual of benefits from direct foreign investment have to be anticipated in advance, not only in principle, but also through negotiation and by putting in place the mechanisms and policies by which there is technological and other spill-over.

In this context, technology itself needs to be unpicked with a considerable degree of sophistication that goes far beyond either the pursuit or sustaining of "self-discovery" or the more general orthodoxy that perceives technological progress as a shift in a production function whether through expenditure for that purpose (R&D) or through some induced but undervalued externality such as spill-over or learning-by-doing. In the latter respect, the literature taken as a whole has recognised the complexity of what is involved, with the potential for learning not only by doing but also by exporting, importing, adopting, adapting, licensing and so on. This only begins to draw out the complexities of both the nature of technology and the causes and consequences of the ways in which it evolves. There are differences across sectors as well as in the demands between catching up in technology and moving beyond what is always itself an evolving technological frontier, and how each of these aspects fits differentially and over time into the chains of activities that comprise industrial linkages and interactions, see previous discussion of flying geese, etc.

The role of the state sector is also imperative. It is, after all, a large consumer itself and can use its purchasing power as a lever for other policies. It plays a major role in the provision of economic and social infrastructures, themselves a part of, or heavily linked to, industry. The marked shift away from the dogma of privatisation is, in terms of perceiving the state as supporting the private sector to deliver and responsible for improving conditions of competition and regulation, sorely inadequate as the backdrop and basis for industrial policy. Taken together, there is no guarantee that what is generally the limited scope of interventions that can be made by trade, competition and regulation authorities is sufficient to generate sufficient levels of investment, appropriate technologies, skills and welfare of the workforce, and so on. The issue is, however, not simply to counterpose state versus private enterprise - the commanding heights versus the free market or somewhere in between – but to formulate strategic and sectoral goals and examine how they might best be achieved, in which the incidence of form of ownership is just one part. In this respect, it may be necessary to reform the institutions for making industrial policy so that the allocation and coordination of responsibilities across government departments is rationalised and coherent. Specific sectors may require their own authorities rather than relying upon the government departments set up for general purposes, to bring together and integrate the various elements involved such as training, technology, investment levels, pricing, and so on, Fine (1998a) for a telling example drawn from South African steel whose prognoses have been borne out.

And, apart from being a consumer, the state is a filter and funnel for many other policy goals that should be accommodated by industrial policy, whether as intermediate targets (such as export earnings), meeting basic needs, reducing poverty and inequality, etc. Some form of social cost-benefit needs to be made to inform policymaking, but there is no reason to presume that the weights given to objectives should remain constant over time or across different horizontal or vertical issues (as a big push might be made for skills or health from time to time). Nor is it the case that the enhancement of employment and working conditions must be at the expense of other goals otherwise, of course, the more developed countries would have even worse such conditions than the developing! As found in Sri Lanka, for example, the consequences of labour repression, in pursuit of wage reduction and undermining of trade unions, can be counterproductive by precluding the potential for orderly collective bargaining and prompting economic and social disruption in its place. As Teitelbaum (2007, p. 830) puts it:

> Beginning in the late 1970s, the Sri Lankan government adopted a labour-repressive export-oriented strategy of development … repression of private sector unions during this period destroyed the legitimacy of traditional left unions and the structure of institutionalised bargaining that was in place prior to Sri Lanka's authoritarian period. This erosion of the system of institutionalised bargaining eventually led workers to shift their support to more radical, 'new left' unions and culminated in a wave of extreme and violent forms of protest that chased away much needed foreign direct investment. The chaotic consequences of the labour repression suggest two primary conclusions: (a) that prior democratic mobilisation may make labour repression untenable over the long term; and (b) that repression may backfire, creating bursts of highly visible and destabilising protest that undermine the developmental objectives of neoliberal reforms.

Similar, if far from identical, considerations apply to the role played by the use of migrant labour to undermine secure pay and conditions, whether this leads to xenophobic protests and/or low-wage, low-cost, low productivity employment as opposed to upgrading and improved working conditions, Selwyn (2007) for grape production in Brazil and Champlin and Hake (2006) for a fascinating study of meatpacking within the most developed country!

For reasons that should be apparent, there has been an inclination in discussing industrial policy to jump between a number of models, whether corresponding or not to different ideal types of developing countries at different stages of development and/or with particular characteristics such as composition of outputs, balance of exports, etc. One set of models is pitched at the macro-level although it comes in a number of forms. It may be driven by Kaldorian notions of demand-led productivity increase, motivated by the salience of (dynamic) economies of scale and scope, or by import-substituting or export-oriented industrialisation. It may draw upon the notion of linkages from consumer to capital goods, from low-skill, low-technology, low value-added production to its high counterparts. And it may focus upon enhancing one or more indispensible factor in the processes involved, generically organised under notions of productive capabilities. Further, models of (industrial) development are increasingly recognising the skewed but shifting impact of global factors, around the patterns of access to trade, finance and (international) investment as well as insertion into global value chains and networks.

The point is less to accept or reject these models as such rather than to acknowledge that each offers some insight if take in conjunction with other relevant factors (or those judiciously chosen from other models). This is just to reiterate the previously argued proposition that industrial policy should be inductively derived from which the broad models around stages, processes and targets and instruments of policy, associated with the corresponding literature, can offer rich lessons, if not, to emphasise once more, models and blueprints to be emulated. To some extent, such uncertainties and complexities have been implicitly acknowledged but in two ways that are constructive in the form taken.

One of these is to be associated with Dani Rodrik and his collaborators, see above. In a sense, this offers an unwitting and diluted form of the DSP (which it otherwise ignores). It is vehemently opposed to the Washington Consensus, viewing state intervention as imperative to successful industrialisation. And, equally, it accepts that the contextual specificity of discovering, exploiting and developing comparative advantage is complex, diverse and difficult to model and capture. Accordingly, the conclusion drawn is that the state's (industrial policy) interventions should be limited to those that facilitate "self-discovery" on the part of entrepreneurs through publicly provided support to infrastructure, training, skills, etc.

Crucially, this conclusion of light invervention does not follow from the correct premise of the diversity, complexity and contextual content of industrial policy. The agency of the state may well perform better in self-discovery quite apart from consideration of broader goals of development itself, of incorporating interests and participation of interests other than entrepreneurs, and of developing institutional capacities of the state to promote self-discovery (or more) where or whether this is, indeed, the appropriate focus for industrial policy in particular circumstances. In short, the support self-discovery model of industrial policy is this and no more; one model amongst many, of limited applicability on its own in the absence of, and integration with, other models and aspects of development. It also avoids, rather than addresses, the how, where and how of industrial policy as far as the extent of state intervention is concerned. There is also a notable absence of account of interests and determinants other than those conjured up out of state-entrepreneur relations engaged in an exercise of self-discovery. This is at the expense of the other constituencies (such as labour, and corresponding meeting of basic needs) and other processes at both macro- and micro-levels, particularly as entrepreneurs may be induced to discover the short-term rewards of capital flight, financial speculation, and credit-induced consumption at the expense of productive investment.[56]

Essentially, the Rodrik school eschews more extensive interventionism because of (recognition of) complexities, etc. At the other extreme, especially in the context of LDCs heavily dependent upon a few agricultural or primary products and with the most limited presence even in elementary manufacture, there is an understandable inclination to locate such economies and industrial policy as belonging at a particular, early stage of development. Consequently, industrial policy can be perceived relatively simply in abstract terms as involving the shift to the next stage of industrialisation.

This, however, begs a number of questions concerning the nature and dynamic within and across stages of (industrial) development. How do we know what is the current and next stage and how do we achieve it? As evidenced by the BRICS, and especially China, such economies simultaneously span and encompass all of these stages of development on both domestic and global scales. Of course, most LDCs are considerably smaller than the BRICS, and market size and scale of domestic resources are germane considerations (although, for example, shift to global networks in agriculture to serve affluent markets in the north both leapfrogs stages of development to some degree and offers local opportunities for industrialisation depending on how such production is served in its manufactured inputs whether at set-up or in passing on capacity and capability as part of conditions attached to foreign investment and participation). In any case the inductive approach to industrial policy is not primarily motivated, nor exhausted, by the presence of a more or less simple industrial structure. Rather, the complexity and diversity of industrial policy, and the need for an inductive if theoretically informed approach, derives from contextual specificity not from complexity of industrial structure or composition of output as such (although these are of considerable importance in an inductive approach itself in terms of integration of policy needs and performance within and across sectors). Once again, the specification of LDCs at an early stage of (pre-)industrialisation is a model (with variable and contested content) with corresponding strengths and weaknesses for policymaking, although equally offering rich lessons from comparative and historical experience.

Such considerations are brought to the fore in locating industrial policy in a wider developmental context, specifically in targeting both the meeting of basic needs and economic and social transformation. For, many of the activities associated with early stages of industrial development and meeting basic needs are labour-intensive and are open to domestic production. This is especially so for (the inputs into) social and economic infrastructure. The same applies to clothing and food processing. It is essential that these are seen as part and parcel of industrial policy, with corresponding attention to the inductively incorporated horizontal and vertical factors previously delineated. And models and blueprints, or categories of LDCs at different stages of development, of general applicability can at most serve as a guide for more contextually-sensitive analysis.

Social Policy[57]

One of the major limitations of the DSP has been its neglect of social policy.[58] The position adopted here is very different in drawing upon and departing from the DSP. Significantly, this neglect, as Mkandawire (2010, p. 50) observes is complemented by the presumption that developmental states no longer offer the potential on which to construct social policy let alone to include it as part of the developmental state:

> One quite remarkable feature of the new social policy focused on MDGs or PRSPs is that the status and the requisite capacity of the state differ radically from the historical "success stories". Thus far, these policies are tethered to the demise of the "developmental state", both as a reality and as an aspiration.

