

How Developmental States promote growth? Case studies from South Korea, Singapore and China.

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Dedication

To my beloved family, my wife, my six-year-old daughter (Lita), and my five-year-old son (Lichhay)

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To the great Buddha for making me patient and tireless in committing my work. There are several people who have significantly contributed to the production of this dissertation. First, I would like to pay special gratitude to Dr Anand Prathivadi Bhayankaram, my supervisor and professor, who has not only provided brilliant lectures, but also valuable feedback, guidance and encouragement for my dissertation. I am grateful to Dr Fiona Macaulay, a professor who inspired me to choose my dissertation topic from the early. With great thanks also to Dr Rashmi Arora, my personal tutor and professor, who has contributed to building my research skills and interesting lectures. Also, I would like to pay gratitude to Dr Farhad Analoui, Dr Hossein Jalilian, and Dr Behrooz Morvaridi, my professors who have delivered great lectures of both module and dissertation courses to build my in-depth knowledge and skills.

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List of Abbreviations and Acronyms

ACB – Anti-Corruption Branch
ADB – Asian Development Bank
BBC – British Broadcasting Corporation
CCP – Chinese Communist Party
CEOs – Chief Executive Officers
Comintern – Communist International
CPF – Central Provident Fund
CPIB – Corrupt Practices Investigation Bureau
DFI – Direct Foreign Investment
DS – Developmental State
EDB – Economic Development Board
EPB – Economic Planning Board
EU – European Union
FAO – Food and Agriculture Organization
FDI – Foreign Direct Investment
GDP – Gross Domestic Products
GLCs – Government-linked Corporations
GNI – Gross National Income
GNP – Gross National Product
GSI – Good Society Index
HDB – Housing and Development Board
HDI – Human Development Index
HDR – Human Development Report
IBRD – International Bank for Reconstruction and Development
ILO – International Labour Organization
IMF – International Monetary Fund
IT – Information Technology
ITU – International Telecommunication Union
MCI – Ministry of Commerce and Industry
MDGs – Millennium Development Goals
MNCs – Multinational Corporations
NGOs – Non-governmental Organizations
NICs – New Industrial Countries
NPM – New Public Management
NTBs – Non-tariff Barriers

NTU – Nanyang Technology University
NTUC – National Trade Union Congress
ODA – Official Development Aid
OECD – Organization for Economic Cooperation and Development
PAP – People’s Action Party
PSC – Public Service Commission
PSD – Public Service Division
QoG – Quality of Government
R & D – Research and Development
SAP – Structural Adjustment Programs
SASAC – State Asset Supervision and Administration Commission
SBs – Statutory Boards
SCCCI – Singapore Chinese Chamber of Commerce and Industry
SCS – Singapore Civil Service
SDGs – Sustainable Development Goals
SE – South-eastern Region
SEZs – Special Economic Zones
SMEs – Small and Medium Enterprises
SOEs – State-owned Enterprises
TVEs – Town and Village Enterprises
UK – United Kingdoms
UN – United Nations
UNCTAD - United Nations Conference on Trade and Development
UNDP – United Nations Development Programme
UNESCO - United Nations Educational, Scientific and Cultural Organization
UNIDO - United Nations Industrial Development Organization
US – United States
USSR – Union of Soviet Social Republic
WB – World Bank
WDA – Workforce Development Agency
WHO – World Health Organization
WTO – World Trade Organization
WWI – World War I
WWII – World War II

Abstract

This study applies the concept of institutions to examine the role of developmental state (DS) in promoting growth and development. The study uses comparative case studies approach to investigate DS institutional setting in South Korea, Singapore and China from the period of post-WWII to 2000s. The result shows that the three case studies possess similar institutional setting in generating growth and development and emphasize the significant relationship between formal and informal institutions. Though informal institutions are believed to be important factor, formal institutions (elite, disciplinary incentives) are the key drivers for enforcing cooperation and changing behaviours. The study suggests that the routes to build DS or generate growth may vary, but to be successful it depends much on DS capacity which not only possesses committed elite leadership (developmental commitment) but also state leadership (competent bureaucratic structure) that can build coalition settlements between elites, bureaucrats and business. This study supports the previous studies on the key success requirement for DS and rejects the claim of DS inapplicability in developing countries. The finding suggests that DS transplantation for developing countries requires pragmatic approach to localize developmental path without sticking to rigidity or particular ideology. Then, the basic foundation can be built through the establishment of autonomous bureaucracy (meritocracy, performance-based incentives) in the Weberian sense rather than New Public Management (NPM), which believes to impose disciplines and rewards with impartiality (without discrimination or favouritism) to change agents' behaviours before adopting and implementing industrial policies.

Key words: Institution, Developmental State, Autonomous Bureaucracy, Impartiality, Economic Growth, State Leadership, Developing Countries

Chapter One: Introductory Background²

1. Introduction

The role of state in promoting growth has been a longstanding argument across development literature. State tended to be criticized by neoliberal theorists as inefficiency and failure in delivering growth due to the cause of oppression and corruption, which led to introduction of various free-market remedies such as structural adjustment programs (SAP) across developing countries during 1980s and 1990s. However, the results were not satisfactory due to failed growth. (Rapley 2007; Fritz and Menocal 2007; Morvaridi 2008).

From the mid-1990s, East Asia was seen to witness the success of state-led development which was referred to developmental state (DS) model and became attractive to many development practitioners and academics. In this regard, the World Bank's report (WB 1993) praised the East Asia's strong growth and believed in institutional base for rapid growth. Stiglitz (1996) also acknowledged that the success of high growth in East Asian was the miracle as it was caused by various dimensions, and believed it was "political more than economic" (p.174) due to the chance of corruption and rent-seeking was high but government could achieve success without being captured by self-interest and corruption.