First, in many respects, there is no need to treat social policy as different from industrial policy as outlined previously, once recognising that social policy does itself offer general or horizontal and social provision. The education, housing and health systems are imperative for industrial performance and industrial policy neglects them at its peril. Second, by the same token, even if often primarily within the public sector, social is akin to industrial policy because it is sectoral, using inputs through a chain of provision to provide outputs even if these might be designated as public goods.

Until the Washington Consensus, mainstream social policy was dominated by the idea of creating and/or improving a welfare state, as an aspect of modernisation. It had its counterpart in critical literature in terms of whether welfare provision was adopted to be functional for the capitalist economy (in material and legitimising roles) or as a response to working class struggle to ameliorate conditions under capitalism (the so-called political economy of the welfare state). Over the period of neo-liberalism, these traditions have been lost and two new orthodoxies have emerged. One is the welfare regimes approach associated with Esping-Andersen in which three ideal types (liberal, Scandinavian and authoritarian) are uncomfortably retro-fitted to developed countries and then, even more uncomfortably, extrapolated to developing countries where the lack of (retro-)fit between ideal types and empirical realities is cruelly exposed (whatever their legitimacy across different social policy programmes within developed countries). The second is associated with the new welfare economics which has taken neo-liberal antipathy to welfare (and its own commitment to privatisation and user charges) as point of departure to see welfare provision as a game in which the state and citizen strategise in relation to one another on the basis of different information and objectives (meeting minimum standards of living at minimum cost for the state, for example, but maximising income for minimum work by the individual). Currently, the IFIs are pushing this new welfare economics as it allows the different elements of welfare provision to be arbitrarily attached to one another (as with conditional cash transfers) and to build upon, and appear to be departing from, the previous policies of user charges and privatisation by promoting state support for private participation in welfare and economic and social infrastructure provision, to which I return below.

This new approach is deficient in two respects. First, in specifying social policy as a response to individual risk and vulnerability, it overlooks the systemic nature of economic and social reproduction, treating social policy as if it were the response to short-term shocks as opposed to a component part of development itself. Second, like the welfare regime approach even if based on universal deductive principles (merit goods, optimisation, market imperfections, etc) as opposed to ideal types, the new welfare economics is insensitive to the contextual differences that mark both countries and policies in terms of individual aspects of welfare provision. Child education means different things in different places at different levels of development, and is also provided and poses challenges that differ by context.

The issue, then, is how to deal with the specificity of particular elements of social policy, in terms of their diversity of causes, content and consequences, without losing grip of the bigger picture. For the latter, pioneered by UNRISD, emphasis has been on locating welfare provision within the framework of the developmental welfare state.[59] This has the advantage of foregrounding systemic change in both targeting development, welfare and the role of the state. The approach also remains sufficiently open to be able to accommodate different aspects and trajectories to development and welfare provision.

Where does this leave the promotion of social policy and alternative public sector provision into the future? Initially, we can draw two general lessons. First, there is a need to insulate public provision from financialisation (the direct or indirect effects of turning provision into a financial asset however near or distant). Privatisation does incorporate finance directly with provision becoming subject to the vagaries of stakeholder value on the stock market; subcontracting does it indirectly as the firms involved require their own financial imperatives to be observed. In short, finance needs to be placed in a subordinate not a dominant position. This is easier said than done not least because, prior to the crisis, this was said to be true of the financial system in terms of its efficient mobilisation and allocation of funds for investment and its trading in risk. But financialisation continues to impinge upon public provision in multifarious ways that can only be guarded against as opposed to being absolutely eliminated, at least for the foreseeable future.

Second, the vulnerability of public sector provision to erosion and distortion is a consequence of the absence of broader supportive institutions and policies in the wake of three decades of neoliberalism. Alternative public sector provision and new, broader policy capacities, and corresponding means and sources of finance must be built in tandem.

Beyond these two generalities, we would emphasize the need to address the specificity of particular types and circumstances of public sector provision in terms of the diversity of causes, content and consequences to which they are subject, but without losing grip of the bigger picture.[60] In particular, my own approach has been to posit the notion of public sector systems of provision, pssop. Specificity is incorporated by understanding each element of public provision as attached to an integral and distinctive system – the health system, the education system, and so on. Each pssop itself should be addressed by reference to the structures, agencies, processes, power and conflicts that are exercised in material provision itself, taking full account of the whole chain of activity bringing together production, distribution (and access) and use, and the conditions under which these occur.

There is extremely strong support from an unexpected source for the pssop approach, in the context of the environmental impact of water, energy and other systems, to be found in OECD (2002, p. 8) alongside other studies in this programme of work:

> To analyse the key forces shaping consumption patterns, the report use the system of provision framework. The systems of provision approach analyses consumption as an active process, with actors seeking certain lifestyles, and constructing their identity by selective consumption and practices. The "systems of provision" is defined as the chain that unites particular systems of production with particular systems of consumption, focusing on the dynamics of the different actors (producers, distributors, retailers as well as consumers). In this light, it becomes clear that by the way governments design and transform energy, water and waste systems can either enable or obstruct household behaviour towards sustainable consumption.
>
> The *systems of provision* framework for understanding consumption patterns stresses the importance of exploring the mechanisms that shape everyday practices related to commodities and services and the extent to which they can be seen to support or impede sustainable consumption behaviour. In this light, household consumption is not the sum of individual behavioural patterns, each consciously motivated and evaluated by the actor. Instead, household consumption is a whole set of behavioural practices that are common to other households … They are social practices carried out by applying sets of rules and shared norms. They are also connected to production and distribution systems (technological and infrastructure network) that enable certain lifestyles that connect consumers to one another.

Thus, the pssop approach has the advantage of potentially incorporating each and every relevant element in the process of provision, investigating how they interact with one another, as well as situating them in relation to more general systemic functioning. This allows for an appropriate mix of the general and the specific and, policy-wise and strategically, signals where provision is obstructed, why and how it might be remedied. This is in contrast to unduly focused approaches, those that emphasize mode of finance alone for example, as has been the case for housing both before and after its current crisis (as opposed to emphasis on who is building what, how, and for whom, with what means of access). At the opposite extreme are unduly universal approaches such as those that appeal to market and/or institutional imperfections, and which accordingly fail to recognize that water provision is very different from housing provision in and of itself as well as in different contexts.[61]

The pssop approach has been addressed in Fine (2002) for the welfare state, in Bayliss and Fine (2008) for electricity and water, and in Fine (2009c and d and 2011b) for social policy. We are not so much concerned here to develop, let alone impose, the pssop approach more fully as such for, in part, as already argued, it is essential to see it as an approach that needs to be contextually driven rather than as a source of the ideal types or universal theory that characterizes, and even mars, much of the current literature (leave things to the market, or correct market and institutional imperfections). Indeed, the purpose is rather to persuade of the need for something akin to the pssop approach irrespective of the method and theory with which it is deployed which will, no doubt, continue to be controversial, alongside the nature, depth and breadth of economic and social transformation essential for any significant change in provision to be secure. In other words, there is something different about water and housing, just as there is something different about South Africa and India. Further, though, this does allow for the results of existing studies to be incorporated into the pssop approach to the extent that they do identify, however partially, the factors involved in provision and how they interact with one another. Of course, in practice, sectorally-grounded approaches by electricity, health and water appear to be adopted as if by second nature. But this has not necessarily been so of how they are analytically broached, where sectoral and contextual sensitivity often gives way to universal prescription driven by the neoliberal fashion of the moment, whether privatisation, user charges, or public-private partnerships. At the very least, the pssop approach offers a framework with which to address policy needs in light of provision deficiencies, broadly interpreted, as opposed to general models and blunt recipes drawing to the fullest extent upon the "market", i.e. private capital and finance, in practice even when recognising its deficiencies in principle.

In addition, as highlighted in earlier accounts of the approach, not only is each pssop uniquely and integrally organised in provision, by country and sector, each will also be attached to its own meaning and significance for those engaged with (or excluded by) it. For example, whether public provision is seen as household risk management against vulnerability or collective provision towards developmental goals is both cause and consequence of material provision itself and, equally, subject to debate (or not insofar as different approaches exist in parallel with one another according to context). As also argued in the approach, the cultural (in the widest sense) system attached to each pssop is also integral with material provision and is generated along and around that provision itself. Without going into details - but for the issue in other terms such as laid out in the second paragraph above in the quote from OECD (2002) - the culture and meaning of public provision, thereby, becomes subject to what has been termed the 8Cs - Constructed, Contextual, Chaotic, Construed, Contradictory, Contested, Collective, and Closed (Fine 2009g). This is important for developing and understanding the meanings attached to public provision, not least in prising them away from the negative stance attached to the neoliberal ideology of public provision.

One apparent weakness of the pssop approach, a consequence of its strength of examining provision comprehensively within sectors, is its distance, at least initially, from the synergies and interactions across sectors, as with the role of "horizontal" factors (as opposed to the "vertical") such as equity, labour conditions, and macroeconomic impacts. Arguably, however, these need to be addressed in their own right <u>and</u> in the context of particular sectors within which they are rooted. Indeed, the dialogue between generic and sectoral issues is vital in designing, promoting and defending public sector alternatives.