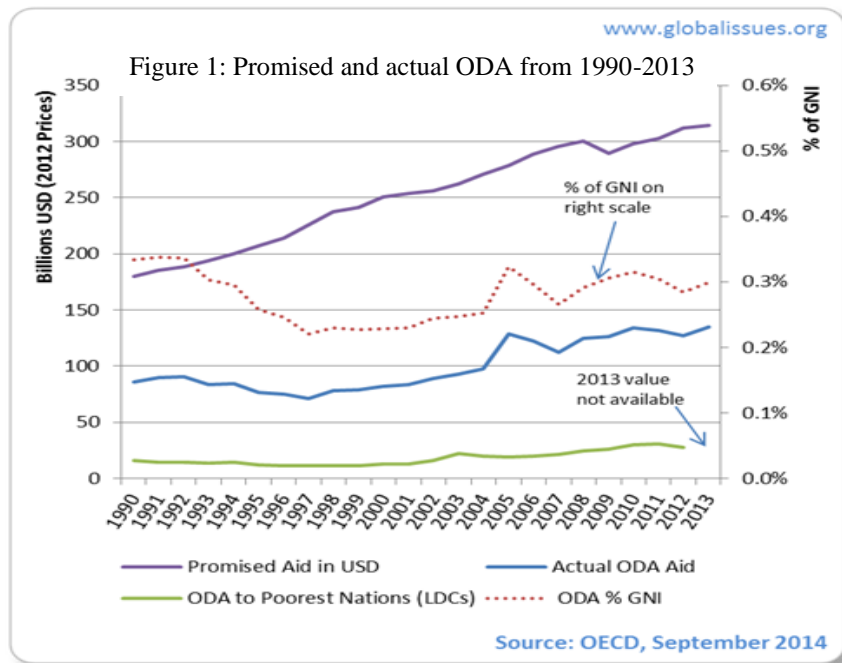
However, the 1997 Asian financial crisis brought the East Asian DS into question as "the crisis was blamed on the poor regulatory procedures and lack of transparency" of DS institutions (Caldentey 2008, p.45). Some researchers believed that the crisis was the by-product of neoliberal remedy during the 1980s ("ill-managed financial liberalization, and instability in international financial market") rather than DS institutions as some countries that avoided undertaking IMF's prescriptions could recover quickly (Chang 2006, p.261; Rapley 2007). Such consequence leads one to believe that different governments may have different responses to globalization and market failure due to different state capacities (Beeson 2004).

After 2000s, international communities seemed to witness the imperfections of both state and market and moved to advocate the concepts of post-Washington Consensus (such as good governance) (Morvaridi 2008). Based on such concepts, more remedies were given by development agencies to build good governance or good institutions, which some scholars call 'second generation SAP'. However, the good governance or good institutions prescriptions are believed to be equated to democratic institutions of developed countries and seem too much

² Small part of the text is taken from research proposal that was submitted in May 2018 to keep consistency of research's content and meaning.

demanding for developing countries where the basic foundation has not been attained due to various consequences of colonialism, poverty, hierarchical structure of world economy and so on. Historical evidence shows that even European democracy happened only after state capacity was established and systemic corruption was eliminated, which took decades for such institutions. (Chang 2002; Rothstein and Tannenbergs 2015; Wade 2018).

Also, recent studies show that the non-ODA-recipient countries with high income, though not adopted or aligned their national plans with MDGs or SDGs, mostly witnessed high human development and achieved beyond MDGs targets (Seyedsayamdost 2014). In such circumstance, it can be interpreted that the role of state especially in developing economies is crucial in mobilizing resources through maintaining strong growth not only to support development agreements but also to deliver the limited amount of development aid with ownership and responsibility (*figure 1*) (Fritz and Menocal 2007; Greenhill and Prizzon 2012).



This reflects that in the hierarchical world economy, there seem to have few developing countries that could achieve successful economic development as the cases of East Asian new industrialized countries (NICs) which have adopted DS model since post-WWII. The concept of DS is not about authoritarianism, dictatorship or democracy, but it is about state and its bureaucracy that can manage market or capitalism for the benefit of growth and industrialization through state interventions. (Beeson 2004; Caldentey 2008; Song 2013; Wade 2018).

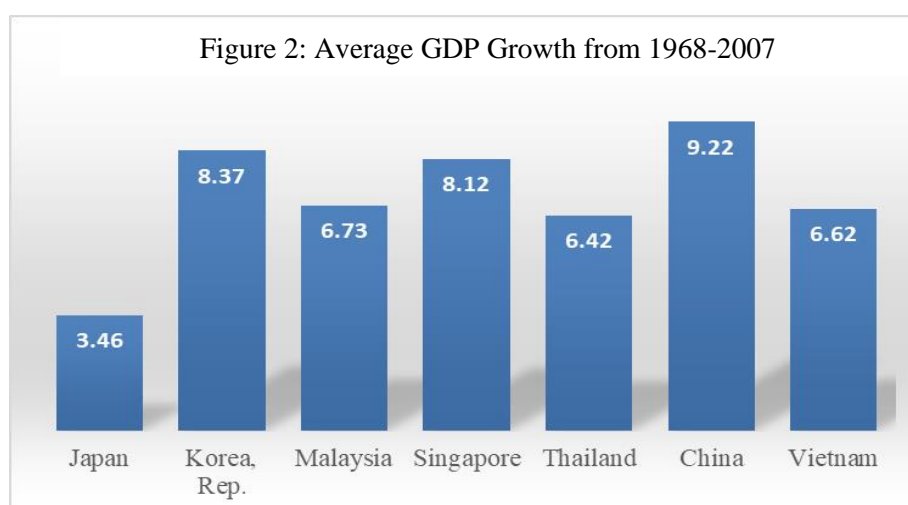
DS development model is believed not only to generate strong growth but also to achieve other social outcomes. Strong growth has been agreed by many scholars that it has significant effect on development such as reducing poverty. However, when it comes to question on how growth can be sustained and improve well-being of the poor, the answer depends on the right institutional setting to create incentives for growth, and build social capital for long-term prosperity and legitimacy, which leave discussion to the quality of government institutions (North 1990; Easterly 2001; Dollar and Kraay 2002; Beeson 2004; Rodrik 2007; Besley and Persson 2011; Acemoglu and Robinson 2012).

Based on the above insights, this study will focus on how DS promotes growth in the cases of South Korea, Singapore and China which believe to contribute to the debates on the institutional setting of DS in generating growth and enforcing developmental outcomes.

2. Rationale of the study

Most studies on economic development tend to focus on macroeconomic policies and growth strategies as well as using single case study to explain growth phenomenon with limited acknowledgement on significant role of institutions. In filling the gap, this study will apply the concept of institutions through DS characteristics in examining growth. The comparative case studies on South Korea, Singapore, and China are believed to provide common understanding on the role of DS institutions in generating growth in different countries of diverse political systems and geographical sizes. (*see figure 2; table 1*).

Moreover, this study will examine the common features of DS across the literature and comparatively apply on South Korea, Singapore and China from the post-WWII period to 2000s.



Source: adapted from World Development Indicators (WB 2018)

3. Research questions, objectives, and methodologies

This study will follow the subsequent research question and objectives.

3.1. Research Question

To what extent is the concept of DS useful in understanding the growth and development in South Korea, Singapore and China?

3.2. Main Objective

The main objective is to assess DS institutions in South Korea, Singapore and China in promoting growth and development, and to draw replicable implications for other developing countries.

3.3. Specific Objectives

- To explore the DS model and its impact on growth
- To determine key features of DS institutions in promoting growth
- To examine important causal relationship between growth and development in DS (South Korea, Singapore and China)
- To assess DS implications for other developing countries

3.4. Research Methodologies

The choice of research methodology is based on research question and researcher's philosophical stance (Holden and Lynch 2004). In this sense, the use of case study approach seems appropriate for this study due to the requirement of comparing cases across the selected contexts over time to get in-depth examination on the causal relation. According to Yin (2014, p.4) the use of case study is to explain the question "how or why" for some social phenomenon that require extensive and in-depth description to understand the social complexity. Therefore, the comparative case studies will be adapted to analyze and synthesize the patterns of differences and similarities among the selected cases (Goodrick 2014).

Though case study much involves qualitative data (Neuman 2003), but to provides in-depth and detailed knowledge of the cases, it requires the use of triangulated evidence to embrace different ontologies (reality) and epistemologies (knowledge) (Amenta 2009; Marshall and Rossman 2011; Yin 2014). In this regard, the study will deal with variety of evidence to give a good understanding of case contexts, and compromise the relations between quantitative and qualitative data, as well as induction and deduction methods, which believe to provide creative

research and compensate the weakness of each method (Johnson and Onwuegbuzie 2004; Creswell 2009; Flick 2014).

Due to time constraint, this study will be much based on secondary data which include theoretical literature, historical documents, official records, books, journals and various websites sources, which believe to provide enriched information for constructing as well as analyzing the cases.

4. Organization of the study

This study is organized into five chapters. Chapter one provides introductory context, rationale, question, and methodology of the study. Chapter two consults with relevant literature regarding state, market and institutions for growth. Chapter three provides the construction of case studies on South Korea, Singapore, and China. Chapter four deals with discussion and analysis on the data from the case findings, and chapter five offers conclusions.

5. Chapter summary

This chapter presents an overview background on the concept of development and DS as well as the rationale for the study and the selected cases such as South Korea, Singapore, and China which believe to contribute to the debate on the role of state in free market economies. The chapter also introduces question, objective, and methodology of the study as well as the organization of the study.

Chapter Two: Literature Review³

“Today’s rich countries did not get where they are now through the policies and institutions that they recommend to developing countries, and what they are doing is kicking away the ladder by which they climbed up to the top beyond the reach of the developing countries”

(Chang 2002 quoted in Hayashi 2010, p.48)

1. State versus Market Debates

1.1. Keynesianism versus Neoclassical Economics

The concept of free market which stressed the important role of market and individual freedom without state interference was claimed to be originated from the classical economics of Adam Smith during the eighteenth century and later developed by other scholars (such as Thomas Malthus, David Ricardo, John Stuart Mill) to contribute to the revolution of neoclassical economics. Free market was seen to be adopted and promoted by Britain during the mid-nineteenth century (around 1860) and later spread across the Western world. However, free market faced the trend of decline especially during the post-WWI period due to increasing trade barriers which were started by the US, followed by Germany, Japan and Britain which led to end of free market system in 1932 (Chang 2002; Rapley 2007).

During 1930s, the strong proponent of free market also emerged such as Friedrich von Hayek, but at the same time as the rise of John Maynard Keynes. However, Keynes’ concept was much dominant in development thinking, while Hayek’s concept was confined to academic circle. Keynes’s concept was not against free market but to improve its operation by responding through fiscal policy to curb recession and generate growth (Rapley 2007; Easterly 2013).