By way of illustration, reference can be made to the first application of the pssop approach, if not explicitly in terminology,[62] in MERG (1993), as part of a policy programme for the economic and social infrastructure for post-apartheid South

Africa covering, in particular, health, schooling, housing and electrification. As universally recognised, there can be little doubt about the contextual specificity, and deep-rooted, nature of the inherited provision in South Africa, with numbers of elements in common across the separate sectors of provision, or pssops, in light of the particular form taken by apartheid. Nonetheless, it was and remains crucial to acknowledge the inherited differences in existing manner, levels and incidence of provision as well as the sectorally-specific challenges involved within the wider context of the continuing dynamic (and transformation) of the South African economy and society more generally, Fine (2007). Significantly, in adopting what are generally acknowledged to have been neo-liberal policies at macro- and, to some degree and as a consequence, micro-levels, it is only now that this is being seen as a serious case of mismanagement as far as public sector service delivery, not least as a developmental state is now being touted as an alternative approach, see above.

But the virtues of the pssop approach can also be acknowledged through the wider evidence on service delivery across the developing world, with wide disparities in success and failure with limited correlation with per capita income (and corresponding implications for such correlations with HDIs). Thus, levels of literacy and health provision in Kerala and Cuba are examplary and offer lessons in a comparative exercise for how corresponding pssops might be addressed in other countries by contextually informed emulation. As Katz (2004, p. 763) puts it in critical response to the Sachs Report, “Primary health care is, of course, one of the public services required to provide the conditions for good population health”. Yet, “We have 100 years of solid public health experience demonstrating that access to decent food, clean water, adequate sanitation, and shelter are the major determinants of health”, p. 756. And much the same, if also different by context and meaning, could be said of education, nutrition, housing …

The pssop approach is in marked contrast to that taken by the World Bank whose current stance on social policy incorporates five fundamental characteristics.[63] The first is the continuing influence of its roots within the rhetoric, scholarship and policy perspectives of the Washington Consensus. There is a corresponding lingering presumption of social protection as the response to random shocks that induce individual or household vulnerability that requires at most temporary relief in deference to market solutions.

Second, though, is the flexibility and discretion that is exercised in departing from the Washington Consensus. More or less anything can be incorporated on a piecemeal but also, to some extent, an umbrella basis. But this is precisely where the World Bank falls totally short on a more general scale despite the two other features of departing the Washington Consensus and incorporating more or less anything as social policy and in its interactions with more or less anything else.

For, as a third aspect of the Bank’s new social policy, it becomes developmental without any notion of development, able to include anything that is associated with development (good or bad, to be promoted or alleviated, and, inevitably, technicist for the purposes of economic and social engineering). In a sense, putting aside the scope of what is included and the marginally more favourable stance towards the state as against the market, this marks a major continuity with the Washington Consensus, for each shares in common a <u>method</u> to get development without a specification of what it is! For the Washington Consensus, it is reliance upon market forces, whereas its successor depends upon correcting market and institutional imperfections as well as their accompaniments of poverty, bad governance, inequality, and so on to include anything else for legitimacy or discretion in policy.

Fourth, despite the increased attention to social dimensions of development, the World Bank has adopted a fragmented in line with its piecemeal approach. Moser (2008, p. 47), for example, complains:

> The World Bank does not have a specifically defined social policy as such. Within the institution, three predominant social policy "domains" can be identified: social sectors, social protection, and social development. The fact that each has a distinct location within the organization has served to create artificial conceptual and operational barriers to a holistic social policy.

Of these domains, social development is seen as the least developed. Whilst her jointly edited volume showcases the role of "assets" as a means of pursuing social policy, her own take on its <u>absence</u> from the Bank might better be seen as <u>being</u> the social policy itself to which piecemeal and fragmented correctives are now being appended. The review of Holzman et al (2009, p. 1) of World Bank policy over the course of the first decade or so of the new millennium reports that:

> The first social funds were prepared in the late 1980s to help communities cope with short-term adverse impacts of structural reforms. These funds expanded rapidly to become a central part of the Bank's poverty reduction efforts in low income countries.

Following on from the pensions and financial crises of the 1990s, ad hoc arrangements eventually gave way to a new framework integrating social protection and labour, "based on the conviction that risk and access to risk management instruments matter for development", Holzman et al (2009).

Fifth, the Bank's own figures, though, tell a different story in terms of the levels of support given to social policy and for what. Over the eight years from 2000, total expenditure on "Social Protection and Labor Lending" amounted to a little less than a mere $10 billion.[64] However in relation to the dollar a day poverty count, this is in the region of a dollar <u>per year</u> for the world's poor. Much more significant is the number of country Risk and Vulnerability Assessments for which funds will have been used in financing consultants, with a total of 127 such Assessments over the period. At about $10 million offered per country per assessment per year, the Bank might be thought to have purchased any corresponding influence over policy at an extremely low price.

This is brought out very clearly in the contributions of Holzman and Kozel (2007a and b) with social policy perceived as social risk management (SRM), with little regard to endemic and systemic poverty, which is hardly a risk to be managed. Poverty and social policy/protection cannot legitimately be treated as if attached to income and "shocks" alone. As Guenther et al (2007, p. 17) puts it "In policy terms, SRM leads to interventions that focus on transitory income shocks rather than on structural determinants of poverty". Indeed, the presence of the analytical and policy tensions involved in all of this is confirmed by Ravallion's suggested response to the financial crisis in "Bailing out the World's Poorest". Is poverty short term or long term; do we target temporary or permanent measures? For Ravallion (2008, p. 21):

> Even a highly successful effort to protect the living standards of the world's poorest from the global crisis will leave a reality in which poor people face multiple risks on a daily basis, well after the crisis. If the crisis does create the opportunity for building an effective safety net then it should become permanent, dealing simultaneously with crises and the more routine problems of transient poverty in normal years. It will be an integral part of the country's poverty-reduction strategy, recognizing that the impact of a shock is intimately connected to deeper problems of underdevelopment: credit and insurance market failures, underinvestment in local public goods, and weak institutions. The synergies between safety net interventions and longer-term poverty reduction can be reinforced by explicit de[s]ign [sic] features, such as incentives to encourage the children of poor families to stay in school or emphasis on building assets of value to poor communities.

So, everything is connected to everything else in both analytical and policy terms, and Ravallion can close:

> There will no doubt be relatively low frequency events, such as the current global financial crisis, for which extra external aid will be needed, and certainly justified on moral grounds when it was the rich countries of the world that were largely responsible for the crisis. However, the domestic resources should be sufficient to cover a normal sequence of shocks as well as modest demand in normal years. The budgetary cost of such a permanent safety net need not be very high and it could well bring longer-term efficiency gains to the economy. The budgetary outlay could well be highly variable over time in risk-prone settings, entailing some fiscal stress.

But if developing countries can and should take responsibility for themselves except when subject to financial crises other than of their own making, how does this relate to a more systemic role not only in "promoting longer-term recovery" – the term deployed in Ravallion's abstract for his working paper, and begging the question of recovery to what – but also in bringing about economic and social transformation? This at most implicitly raises the issue of how to locate social policy in the broader contexts of systemic analysis and development as transformation but, unsurprisingly, offers no answers.

There are, then, considerable and shifting tensions in the World Bank's positions on social policy across ideology, scholarship and policy. These can be highlighted by addressing the one major innovation that has marked policy over the recent past and continues to sustain considerable momentum, conditional cash transfers (CCTs). CCTs have rapidly shot to prominence over the past decade, particularly in Latin America but also elsewhere, including Bangladesh, Cambodia, Kenya and Pakistan, World Bank (2009, pp. 32/3):[65]

> Paralleling the rise in the number of countries (now 29) with programs has been an increase in the size of some programs. Mexico's program started with about 300,000 beneficiary households in 1997, but now covers 5 million households . Today, the federal Bolsa Família program [in Brazil] serves 11 million families or 46 million people. In other countries, the increase in size has been less explosive, but still notable.

There are, however, wide variations in both absolute and relative coverage of such programmes by country, as well as their cost as a percentage of GDP and the generosity of benefits as a percentage of mean household consumption.

For the World Bank, CCTs serve in some respects as an ideal instrument in response to the second phase of neo-liberalism in crisis. Yet, as Chief Economist, Justin Lin, puts it, World Bank (2009, pp.xii/xiii):

> Even the best-designed CCT program cannot meet all the needs of a social protection system. It is, after all, only one branch of a larger tree that includes workfare, employment, and social pension programs … As the world navigates a period of deepening crisis, it has become vital to design and implement social protection systems that help vulnerable households weather shocks, while maximizing the efforts of developing countries to invest in children. CCTs are not the only programs appropriate for this purpose, but as the report argues, they surely can be a compelling part of the solution.

Accordingly, the level and design of the programmes in practice are discretionary; the boxes of addressing the poor, children, and health and education are ticked; there is potential for institutional and other externalities into broader social provision; ambition in potential is matched by modesty of aspiration; and, analytically, there is scope for spillovers, and general equilibrium effects, empirical investigation of short-run as opposed to long-run impact, and for theory drawing upon market and institutional imperfections to be corrected on a piecemeal basis.[66]

Most telling, though, is the detachment of CCTs from broader economic and social provision other than as the context in which they may or may not succeed. Conditioning income support on accessing health and/or education is contingent upon these being available. As noted by the World Bank (2009, p.202):

> Clearly, a supply of health and education services of adequate quality must be developed … Cash transfers may be the right policy instrument to alleviate poverty in the short run, but their contribution to longer-term poverty reduction also will depend on what happens on the supply side.

As Soares (2009) concludes:[67]

> In sum, CCTs are not panaceas to strengthen the (emergency) resilience of families and states. But they have features that can be used to lessen the impact of a crisis as long as they are integrated in a broader social protection strategy whose goal is not solely to work as a minimal and temporary safety net.

Such integration cannot, of course, be guaranteed. Mattei and Sanchez-Ancochea (2010), for example, find that while the Brazilian Bolsa Familia has offered some poverty relief, it has done very little for longer-term educational and health outcomes, with conditionalities either merely being met in a token fashion or given levels of provision being redistributed across the poor.

Freeland (2007, p. 75) dismisses CCTs as "Superfluous, Pernicious, Atrocious and Abominable". Drawing upon Samson (2006) and a South African case study, he finds "it is typically the poorest and most vulnerable who will find it most costly to comply with any conditionalities, and are therefore the most likely to be deprived of benefits if they fail to do so" (p.77). Conditioning transfers on meeting criteria of children's health and education falters on lack of facilities to deliver and/or access these, and weak capacity to deliver conditioned transfers (p.75).

Even programmes that meet certain criteria of success may prove unsustainable administratively or politically. Despite various achievements, the Nicaraguan CTT programme, attached to child education and health, was discontinued. According to Moore (2009, p. 36) this was due to a lack of understanding and misrepresentation of its achievements upon transfer of responsibility from one ministry to another. She closes with the observation that, "Although RPS [Red De Protección Social] had a disappointing conclusion, all is not lost". For, "in its own uniquely complex environment [we] can remind policymakers to be aware of the balance they must keep in performing well for international stakeholders while securing domestic acceptance of their own programmes". But how to guard against the transfer from one ministry to another, the shifting interests of external (and domestic) agencies and so on?

In this respect, like all social policy, outcomes necessarily both reflect <u>and</u> contest entrenched structures, processes, powers and agencies. At a specific level, let alone more generally, the idea that there will be universal solutions on how to balance (or more exactly transform and promote, respectively) one against the other borders on the ridiculous in both analytical and strategic terms.[68]

Whilst there are those that express support for CCTs as a major success with continuing potential subject to careful, contextual implementation, Fajth and Vinay (2010), the more sceptical at most perceive CCTs as welcome if providing momentum towards universalism in social policy: "its ultimate success depends on a simultaneous expansion and improvement of universal services in health and education", Mattei and Sanchez-Ancochea (2010, p. 2). Universalism is set against the conditional, targeted ethos of CCTs, and viewed as more effective and secure in practical and political terms.[69]

In this respect, there is a stunning silence across the World Bank literature, and much more besides. It is as if the <u>welfare state</u> as the embodiment of universalism does not and has never existed. And, of course, much the same is true of the absence of the (radical) political economy of welfare literature that approached the status of orthodoxy a generation or so ago, focusing on the design and function of welfare for advanced capitalism.[70] These absences are hardly surprising for the Washington Consensus, not least with its neo-liberal and Americanised inspirations, but why should it be so for the post Washington Consensus, not least with its rediscovery of its own version of Keynesianism, market imperfections, public and merit goods, and so on? By contrast, the modernisation aspirations of what might be termed the pre-Washington Consensus were heavily influenced by the notion of emulating the welfare states of western Europe. For this, in contemporary developing country circumstances, we need a marriage of the pssop approach with that of the developmental welfare state. And, again in acknowledgement of, if moving beyond, the political school of the DSP, such an approach is liable both to promote the interests of, and strengthen the presence of, those who have most to gain by its developmental content as opposed to consolidating neo-liberal forms of governance that have so signally for LDCs over the past decades.

South-South Cooperation by Way of Conclusion

From our previous accounts, it is apparent that developmental state, industrial policy and social policy each serve as umbrella terms. They do so for a complex, diverse, shifting and selective amalgams of factors with equally varied incidence across historically, socially, institutionally and country-specific causes and outcomes. Necessary to take into account, there are different stages and aspects of development for putative developmental states to negotiate. These range far beyond latecomer catch-up industrialisation to earlier and later stages of development. For this, corresponding technological and production paradigms are potentially more varied and more liable to be misled than led by notions of flying geese (and other metaphors). Industrial policy needs to be derived inductively through case-by-case study from refined consideration of a multitude of horizontal and vertical factors specific to sectors and countries. Horizontal factors are generic across the economy as whole such as levels of employment and skills. Vertical factors relate to the chain of activity specific to the industrial sector itself. It is necessary to reject the notion that one or more models can suffice to fit all circumstances, even if selected from a portfolio for application. This is also so of inappropriately relying upon mantras, or dogmas, concerning privatisation, trade liberalisation or not, and so on. Developmental states also need to address other aspects of development such as the role of agriculture, welfare, the shifting nature and incidence (and corresponding constraints and opportunities offered by) global factors, and relations beyond those between state and industry (to incorporate the role of labour and democratisation and institutions beyond those that facilitate industrial policy directly).

Similarly, in and of itself and as a key element for developmental states and development itself, it is necessary that social policy is neither specified merely as a safety net nor as poverty relief alone. Indeed, these should be rejected even as defining the core of social policy although they do represent important functions and goals. Rather social policy should be understood as comprising a mix of sectors of the economy, differentiated by sector and context and appropriately understood as such. Health, education, and economic and social infrastructure more generally are very different and are even appropriately understood as forms of industry in their own right with characteristics of their own along their chains of provision. In short, they are health and education systems, etc. As such, this equally defies off-the shelf models as a guide to understanding and policymaking, whether these be attached or not to state provision, targeting, user-charging, privatisation, public-private partnerships, privatisation and so on.

Further, in a globalised and increasingly globalised world, this itself needs to be unpicked as it is subject to multiplicities of contents, meanings and understandings, each of which is subject to differing incidences, ranging over trade, finance and investment through aid and IFI policy to the ideologies of neo-liberalism and its various opponents and their policy proposals. This means it is more and not less imperative that national policymaking should be systemic and holistic, not piecemeal and blinkered. It is necessary not to set aside the inevitable and unavoidable elephant in the room of globalisation that constrains national policymaking. But nor is it necessary to defer either to globalisation's putative beneficial effects as would be claimed by neo-liberals or to its rigidly determining influence as some of its opponents would have it. Rather, it is not helpful or accurate to view the role of the state as either more or less salient in the contemporary world. In its nature and forms, and in the underlying economic, political and ideological interests through which its actions are determined, it remains complex, shifting and contradictory as it always has been.

It is important, however, to acknowledge that the current financial crisis has substantially increased both the role of the state and its prominence in economic affairs. This has, however, tended to be confined to be driven by and behalf of finance. This is doubly unfortunate. On the one hand, it seems to seek to restore the status quo ex ante which, despite favourable circumstances for more favourable outcomes, has been associated with relatively low and uneven rates of growth globally, especially across the poorer developing countries, with lost decades as a result. On the other hand, three decades of neo-liberalism and its close associate, financialisation, have been responsible for squeezing out the potential for formulating and implementing alternative policies. A thorough and wide-ranging rethink of the role of the state is essential that breaks with the experiences and ideologies of the past but which, nonetheless, remains sensitive to the lessons that can be drawn from the experiences of successful, and failed, developmental policy and the role the state has played within it.

These observations point to outcomes at opposite extremes. One is of pessimism for, on the one hand, the complexities and diversities involved in policymaking would appear to defy the possibility of ever making any (well-founded) policy at all. On the other hand, as adopted here, a realistic as opposed to an optimistic stance is one which recognises that there has been a vast flow of policy with mixed content and outcome on which to draw. Indeed, not making policy is not an option as this is itself a policy and one which has rarely prevailed in the pure form demanded by neo-liberal postures. Extensive intervention has predominated in practice and that this is so, of course, is true not only in national arenas but also in international collaborations, South-South or otherwise. The result has been a proliferation of deals, with Baldwin (2008) for example viewing "Factory Asia" as suffering a "Noodle Bowl" syndrome as far as its tangle of bilateral trade deals alone are concerned (quite apart from the conflicts of interests that arise from those who feed directly or indirectly, or even accidentally, from the bowl). Further, Baldwin poses questions such as "who should take the lead?" and "what should be the long-run goals?" as far as cooperation is concerned and, unsurprisingly, concludes that these have no easy answer and so have been left unanswered. He also asserts that the time for an East Asian vision is gone with a greater need now for East Asian management, not vision.[71] And for Chia (2007), South-South cooperation across the dimensions of regionalism, bilateralism and multilateralism is captured through the metaphor of a "spaghetti bowl".[72] As will be seen below, this raises what should be the unavoidable issues of management and vision for whom and by whom, with answers not necessarily being reduced to constituent countries and the international cooperative organisations on which they rely or form.

Similar considerations apply to the spaghetti and noodle bowls of other regions, most notably Africa and Latin America. For these as well, if possibly less so, the mere presence of China looms large. As already discussed, its impact is equally mixed, complex and diverse, defying simple nostrums even if attracting a proliferation of metaphors – as developmental engine, conduit, lead or lagging flying goose, exploiter of sitting ducks, steamroller, piggy for piggy-back, and so on. This appeal to metaphor is itself indicative of the difficulties of formulating appropriate general theory or analysis, as is equally reflected by the mix of the metaphors themselves. In a sense, so large and diverse and rapidly if unevenly developing itself is China that as far as South-South cooperation is concerned, it offers the full range of conundrums across the spectrum – as source of demand in global networks, as source of demand to growing middle-class consumerism and working class basic goods, as competitor in cheap assembly, as leader or intermediate producer in higher value products, as foreign direct investor within and across public and private sectors, as competitor for inward foreign direct investment, as conduit and competitor for export markets in developed countries as well as import competitor with domestic production for domestic demand, and as a major source of global demand for primary products with corresponding strategic political imperatives for this and other reasons.