State intervention of Keynes was criticized by neoclassical economists as it might distort the market and discourage business innovation and expansion. However, the adoption of Keynes’s theory was not surprising. The key reason that made Keynes’s theory accepted was the situation after WWII and the rise of Cold War where Western economies required quick recovery. Keynes solution led to discussion among allied victory on the structural design and blueprint of the world economy in Bretton Woods conference and subsequently gave birth to Bretton Woods institutions (Rapley 2007). In this regard, the first foreign aid policy for newly independent states was emerged through the inaugural speech of the US President, Harry S.

³ Small part of the text is taken from research proposal that was submitted in May 2018 to keep research’s consistency.

Truman, on 20th January 1949, where the birth of official authoritarian development or state-led development started (Easterly 2013).

1.2. Resurgence of Market versus Return of State

In late 1960s, Keynes's idea received more criticism due to its boom-bust cycles and recession which caused advanced economies to face stagflation and high inflation. Such consequence provoked fear among public and encouraged people to support politicians who proposed inflation-reduced appeals. The critique on Keynes was led by Milton Friedman who contested Keynes's monetary policy. Friedman provided alternative means to deal with the boom-bust cycles of economy and to cope with recession, which was seen against government intervention in economy. The downturn of world economy in 1970s and the victory of the right-wing politicians in the West (such as Margaret Thatcher of Britain, and Ronald Reagan of America) caused the rise of neoliberal economics. Such dominant free-market concept in the West subsequently influenced the change of donors' development policies such as the design of structural adjustment programs (SAP) (Rapley 2007; Easterly 2013).

Following the same vein, many developing countries were forced to abandon interventionism and protectionism and to embrace neoliberal reforms where SAP was embodied. Such reform agenda believed to emerge the concept of 'good policies', 'good institutions' or 'good governance' to generate growth during the 1980s by removing structural blockage for efficient market operations. However, SAP remedy was seen not only to worsen poverty and injustice, but also fail the expected growth which caused balance-of-payment crisis across developing countries. The consequence of SAP led to widespread corruption, fraud and dysfunctional market across developing countries (Easterly 2001; Chang 2002; Rapley 2007; Easterly 2007; Rodrik 2007; Rapley 2007; Fritz and Menocal 2007; Rothstein and Tannenbergs 2015). (*see Appendix 1*)

In mid-1990s, the economic success of East Asian NICs, known as 'Asian miracle', inspired many development practitioners to bring back the state. Such movement led to reinvigorate statist development through the new institutional economics, which was known as the concept of developmental state (DS) and believed to be alternative to neoliberal theory (WB 1993; Rapley 2007). East Asian DS was about state that could generate rapid growth through successful development of indigenous firms to enter the global market as well as to supply and even to compete with foreign firms. In achieving DS model, there required interrelation between various factors such as political commitment on catch-up strategy, incentives policies

for priority sectors, and institutional arrangements for supporting catch-up strategy (Johnson 1982; Beeson 2004; Fritz and Menocal 2007; Hayashi 2010; Routley 2012; Wade 2018)

However, in late 1990s NICs economies faced financial crisis which DS model was harshly criticized by neoliberal theorist as ‘crony capitalism’ and lack of institutional framework in controlling regulatory procedures. Such critiques led to introduce comprehensive structural and institutional reforms under the pressure of IMF and US in exchange for bailout funds. IMF’s remedy was seen to require ‘getting the institutions right’ or ‘good institutions’, or ‘good governance’ which some scholars called ‘second generation SAP’. Without choice, the crisis-affected countries in Southeast and Eastern Asia including South Korea accepted IMF prescriptions and adopted neoliberal model which led neoliberal theorists to claim the death of DS. The cause of crisis was believed as the consequences of neoliberalism rather than DS institutions due to trade liberalization and globalized financial sector which caused instability in foreign exchange (Wade 1998; Chang 2002, p.69; Beeson 2004; Chang 2006; Rapley 2007; Caldentey 2008; Song 2013; Rothstein and Tannenbergs 2015, p.36,39).

2. Developmental state and growth

The concept of DS is believed to be originated from Chalmers Johnson’s study on Japan (Johnson 1982; Beeson 2004; Routley 2012). However, according to Chang (2002), DS model can be traced back to the eighteenth-century Britain and the nineteenth-century US, where state intervention was significant for infant industry development during early industrialization. Chang (2002) believes that the eighteenth-century free-market concept of Adam Smith was adopted and promoted by Britain only a century later after Britain’s infant industry became competitive for international trade.

DS is classified by Routley (2012) into several types (*Table 1*) through her working definition on DS which refers to state that

“has sufficient state capacity to be effective in its targeted areas and has a developmental vision such that it chooses to use this capacity to work towards economic development – in other words, it has developmental structures and performs developmental roles” (p.8).

The developmental structure refers to competent and autonomous bureaucracy, and developmental role refers to the building of mutual relationship between state agencies and private sector for growth-promoted interventions.

Table 1: Selected Different types of Developmental States (DS)

Types	Group of Countries	Explanation	Characteristics
Eastern Asian DS (The Big Three)	Japan, South Korea, Taiwan	Japan's DS was the first DS model studied by Johnson (1982). Japan model's imitators include South Korea and Taiwan	<ul style="list-style-type: none"> - State intervention through industrial policies - High and sustained GDP per capita - Competent bureaucracy
Southeast Asian DS	Singapore, Malaysia, Thailand, Indonesia, and Philippines	Singapore is added into this group to cover the Southeast Asian DS. This group achieved good economic growth at the same period of the Big Three DS, but with mixed results of developmental outcome, except Singapore	<ul style="list-style-type: none"> - Economic growth based on foreign direct investment (FDI) from the Eastern Asian DS - High economic growth - Less autonomous bureaucracy, except Singapore
Authoritarian DS	China, Vietnam	Vietnam is added into this group due to its similar political system. The study on China and Vietnam as DS becomes interested due to their strong and sustained economic growth.	<ul style="list-style-type: none"> - Strong and sustained growth rate - Education, health and infrastructure heavily invested by the state - Competent bureaucracy

(Source: adapted from Routley 2012; Knight 2014)

Such varieties of DS can be understood that the routes to DS are different, which seem to be influenced by different factors such as colonial legacies, political regimes, and geographical-natural endowments. However, not all DS were successful in delivering developmental role or some DS happened only in specific period especially in Africa, which believed as “a kind of protection ring” of political power rather than bringing development due to the lack of developmental structure (Vu 2007; Hayashi 2010, p.51; Routley 2012).

Developing economies mostly struggled for foreign capital inflows through deregulation and less restriction for foreign investors. In such consequence, developing countries seemed susceptible to economic cycles (boom and bust) of developed economies such as the effect of exchange rates depreciation and foreign currency debt as well as the US financial crisis, which caused decline in prices of commodity and downturn of GDP growth across developing countries (Crotty 2009; Kotz 2009; Wade 2018)

Wade (2018, p.538) calls the global economy as one with a ‘glass ceiling’, which makes developing countries difficult to catch up due to the “hierarchical core-periphery structure”.

Such structure is believed to be dominated and determined by the Western economies and their firms through imposing entry barriers, controlling intellectual patents, and financializing economies in the rest of the world, which are often criticized by Marxist scholars as creating “exploitive core-periphery relations”. In such challenges, there seem to have few developing countries such as East Asian NICs that are non-Western have transformed into developed economies, which believe to have adopted DS model since post-WWII (Hettne 2010; Song 2013, p.1267; Wade 2018).

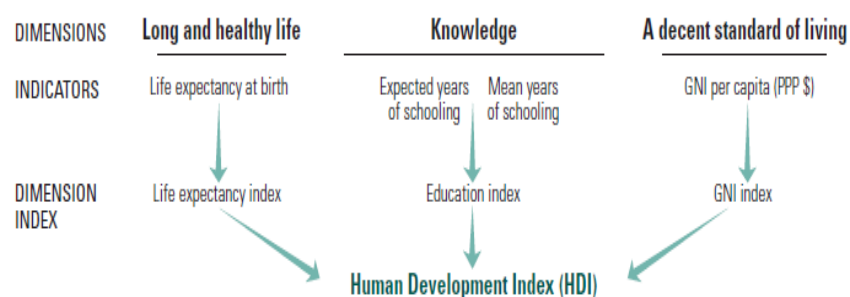
The success of East Asian DS was seen not only to have achieved strong and sustained growth, but also other social outcomes, which it is believed contributed to building state legitimacy. For instance, GDP growth in “Japan averaged no less than 8 per cent per annum from 1952 to 1980, South Korean economy grew by 9 per cent per annum over the period 1965-1990, and Taiwan’s economy also by 9 per cent per annum over the period 1960-1990” (Routley 2012; Knight 2014, p.1337), while Singapore’s average growth from 1968 to 2007 was more than 8 percent per annum (WB 2018). Also, the rise of China in the twenty-first century by coexisting planned economy with free market and with average GDP growth of more than 9 percent per annum from 1978 to 2007 can be reflected the relevant role of DS (Knight 2014; WB 2018).

South Korea, Singapore, and China have not only witnessed high growth rates, but also social improvement such as improvement in Human Development Index and decline in extreme poverty (*see figure 2, figure 7*), which inspire this study to investigate how DS institutions can promote such growth and development.

2.1. Growth and Development

Economists tended to use the levels of economic growth in terms of GDP or GNI (gross national income) per capita income to measure overall national development; however, such measure was criticized as exclusive growth and other indicators were demanded. In 1990, United Nations Development Programme (UNDP) established a new measure in the form of

Figure 3: Human Development Index (HDI)

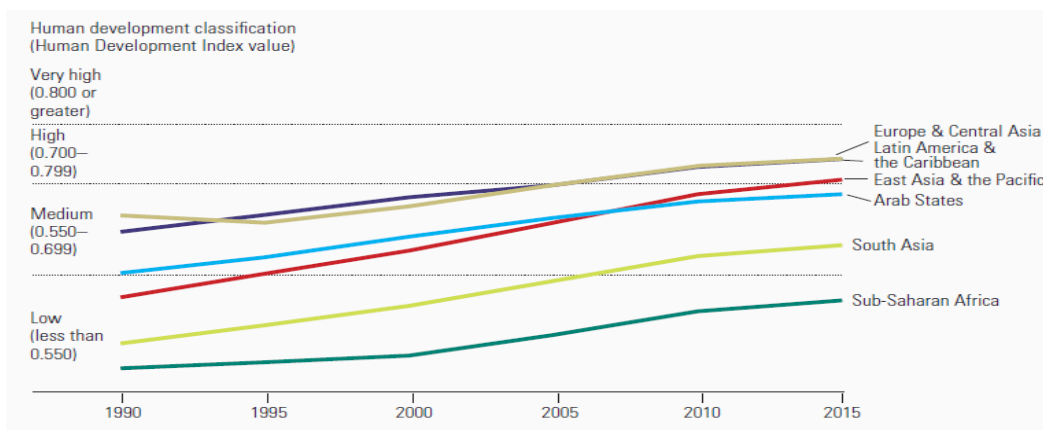


Source: UNDP 2016a

‘Human Development Index’ (HDI) which encompassed not only income but also health (life expectancy) and education (years of schooling) (Cypher 2014). (figure 3)

UNDP’s HDI is believed to be influenced by Amartya Sen’s ‘capabilities approach’ in emphasizing human decent lives by including not only the means (income), but also the ends of development (health and education). From 1990, UNDP has used HDI to rank development levels across the countries through its annual Human Development Report (HDR) (Stanton 2007).