This suggests a different metaphor of its own for understanding how to approach South-South cooperation from an analytical perspective, with the literature understandably having suffered from an inadequacy of tools and principles necessary to address the complexity and diversity of the issues involved. This is to view (South-South) cooperation through the prism of aid or, more fully, aid and development. The reasons for doing so are that, even if roughly, South-South or other cooperation can be viewed as if it were aid across its various dimensions. Of course, such cooperation is generally free of the hierarchy associated with the donor-recipient syndrome, including the presence of international organisations and NGOs, etc. These have a mixed record as far as serving as facilitators, drivers, or impediments of development are concerned. However, whilst the donor-recipient relationship characteristic of aid and development is absent in the context of (South-South) cooperation, this does not mean that there is an equal absence of unequal relations between the countries involved and that all can participate on an equal basis (as indicated by the China syndrome). Indeed, if without the donor-recipient relationship as such, it is apparent just how much the issues associated with (South-South) cooperation match those associated with aid and development across the causes and outcomes involved and the means that might be used to achieve them.

The (South-South) cooperation literature, from an initial grounding in the trade creation versus trade diversion approach derived from customs union theory, has evolved to fill the spaghetti/noodle bowl. Unsurprisingly, the literature on aid has suffered a similar fate. To parody, the mainstream literature divides into two extremes, with agnostics situated somewhere between the two, Tarp (2006) for an overview from these perspectives.[73] Aid is good and promotes development or aid is bad, has little or no effect and can even be counterproductive in reinforcing the obstacles to development that seem to make it necessary in the first place. It is, of course, no accident that these positions tend, respectively, if imperfectly to reflect positions on the state versus market dichotomy (with more leftwing adherents collectively if inconsistently caught between demanding more aid and also seeing it as an instrument of control if not exploitation). Time and space do not offer the opportunity to review this literature in depth, and so yet a further metaphor might, necessarily clumsily and inexactly, do the work. Consider advertising not least in light of the dictum of Lord Lever, historically leading entrepreneur in the provision of household goods to the British Empire and beyond, that, "I know that 50% of my advertising works, but I just don't know which 50%". Of course, this is not the 50-50 of tossing a coin but a recognition that the processes of how advertising works, or not, remains complex and possibly mysterious.

Much the same 50-50 syndrome would appear to apply to (South-South) cooperation although the exact probabilities and distribution of costs and benefits are not necessarily so even. As with aid, it is important to recognise why this is so in order not to throw out the baby with the bathwater on the grounds that neither cooperation nor aid is worth the toss (although advertising, like these, tends to grow from strength to strength other than in times of stress when, of course, protectionism and more become more prominent in consideration as potential policy levers). Significantly, in reviewing Asian aid other than for Japan, Kondoh et al (2010) observe of its "Emerging Donors" that, p. 1:

> The aid patterns employed by the emerging donors are divergent. Chinese aid has shifted from the overtly political and ideological to the commercialist; thus, current Chinese aid is closely tied to Chinese state owned enterprises (SOEs). Korean aid has consistently been commercialist, but recently it has incorporated universal and humanitarian considerations. Thailand has maintained a keen interest in aid as a stabiliser of its neighbouring countries. The Indian aid program was initially formed during the Cold War consonant with the ideology of the Non-Aligned Movement, but from the 1990s economic considerations became more important. Indian aid is influenced also by regional strategies, namely the stabilisation of neighbouring countries.

This demonstrates the continuing lack of an aid model (or the only model is that there is no model) so diverse across time and place, motive and outcome, etc, are the determinants and consequences of aid. Once again, in light of the analogy between aid and cooperation, this suggests how inappropriate it is to seek to construct general models for either.

And for Japan itself, the most significant development over the past few decades has been the sharp decline in the volume of aid, reversing the trend that saw it become the world's largest donor in the 1990s, Palanovics (2006) for an account.[74] However, the less Japan spends on aid the more it seems to become pre-occupied with interrogating its goals, administration and impact, as reflected in the ODA (2007) Manifesto. This incorporates more general trends in official thinking (i.e. those of the IFIs), such as promoting private sector participation (Task 9 and Proposals 23-26) and rewarding model countries (Task 10, Proposal 29). It is, however, far from clear how a holistic vision and strategy (Task 1) can be targeted when it can range over so much complexity of both development itself and the diverse contexts with which it is associated.

Thus, to reiterate, if South-South cooperation is, as it were, mutual aid by other means, exactly the same applies to its shifting origins, levels, motives, forms and outcomes. But this is tied into a closely-related but separate issue from which considerable insight, possibly lessons, can be learned from the aid syndrome. This is to interrogate the capacity to deliver cooperation and what are the determinants of its content and outcomes in principle and practice. For, on occasion, the criteria for managing and assessing aid are constructed through grand theme or nostrum concerning development – as in modernisation and neoliberalism for example, although each of these is comprised of varieties of scholarship, ideology and policy in practice when examined in detail. But in principle and in accelerating practice over at least the last two decades, aid has itself been situated across a multiplicity of elements around development. These ought to be familiar enough to those in the aid business if exercising some degree of circumspection but is strikingly illustrated by the collection edited by Cornwall and Eade (2010), entitled <u>Deconstructing Development Discourse: Buzzwords and Fuzzwords</u>. The latter B and F words include entries on poverty reduction, social protection, globalisation, participation, citizenship, empowerment, social capital, gender, sustainability, rights, NGOs, social movements, country ownership, transparency, accountability, corruption, governance, fragile states, and knowledge.

This proliferating lexicon of developmental considerations is matched by an equally alarming volatility in the nature and incidence of aid itself across types, volume, goals, outcomes and impact. In case of Africa, for example, which receives more aid absolutely and in per capita terms than elsewhere, it is not simply a matter of destabilising fluctuations in the volume of aid, but the emergence and exponential growth of an "aid complex", Oya and Pons-Vignon (2010, p. 180) drawing on Riddell (2007):

> Each individual recipient country deals with an average of 26 different official donors …over 35,000 separate official aid transactions were reported in 2004 … individual African ministries are overloaded by aid proliferation. For example, Tanzania had over 2000 donor projects ongoing in the early 1990s, while the Ministry of Health in Mozambique alone managed over 400 projects recently.

It is as if aid has become the surrogate goal, so that managing aid for development becomes a substitute for development itself. For, as Oya and Pons-Vignon conclude, the capacity of the state is itself concentrated on relating to donors and managing aid as well as being undermined by the antipathy to the state under the Washington Consensus. Indeed, p. 176:

> The burden of aid management, coordination and execution, as well as the biases introduced in public administration through technical assistance and conditionality-led loss of policy space, have contributed to the formation of states (a) that now seem unable to deal with long-term strategic issues; (b) are ill-suited to creative and innovative policy thinking; (c) are far too constrained by the fragmentation and ideological biases of the aid complex; and (d) remain

> more preoccupied with managing and maximizing aid than with long-term development goals.

Further, p. 186, in citing Chang (2006), the range over which the aid complex needs to be managed is limitless, for "these days, there is virtually no area on which the Bank and the Fund do not have (often very strong) influence – democracy, judicial reform, corporate governance, health, education, and what not".

The consequences of such spread are various and go beyond, or different from, what might be termed mission creep, or even gallop, under which aid is attached to a proliferating portfolio of conditionalities and criteria of assessment. There is simply created huge scope for discretion. Aid can, for example, be considered successful because it has achieved one or more, if not many, of any number of goals (however accurately and honestly assessed). By the same token, aid can be deemed unsuccessful for failure on one or more, of any number, of goals across the buzz and fuzz. And, equally, the goal of development itself can either fade into the background as some specific target serves as proxy for it (poverty reduction for example) or development is foregrounded but by reducing it to one or other target (growth per capita) as a magic bullet for achieving development.

Once again, considerable insight into cooperation can be extrapolated from piggy-backing on aid and the aid literature. This is so around issues of proliferation of goals, agencies, and the criteria and standards of assessment of performance (allowing for self-selecting reviews of success of failure). And, possibly most important, there is a need for close consideration of the institutional and political capacity to deliver across these factors, taking account of delivery by whom and for whom given the different constituencies that drive outcomes within, between and across nations (in a world of globalisation).

As yet, if only because of being a newer or lesser mature kid on the block than aid, (South-South) cooperation, is less promiscuous (if far from monogamous) in terms of the factors by which it is determined and assessed. But, as indicated by the noodle/spaghetti bowl syndrome, it clearly does already range over the broadest terms from forging political alliances across nations to promoting more narrowly defined economic progress within and across them. And, here, the evidence from the capacity to deliver appropriate national policies does not offer comfort for those wishing to extend these policies and policy making to South-South cooperation. This is often admirably driven by a wish to complement, or even to displace, the dominance of North-South economic ties and policy influence that is taken to be responsible for lack of development in the South. But, even to the extent that national policy making can be prised away North-South ties and influences (which can themselves benefit from, and even be strengthened by, South-South cooperation), such prospects should not be viewed through rose-coloured spectacles, dreaming that such cooperation will kick-start a reverse process of enhancing national policy by virtue of knock-on or demonstration effects or be driven through the necessity of feedback effects on national policy derived from South-South cooperation. A significant problem within the South, as well as between South and North, is the uneven levels of development, capacities, and powers, as evidenced by the rise of China for example. These cannot be brushed aside any more than the unavoidable presence of the North as South-South cooperation is engaged. South-South cooperation is no panacea and nor can it be presumed that there is solidarity or unity of purpose within and across the South by virtue of the shared incidence of being relatively poor or, for the privileged minority, of being amongst the poor.