Figure 4: Regional trends in Human Development Index values

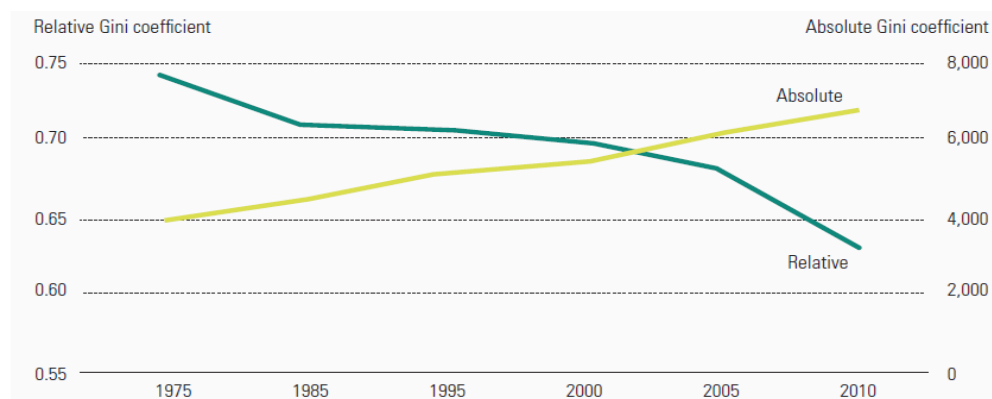


Source: Human Development Report Office.

Source: UNDP 2016a, p.27

For instance, HDR 2016 shows considerable improvement of human development from 1990 to 2015 (figure 4). Extreme poverty drops globally “from 35 percent in 1990 to 11 percent in 2013”, where decreases remarkably “in East Asia and the Pacific from 60.2 percent in 1990 to 3.5 percent in 2013, in South Asia from 44.6 percent to 15 percent, and in China from 66.5 percent in 1990 to 1.9 percent in 2013” (p.26). The under-five mortality and undernourishment also decline more than half globally, and the basic social services’ access has improved worldwide including sanitation, safe drinking water, and school enrolment (UNDP 2016a).

Figure 5: Global absolute inequality and relative inequality



Source: Niño-Zarazúa, Roope and Tarp 2016.

Source: UNDP 2016a, p.31

However, some challenges still exhibit such as increasing extreme inequality, gender inequality, state violent conflicts, and climate change (*figure 5*), where the report emphasizes the requirement of effective government institutions in coping with inclusive growth and sustainable development.

Besides, it is generally criticized that economic growth tends to cause income inequality. However, according to ‘Kuznets inverted-U hypothesis’ (*figure 6*), when economic growth can reach the threshold levels, income inequality is believed to be reduced. This means that the sustained and high growth provides government more revenues to support social investment such as education and health, which consequently contributes to reducing inequality (Cypher 2014). Such consequence reflects the virtuous circle of growth as observed by Barro (1991) that when government uses the benefits of growth to invest more in human capital, economic growth will become the key factor for poor countries to ‘catch up’ as the case of NICs. Also, when social inequality can be reduced as the result of government policies and economic growth, life satisfaction can be perceived which results in increased social trust and trusted environment for investment and growth (Mikucka et al 2017).

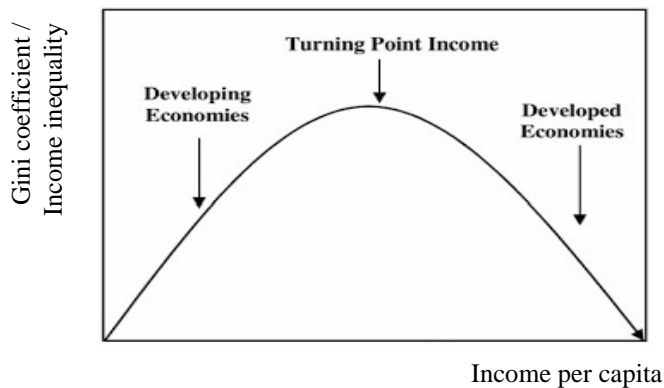
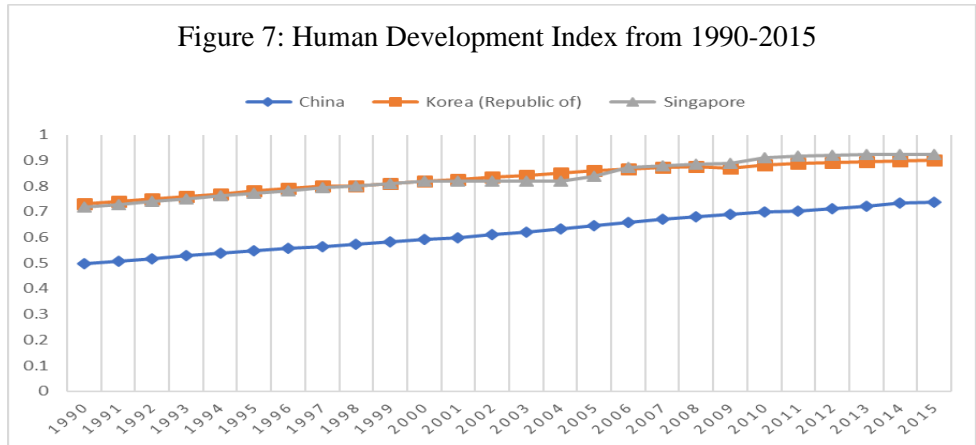


Figure 6: Kuznets inverted-U shape curve

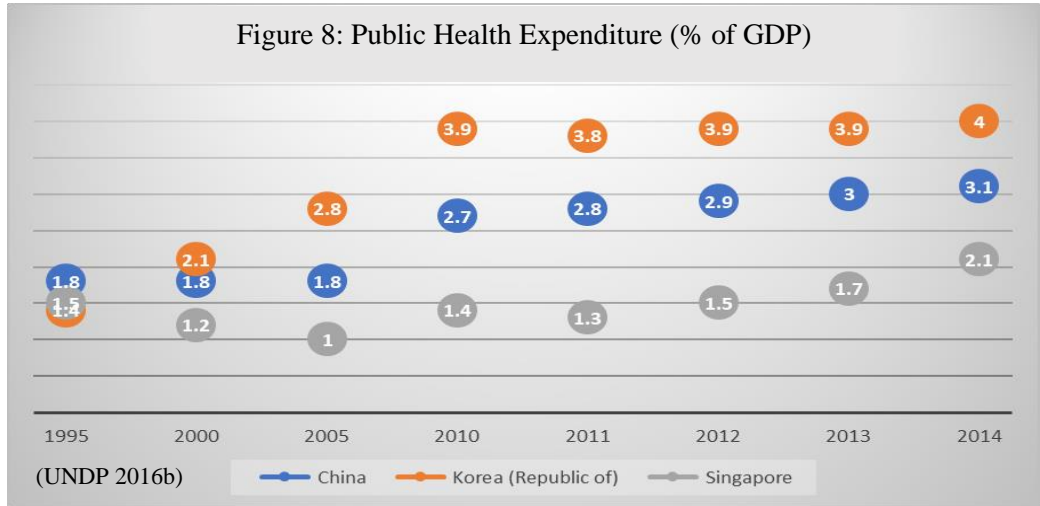
2.2. Empirical growth and HDI improvement in South Korea, Singapore and China

By using UNDP data from 1990-2015 (UNDP 2016b) for South Korea, Singapore and China, HDI has been progressively improved among the three countries which is fitted into the global trend of HDI improvement (*figure 7*). Such improvement is believed as the result of high growth during 1980s and early 1990s. For instance, GDP growth of South Korea and Singapore was around 9.8 per cent and 10 per cent respectively in 1990, while China reached the highest growth of 13.4 per cent in 1985 before slightly dropping to 10.9 per cent in 1995 (WB 2017).



UNDP (2016b)

By going further to see how much government redistributed the share of growth to improve HDI, the data from UNDP (2016b) shows that public health expenditure as percentage of GDP incrementally increased over the years. For instance, in 1995 the governments of South Korea, Singapore and China spent 1.4, 1.5 and 1.8 per cent of their GDP respectively for public health expenditure. In 2010, such share of GDP continuously increased to 2.7 and 3.9 per cent respectively for China and South Korea but stabilized around 1.4 per cent for Singapore. In 2014, the figure jumped to 3.1, 4 and 2.1 per cent respectively for China, South Korea and Singapore (figure 8).



3. Institutions for Growth and Development

Many studies have agreed that the quality of institutions has significant effect on economic development such as economic decisions of individuals in the market (Feng 2003), the ‘right’ institutional framework (Rodrik 2007), and effective policy implementation (Besley and Persson 2011). As Acemoglu and Robinson (2012) claim, the reason that nations stay poor is not about geography, climate, or culture, but it is about “institutions do not create the incentives needed for people to save, invest, and innovate” (p.231). This reflects that different institutional

setting provides different incentives and behaviours, and results in different development outcomes (Greif 2006; Rothstein and Tannenbergs 2015).

The concept of institutions is believed to influence development thinking “when Douglass C. North linked it to economic growth in 1989”, by challenging the dominant views of structural factors in explaining social and economic outcomes (Rothstein and Tannenbergs 2015, p.27). North’s concept is seen to contribute to the group of new institutional economist or neoinstitutionalist which includes Thorstein Veblen, John R. Commons, Gunnar Myrdal, Oliver Williamson, Avner Grief and other scholars, who have been regarded as proponent of state, but their new concept is not like the old radical leftist. Neoinstitutionalist believes that market function requires institutional framework to enforce agreement and protect investors, which involves the state to intervene to reinstall trust and contract enforcement through impartiality of state agencies (North 1990, 2003; Williamson 2000; Greif 2006; Rapley 2007).

According to North (1990), institution refers to ‘the rules of the game’ (p.3) in society which consist of formal rules, informal constraints and their enforcement characteristics. Formal rules are precisely defined such as ‘laws, constitutions, regulations’, and informal constraints refer to informal norms of behaviour which believe to be more important than formal rules. Both formal rules and informal norms are significant for effective enforcement, but “enforcement is never perfect”, which requires understanding the background and cultural heritages of society that influence formal rules, informal norms and enforcement as well as polities’ performance (North 2003, p.2).

In the world of free market, information tends to be incomplete and imperfect, and agent relations are asymmetric and limited insights. In such situation, powerful institutions such as state are necessary to enforce law and protect rights (Hodgson 2006). North (1990; 2003) calls such situation as the shift from personal exchange (people clearly know each other and well cooperate) to impersonal exchange (people never know each other) where uncertainty increases. The shift to impersonal exchange requires building institutions that enable players to cooperate with each other and punish when they do not. But the tough challenge of enforcement is when market gets bigger, which requires third party enforcement which refers to polity or state to “create political system that puts in place rules and laws and enforcement” (North 2003, p.6).