In short, capacity to engage in South-South dialogue and cooperation is not simply some technical issue of merely negotiating for mutual gain in the absence of Northern interests and influence (as for the economic school's approach to the developmental state, see above, shifted from the national to the international level). Nor is it simply a matter of the creating the appropriate institutions, with sufficient autonomy over nations, capable of promoting positive sum outcomes for its constituents (as for the political school's approach to the developmental state, see above, shifted from the national to the international level). Rather, South-South cooperation will need to derive from a dialogue across political and economic factors that both reflect, but also cut across, participating nations. In a nutshell, in case of finance, for example, this is both national and international and so will not fit neatly with national interests which will, in any case, be contested. The same applies both to trade and production insofar as these are attached, as they are to a significant extent, to global networks and value chains, with corresponding configurations of conflicts of interest within the South as well as between it and the North.

In short, the noodle/spaghetti bowl syndrome is a reflection both of these fragmented and conflicting interests across a multitude of diverse factors and an indication that South-South cooperation requires capacity that goes beyond simply negotiating between one nation and another for mutual gain. For, such gains, if realised, divide within and across nations and are not simply national as such. Further, there are serious questions over the levels and sources of such capacity to negotiate. For, as Mkandawire (2010) observes following Evans (2004), all policy capacity let alone action, following decades of neo-liberalism, has been subject to "institutional mono-tasking" favourable to the promotion of private capital, what Mkandawire (2009) himself refers to as "institutional mono-tasking". Nor is it surprising that the IFIs should back-pedal on (South-South) cooperation given that their priority has been to get national policy in order with a content that will, in any case, tend to exhibit antipathy to state intervention at national let alone higher levels of governance.

Mkandawire (2010, p. 51) also points to the extent to which aid, and corresponding policy perspectives, have shifted "empowerment" to the micro level and complemented this by disempowerment at the macro level (or possibly, more accurately, re-assigned power by shifting it within and away from national sources to national and international elites, and especially if by no means exclusively to those attached to finance). This corresponds in the world of scholarship to the shift in understanding of development (policy) from the systemic (old development economics and its focus on macro/structural change) to piecemeal considerations (the new development economics and its focus on the micro and piecemeal change). Indeed, if in the context of social policy and poverty alleviation in his discussion but of much wider relevance for other areas of policy, this reconfiguration of (dis)empowerment from macro to micro is associated with corresponding shift in power across various constituencies, p. 44:

> New social policy and poverty agendas are driven by NGOs, international organisations, and national elites with very different agendas than the

progressive movements that inspired the formation of welfare states in the past.

And, by the same token, both institutional capacity and willingness to deliver, and driven by whom and in whose benefit, are liable to be telling determinants of the creation and outcomes of (South-South) cooperation. This is necessarily so given the multiplicity of forms and content that these can and will adopt across countries at different and diverse stages of development and with different and diverse capacity for, and drivers of, policymaking in national let alone international arenas.

In short, on past experience, there is surely little doubt that South-South cooperation will proliferate, albeit in the "polluted" environment and impure forms associated not only with mixed motives and mixed participation and influence from outside the South but also on the basis of equally uneven and diverse capacities and motives from within economies within and across the South itself.[75] This suggests that South-South cooperation is best addressed through what might be termed a highest common factor rather than lowest common multiplier approach. In other words, this is not to facilitate, support and proliferate agreements as they arise but to advise a softly-softly stance in pursuit of secure benefits, promoted by and accruing to targeted and deserving constituencies, subjecting such agreements and policies for cooperation to a circular process of policy formulation, implementation and monitoring of outcomes that feed once more into policy formulation (and corresponding institutional capacity building within and across participants for the processes). On this basis, much more secure foundations will evolve for national and cooperative policymaking in equitable and developmental terms, offering a bit more and a bit more variety of protein in the noodle/spaghetti bowls on offer.

More specifically, what are the lessons that we might learn for South-South cooperation from the experience of China (and earlier developmental states) and from the experiences of the impacts of China (and ditto)? First is that, for the prospects and goals of South-South cooperation, such cooperation tends to be a consequence not a cause of development. In other words, national policy making must be on a sound footing as a precondition for sound cooperation.

Second, in this respect, the origins (and proliferation) of cooperation in trade agreements (and, to a much lesser extent, monetary unions) can be the source of possibly counter-intuitive and misleading indicators as far as approaches to (South-South) cooperation are concerned. For, whilst trade may be the leading and most prominent form taken by South-South economic relations, there is no reason to presume that it is of prime or sole importance in national policy making nor that such issues in cooperation across nations can be handled independently of other policy issues within them.

Third, then, what are the issues of significance for national policy making which must be addressed as a precondition for success in South-South cooperation. Broadly, and overgeneralising, it is not simply national policymaking that still remains crucial but that, in contemporary conditions, especially in the wake of the current crisis, developmentalism and a corresponding positive role for the state depend upon: insulating the mobilisation and allocation of finance from financialisation in all of its forms; the promotion of secure domestic provision of goods for domestic consumption especially as far as the meeting of basic needs and poverty alleviation are concerned; and a strong commitment to state provision of social and economic infrastructure attached to a developmental welfare state, and targeted industrial (and other) strategies designed to expand employment and productivity in line with corresponding increases in wages.

Finally, and with a flourish, if such policies could be put in place within countries of the South, considerable strides could be made in harnessing them to the positive benefits of (South-South) cooperation. But, by the same token, far from South-South cooperation being appropriately served and underpinned by national policymaking, it is also national policymaking that should be served and not constrained by such cooperation. If we have one lesson to learn from the lost decades, it is that North-South cooperation, formal or informal, market or otherwise, is not the model to be emulated within the South, even if it could be.

This last reservation, for example, is germane in relation both to South-South and, slightly or considerably different, regional cooperation. For both, levels and types of development of participating economies are liable to be mixed and uneven. For regional development in particular, the sorts of "spaghetti" to be found in the bowl of cooperation (and, possibly, integration but not, for example, for sub-Saharan Africa with South Africa as pole, strongly oriented towards the North, and similarly for middle-east oil-rich economies), are liable to be those inspired on a case-by-case basis in light of costs of transport and communication. For the latter, of course, finance has increasingly come to the fore with new developments increasingly attached to North-South with at most regional and subordinate hubs, no least as financial systems have been liberalised. In consideration of transport costs, though, in contrast, regional integration and cooperation (other than for primary products destined for use in the North for manufacturing or consumption) trade agreements are liable to be promoted.

These may serve the developmental goals or participating economies. But, as with all trade policy, these will serve, represent and promote some constituencies at the expense of others as well as commanding and building institutional capacities within and between states. That trade is easiest to identify, and possibly to negotiate, does not necessarily mean that it is most important and beneficial. What has been observed more in the breach of both South-South and regional cooperation (and international integration more generally) is the issue of migration. Here, an appropriate starting point in part by way of explanation for this exception, is the political sensitivity and corresponding conflict around representation of interests involved which tend to defy national let alone international resolution.

There are the interests of the migrants themselves in terms of wages and conditions and security of livelihoods. Also involved are employers looking for wider sources of recruitment, possibly at exploitative wages and conditions, possibly with skilled labour at the expense of the economy of origin, although equally a source of remittances and potential return of skills and experience. And there are also the interests of native workers who can consider their jobs, wages and conditions and bargaining power as undermined by competition from migrant workers, or even that the latter gratifyingly undertake paid employment for undesirable jobs on terms that would be unacceptable to others. Further, like migration itself, such interests and how they are represented, with what outcomes, are fluid not least in the wake of the global crisis. At least, no one doubts just how important are migrant workers to the economies of LDCs in terms of both employment and remittances as international financial flows.

In addition, each of these issues is irreducibly attached to social policy, broadly conceived, as migrant workers, at least in principle, are dependent upon conditions governing provision of and access to basic needs, with the attendant risk of denial of their rights, alongside inferior wages and conditions, and even dangers of attacks upon them contingent upon levels of public provision and conditions of access to them. This suggests that a key issue both for South-South and regional cooperation is the formulation of policy in relation to migration that goes beyond legal rights, border controls and access to one another's labour markets as such. Indeed, migration might be considered to be the most tangled and unrecognised of the pastas (or is it the sauce) in the spaghetti bowl, both most deserving of attention and most likely to reap "highest common factor" rewards of consolidating and building mutual capacity for South-South cooperation and integration in relation to (1) enhancing North-South relations; (2) building capacity for further cooperation and beneficial integration; (3) incorporating social into industrial policy; (4) sharing policy perspectives, lessons and experiences across industrial, social and labour policy.

These insights are illustrated by the experience of the Southern African Development Community (SADC), which first signed a trade protocol in 1996, following the demise of apartheid.[76] As SARDN (2011a, p. 1) puts it, "progress in the region to reap the benefits purported to accompany regional economic integration appears limited". Levels of trade within the region remain limited, and expanding outside the region with limited diversification into new products. There is an acknowledged need for greater coordination across targeted infrastructure and an acknowledged "lack of political will among SADC member states towards practically unlocking the benefits that accompany regional economic integration", p. 2. Significantly, in meeting poverty alleviation let alone broader developmental goals, attention is placed on the impact of volatile and peaking fuel and food prices, and the interaction between them, as subsidised bio-fuel "threatens poor households' food supplies", SARDN (2011b, p. 1), a problem that needs to be addressed through the Southern African Customs Union, SACU.[77] Indeed, it is suggested that, SARDN (2011c, p. 2):

> Food security is at the core of the poverty problems and hence gains from regional economic integration, specifically from gains from trade, can improve food security through increased agricultural and agro-industry cross-border investment.

Significantly, attention is also paid to issues of migration and more general policy harmonisation and how to reconcile national with regional interests (and to handle the attraction of seeking more readily achieved short-term gains through non-regional integration). The point is less that these issues can be settled once and for all but that they should be acknowledged and addressed on a systematic and pragmatic basis.

<u>Footnotes</u>

[1] I am grateful to Zeljka Kozul-Wright, Alice Sindzingre, Elisa Van Waeyenberge and Alfredo Saad-Filho for support whilst drafting this report. It comes with a health warning. Those who wish to cut the contextualising and to cut to the chase might wish to skip the foreword and the introduction. Note also that I have drawn heavily from UNCTAD publications for conceptual and empirical insight but these are not explicitly referenced. This paper draws heavily upon Fine (2009a, 2011a and 2012a).
[2] See Fine (2009b, 2010d and e and 2012b).
[3] For example, see Akyüz (2011) for an extensive analysis of the consequences for capital flows to developing countries with some emphasis on increasing volatility both overall and in contagion effects from one market to another through synchronisation of commodity prices from impact of futures markets.
[4] See Blanchard et al (2010).
[5] Note that for Bronk (2010, pp. 106/7):

> Very often what economic modelers do is to co-opt new metaphorical elements from a quite different discipline or modeling tradition, and apply them as a series of bolt-on amendments to their preferred existing theoretical framework. This is usually done in the name of remaining true to the central rationalist micro-foundations of neo-classical economics (with its assumptions that individuals rationally optimize, within given constraints, on the best information and probability forecasts available). An example of this is Endogenous Growth Theory, <u>which does attempt to build in Schumpeter's creative destruction</u>, but without dropping the modeling assumption that individuals and firms are rational, probability-calculating optimizers of consumption and profit. (Emphasis added).

Note, this is an unduly positive interpretation of what Romer, and often what endogenous growth theory, does. First, on a minor point, probability is not prominent; second, and more substantive, there are many other influences on the theory, some with the loosest of micro-foundations and grounding in other disciplines or realism. As such Bronk is far too kind insofar as other influences are speculative and parasitical upon other contributions in this vein and do not even go so far as bolting on – more a stripping down, and ideal invention and subordination to technique and method as correctly suggested.
[6] Literally, see Sala-i-Martin (1997) and, by way of parsimonious alternative at the other extreme, Hendry and Krolzig (2004).
[7] Remarkably, reported as -0.0153 and +0.0054, respectively, so precise are the parameters for policymaking. See Devarajan et al (2002) and for critique on this and more, Fine (2006b).
[8] See Kenny and Williams (2001), Fine (2003 and 2006b), Rodriguez (2006), Rodrik (2005a and b), Solow (2006) and Cesaratto (2009).
[9] See especially Durlauf et al (2004) and Islam (2003).
[10] The following draws heavily on Fine (2012b).
[11] The continuing emphasis on state as opposed to market, or the state as complementary support to the market, is stressed by Joe Stiglitz (2008, p. 2) on behalf of the "left", new or otherwise, presumably a generic term for those in opposition to the Washington Consensus:

> The left now understands markets and the role markets should and can play in the economy… the new left is trying to make markets work.

[12] As an illustration, see the debate between Wade (2010 and 2011) and Lin (2010). which is remarkable for the extent of what is excluded as much as for the marginal shifts towards state developmentalism being signalled in World Bank scholarship and rhetoric, if not, it should be emphasised, policy other than in reflecting changed circumstances. See also debate between Lin and Chang (2009) and debate that accompanies Lin and Monga (2011a) in same issue. Note just how much is excluded by Lin's various contributions, of which the developmental state is the most obvious absence. Indeed, Lin and Monga (2011a) might be thought to be not so much a step towards re-introducing industrial policy as an attempt to constrain it with striking substantive parallels to the World Bank's (1993) East Asian Miracle Report. The notion touted by Lin and Monga of latent comparative advantage as the source of success is almost inevitably an ex post tautology and rationale for limiting the role of the state just as is the earlier notion of the state conforming to the market.
[13] These earlier contributions offer extensive surveys of the evolving literature, with this discussion more focused on the more recent contributions.
[14] In an interview, she answers in response to the question, "What made your work on industrialization and on Korea so influential?", she replies, "Showing that Korea developed by getting the prices 'wrong'", van der Hoeven (2008, p. 1093).
[15] Significantly, the leading orthodox proponent of the consequences of increasing returns to scale, Paul Krugman, has advised against drawing policy conclusions from his deductive theory, even though they clearly offer a rationale for state intervention, on the grounds that policy is liable to be captured by special interests (something he, paradoxically, ignores in developing his theory of uneven development). See Fine and Milonakis (2009) and Fine (2010d) for a discussion.
[16] See Stubbs (2009) for this point amongst others in a useful retrospective on the developmental state. But note that he manages to avoid discussion of class altogether, with the exception of one reference to the middle class! See also Beeson (2009) for an overview of East Asian developmental states.
[17] Note that for Yazid (2007, p. 39), "the success of a developmental state requires external support from external powers". Does this apply to China?
[18] See Pirie (2008), and also Radice (2008), for a strong statement of the constraints imposed on prospective developmental states by the impact of globalisation and neo-liberalism, but also Khondker (2008) and Pereira (2008) for continuing possibilities in case of Singapore. See also below.
[19] For the past, see Blecher (2008, p. 171) for the view that, "Bonapartism was not just a forerunner of modern authoritarianism, but also of the capitalist developmental state". And, for the present, see Lange (2009) for the potential for crises to prompt nation-building developmental states, drawing upon Botswana and Malaysia as case studies, and also Barbara (2008) for post-conflict economies as potential developmental states. See also Kim (2009) for the importance of the historical origins of contemporary developmental states, de Haan (2010) and Di John (2010) for developmental state building, and Berger and Ghosh (2010, p. 586) for the interesting proposition that the end of the Cold War has witnessed "an important shift from developmental nationalisms to cultural nationalisms", with correspondingly negative implications for developmental states as "the nation-state system itself is sliding

deeper into crisis against the backdrop of the global framework of 'genuinely existing' liberal capitalism".
[20] The Latin American experience raises the question of whether a developmental state can survive without being authoritarian, confronting the demands both for democracy and from an organised labour movement the more it is successful. Note, though, that for Draibe and Riesco (2007, p. 1), the Latin American developmental welfare state (LADWS) is a crucial factor for success, not a disintegrating cause derived from radical populism:

> The core argument … is that LADWS was the original historical form that drove forward social and economic development in the particular conditions of the region during the twentieth century.

See below on bringing welfare back into the DSP.
[21] The other being the social costs of the policies, adjustment without a human face, on which see below. For critical presentation of the Washington Consensus and its aftermath as post Washington Consensus, see Fine et al (eds) (2001), Jomo and Fine (eds) (2006) and Bayliss et al (eds) (2011).
[22] See Wade (1996).
[23] For continuing but long-established recognition of variety of models across developmental states, see Bardhan (2010). He contrasts India and China with one another and with east Asian NICs – politically, regionally, by relations between public and private sectors, sources of finance, role of conglomerates and foreign capital, and role of state officials.
[24] See Young (1994 and 1995) and Krugman (1994), although a simple visit to factories throughout the region might have offered a contrary view over the progress made in the adoption of new technologies (as opposed to simply accumulating on the basis of the old).
[25] See Pirie (2009) for an exposure of the ambiguities in Chang's analytical stance.
[26] But see Hundt (2009) for this in the context of a continuing if shifting developmental alliance between the state and capital in South Korea.
[27] See Pereira (2008) for a clear statement of the developmental state death hypothesis but the use of Singapore as a counterexample in case the capitalist class remains relatively marginal and the working class is incorporated, thereby allowing the state to continue to be developmental.
[28] See Phelps (2008) for a discussion of the role of, and need for, the developmental state in forging developmental clusters out of multinational corporate investment. Note that this involves a state versus market approach, primarily within the economic school, in which MNCs are a proxy for the market. See also Cherry (2007) on the South Korean developmental state in light of crisis, neo-liberalism and foreign direct investment.
[29] For two arbitrarily and unfairly selected examples, see Kumar (2008) for India and Xia (2008) for China.
[30] Whilst the notion of relative autonomy derives from the Althusserian school (and Poulantzas) and embedded autonomy from Polanyi, their use tends to fail to acknowledged these roots and to depart from them both in substance, sophistication and tension in content and application.
[31] See especially White (1998), Chan et al (1998) and Leftwich (2000).
[32] See also Ikpe (2012).

[33] See Ikpe (2011) for account of developmental states and agriculture (and primary production) before they were such and the lessons to be drawn, with an application to Nigeria and both rice economy and oil. Note that Lin and Monga (2011a) more or less totally ignore agriculture and, by default, the corresponding challenges for LDCs in addressing the "dynamics of industrial change" however well this may have been understood otherwise. Significantly, their contribution falls unwittingly into a weak form of contribution to the economic school of the DSP albeit without any reference to it whatsoever.
[34] See also Chang (ed) (2012) which includes case studies from Chile, Ethiopia, Ghana, India, Mexico and Vietnam.
[35] For the seven volume report of IAASTD, see McIntyre et al (2009). It sat from 2004 to 2008 and incorporate the participation of over 400 authors and a wide range of national and international agencies. See also Ishii-Eiteman (2010).
[36] For the analytical acrobatics involved in the World Bank's attempts to reconcile populist land reform with market promotion, see Oya (2011). Prospects for agriculture also need to take account both of the newly more prominent problems associated with climate change and environmental spoliation, as well as pre-empting the emergence of the food diseases of affluence that are reaching epidemic proportions in developed countries for which developing countries need to be mindful through careful negotiation of the interaction between food and health policy, see Fine (1998b).
[37] For the latter, for a late exception, see Lee, K. (2009).
[38] Thus, Masina (2010) deploys the common metaphor from global network approaches of Vietnam's recent successes being dependent upon its position in relation to manufacturing hubs, with corresponding constraints on moving through higher stages of industrial upgrading and on retaining independence over industrial policy given reliance on foreign direct investment and technologies.
[39] But see Hart-Landsberg and Burkett (1988) for an early critical review of the potential of flying geese strategies for development.
[40] See Ohno (2009) both for five stages of catching-up industrialisation, from zero to four - which may or may not (be designed to) have affinities with Rostovian stages - and for the suggestion that there is the prospect of a middle-income trap, or "invisible 'glass ceiling'", between his Stage Two ("Have supporting industries, but still under foreign guidance") and Stage Three ("Management & technology mastered, can produce high quality goods"), p. 28. The passage between these two stages is seen as depending upon capability for "technology absorption", and depending on "creativity" for the transition between Stage Three and the last, Stage Four (Full capability in innovation and product design as global leader). Various countries are distributed across these stages as are other characteristics as specified for other stages. See also Al-Jazaeri (2008 and 2012) for the problems of getting beyond catch up, and Karo and Kattel (2010) for the complexities of the determination of innovation policy, practice and outcome.
[41] What follows draws heavily on Lo and Zhang (2011) and Lo (2010).
[42] As well as, for example, for Vietnam, see Masina (2010).
[43] See, for example, Lippit et al (2011), Zhu and Kotz (2011), Hart-Landsberg (2011) and Piovani and Li (2011) in special issue of Review of Radical Political Economics, vol 43, no 1.
[44] See also Zebregs (2004) for a detailed discussion of the rise of intraregional trade in Asia but who is quoted by Ahearne et al (2006, p. 15) to the effect that:

> the rise in intraregional trade is largely driven by rapidly growing intra-industry trade, which is a reflection of greater vertical specialization and the dispersion of production processes across borders. This has led to a sharp rise in trade in intermediate goods ... but the EU, Japan and the United States remain the main export markets for final goods.

[45] See Gray (2008) for the suggestion for South Korea, and possibly of wider relevance, that more prominent labour movements and democratic participation can be associated with incorporation into more favourable negotiating of neo-liberal globalisation.

[46] See also Rock et al (2009) for discussion of developmental state, technological change and environmental sustainability in the context of globalisation.

[47] See Pirie (2012) for an even more pessimistic take on the potential of the developmental state model in an era of globalisation, and a later section for discussion of social policy

[48] See Lee (2008) and also Kalinowski (2008) who supports Weiss (1999) and Thurbon and Weiss (2006) against Pirie (2005, 2006 and 2008) to the effect that the development state has not succumbed to neo-liberalism in the wake of the crisis, although it does, for him, seem to be in its last death throes! Note that Bae and Sellers (2007) find for South Korea that democratisation can strengthen the developmental state in urban policy as technocracy is married with middle class interests as opposed to individualised pursuit of profitability.

[49] Reflecting more general features of development literature in which, for example, globalisation is attached to anything that is international or social capital to anything that is in civil society, etc. See Cornwall and Eade (eds) (2010) on buzzwords and fuzzwords in development discourse, for which the developmental state (and the state more generally other than the "fragile") is notable for its total exclusion. Promotion of concepts by the World Bank is clearly necessary to make a buzz or fuzz!

[50] See below for further examples of widening scope of application of the DSP.

[51] Block (2011) even refers to the USA's "hidden developmental state" in light of its high-tech dependence on state funding to military research. See also Peres and Primi (2009, p. 15) who refer to the US government:

> permitting exclusive licenses for patented innovations only when the innovation is to be manufactured in the United States (section 204). Selecting US firms as the beneficiaries of these exclusive licenses - an action in line with the national strategy to protect the competitiveness of the country's industry - is clearly a de facto industrial policy, even though it takes the form of intellectual property rights management.

[52] With some emphasis on provincial or local developmental states and their relations with the centre, see Liu (2008), Thun (2006), and Ferdinand (2007) for which Russia has become a developmental state alongside, if later and less effective, than China. Note that Cao (2009) examines the role of urban property in China for the presence, or not, of a (local) developmental state. See also Blecher (2008) for the ubiquitous emphasis on contradictions between local and central states across planning and promotion of private capital. For a contrary view around the retrenchment to the centre for major investment projects, see Kun-Chin (2007). See also Bateman et al (2011) for a Colombian local developmental state!

[53] See also Pack (2011) in commenting on Lin and Monga (2011a).

[54] See also Lin and Monga (2011a) with the added false nostrum that failed industrialisation in the past must be due to failed industrial policy (as opposed to failed market forces which have not been, for them, adequately corrected).
[55] For some discussion of these conundrums, see Peres and Primi (2009, p. 13) who observe, "The literature defines industrial policy in different ways, emphasizing various aspects of State intervention in support of industrialization". Note they also distinguish between macro and micro interventions although it can be argued these distinctions are questionable given how vertical and horizontal factors straddle macro/micro.
[56] For a debate on these issues in the context of South Africa, see Fine (2009e and f) and Hausmann and Andrews (2009).
[57] By social policy will be meant a much wider set of interventions than cash or other transfers. It will refer to provision of social and economic infrastructure more generally. The propositions adopted here are only offered in extremely abbreviated form but are developed at much greater length across a number of papers and applications, covering Conditional Cash Transfers, pensions, health, water and electricity. See Fine (2009c and d and 2011b) and Bayliss and Fine (eds) (2008).
[58] As well as the role of labour, see Chang (2012).
[59] See Mkandawire (ed) (2005) and subsequent volumes in the series.
[60] What follows draws on Fine and Hall (2012).
[61] See Blank (2000, C47–C48), for example, critically cited in Bayliss and Fine (2008, p. 238), for whom public or private provision of services is a matter of gauging: "The degree of concern with agency problems and the degree of belief in government's ability to be wisely paternalistic. The degree of concern over the difficulty in collecting and disseminating information on quality of services. The extent that equity and universalism is emphasised. The level of trust in the public sector."
[62] But see Fine (2007b, Appendix 2).
[63] This draws heavily on Fine (2011b).
[64] See pp. 6-9 for more details by different programmes and regions.
[65] For overview of Latin America in particular, see Bastagli (2009).
[66] Almost laughably, reasons for CCTs include "imperfect information, myopia, and incomplete altruism", that "governments typically do not behave like textbook benevolent Dictators", and "levels of human capital investment by the poor … might not be *socially* optimal because of the presence of market failures, particularly, externalities", p. 50.
[67] Whether such problems render unconditional transfers more palatable, as would be argued by proponents of a Basic Income Grant, remains an open question (see the issue of Basic Income Studies, "Should Feminists Endorse Basic Income?", available at http://www.bepress.com/bis/announce/20090128/.
[68] For recent assessment of CCTs, see special issue of Global Social Forum, vol 9, no 2, 2009.
[69] See Chiwele (2010) for a useful discussion of the costs of implementing CCTs, the need for institutional capacity to deliver, and the prospects for corruption - all of which might best be addressed across a broader range of policies and provision
[70] Note that Ravallion's (2008) own contribution only references at most a few pieces from outside the immediate orbit of the World Bank, an endemic feature of its research as commented upon by the Deaton Report (2006) on which see Bayliss et al (eds) (2011) for a critical appreciation.

[71] With wishful thinking he sees the answer as being provided elsewhere other than within Asia itself by the EU and WTO leading and managing on its behalf!
[72] See also commentaries on her contribution in the same issue.
[73] See also Arndt et al (2010) for a more recent review, and re-estimation, of the aid-growth nexus, coming out in favour of a positive relationship.
[74] But note that as a percentage of GDP, Japanese aid then peaked at only 0.35, ranking it near the bottom of leading donors, Arase (2005a, p. 4). A figure of net spending of 0.27% is also given, p. 6.
[75] See Sally and Sen (2005) for the numbers and varieties of trade agreements arising out of diversity of national policies.
[76] What follows draws upon the work of the

SARDN, only founded in 2007, itself indicative of the decimation of independent capacity in research following the assault on African higher education under the Washington Consensus, with economics hit particularly hard as far as alternatives are concerned. This is acknowledged by SARDN (2011d) itself insofar as the leading economic power in the region, South Africa, also dominates university education across the continent (reportedly responsible for the top ten universities apart from the American University in Cairo). Elsewhere, it is suggested that, "In the longer term, Botswana can serve as an alternative to South African institutions, as was the case with Zimbabwe before the political challenges", SARDN (2011e, p. 2). For a proposal for more independence, capacity and own ethos in African research, see Mamdani (2011).
[77] SACU and SADC have considerable overlap but are distinct, indicative of the spaghetti bowl!

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