In the concept of institutions, Hodgson (2006) supports North (1990), and he believes agents (players) and structure (rules) are different, but mutually interacted and interdependent, where

agents tend to be more influential in shaping institutions' structure. This means economic structure is mostly driven by political agents or polities. But the problem remains mysterious on how to establish such right institutions for effective enforcement, which leaves answer to individual country's institutional contexts, strategies and historical refinement (Greif 2006; Easterly 2007). To explore such mystery, the DS institutional setting will be further discussed.

3.1. Features of DS institutions

DS is about state that can manage market to achieve developmental outcomes which include not only growth but also other social improvement. The key success of DS is seen through state-society relations which include business, civil society, and state apparatus. This is called by Evans (1995) as 'embedded autonomy' which refers to connection between industry and state bureaucracy with the ability to formulate collective goals rather than individual interests.

In this regard, the common features of DS institutions can be identified such as (1) committed leadership which places national interest ahead of personal or political gains, (2) the degree of political stability to support the efforts of national leadership and achieve developmental goal, (3) embedded autonomy of rationalized bureaucracy (meritocracy, long-term career prospects, professional traits), and (4) social connection to negotiate goals and policies or public-private reciprocal relationship (Fritz and Menocal 2007; Routley 2012). Then, successful DS requires to have both developmental commitment (vision, leadership), and developmental structures (competent bureaucracy) to achieve developmental role or outcome. (table 2)

Table 2: Common features of Developmental States (DS)

Developmental Commitment		Developmental Structure	Developmental Role / Outcome
Vision	Leadership	Competent bureaucracy	- Economic growth, - Poverty reduction
Growth policies (industrialization)	Coalitions between elite-bureaucrats, public-private	Recruitment, promotion, incentives, training and development	

Source: adapted from Fritz and Menocal (2007); Routley (2012)

The relation between DS institutions and growth is seen to be studied by Leftwich (2010) through examining the structure-agency relationship such as political coalition, elite-growth coalition, and leader-elites-interaction coalition. The finding shows that coalition settlements between leaders and elites are important for achieving DS.

According to Leftwich (2010, p.105) coalition refers to cooperation among "formal or informal groups which come together to achieve goals which they could not achieve on their own". Leftwich understands that not all coalitions are developmentally progressive, but they "may be

developmentally positive in helping to organize the fundamental agreements, politics and institutional arrangements”, where growth, stability and inclusive development are impossible without coalition. In structure-agency coalition, the study of Leftwich (2010) supports North’s (1990) institutional concept in emphasizing coalition settlements between leader and elite to achieve developmental goals through changing incentive structure. However, the problem is how to ensure such coalition settlements without predatory and rent-seeking behaviors, it is still abstract in the black box due to different institutional setting may generate different incentives which motivate different behaviors and outcomes (Rothstein and Tannenbergs 2015).

3.2. Weberian bureaucracy, trust and growth

East Asian high growth during 1980s and 1990s encouraged some economists to investigate its causal relation and the result showed significant relationship between Weberian bureaucracy and economic growth. The concept of Weberian bureaucracy is believed to be originated from Max Weber (1864-1920) which consists of (1) organizational and functional hierarchies (2) continuity in career structure, (3) impersonality or impartiality in implementing rules, and (4) professional expertise. Such features of Weberian bureaucracy have been regarded as the foundation for the concept of impartiality (WB 1993; Lawton and Rose 1994; Evans and Rauch 1999; Chang 2002; Rothstein 2011; McCourt 2013).

However, Weberian bureaucracy was criticised as lack of flexibility and innovation in responding to turbulent environment, which was believed to cause rent-seeking and predatory behaviours due to vested interests. The critique led to introduce the private sector practices into the public sector such as the concept of New Public Management (NPM). The idea of NPM reform was believed to fine-tune the Weberian bureaucracy of developed countries rather than fitting developing countries. For instance, before the late nineteenth century, Western bureaucracies (including Britain, France, Germany, US and others) also faced corrupt system, sales of offices and nepotism which led to subsequent adoption of Weberian bureaucracy. Such historical evidence shows that developed countries have gone through various stages of Weberian bureaucratic reforms which contrast with most developing countries where the basic Weberian bureaucracy has yet been attained (Lawton and Rose 1994; Evans and Rauch 1999; Chang 2002; McCourt 2013; Berman 2015).

It is rationally believed that when state bureaucracy is more “dependable, predictable, minimally competent and committed to long-term growth”, it is more likely that investment will be increased due to less perceived risks (Evans and Rauch 1999, p.753). In this regard, it can be understood that cooperation among agents will not happen if they do not trust or expect

everyone else to provide such cooperation. For instance, in systemic corruption society, corrupt practice has become a standard of operating procedure due to absence of trust institutions where report on corruption or refraining from corruption might take high risk and high cost. In this sense, if government’s institutions (such as bureaucracy, regulations) give opportunities for corruption, distrust behaviours will increase which lead to disincentive for investment and production and subsequently affect economic performance (Rothstein 2011; Persson et al 2013; Algan and Cahuc 2014; Rothstein and Tannenbergs 2015)

In linking Weberian bureaucracy and economic performance, Evans and Rauch (1999) use two characteristics of Weberian bureaucracy such as meritocratic recruitment (including examination and levels of education), and predictable career path (including long-term rewards of both tangible and intangible senses). According to Evans and Rauch (1999, p.752), meritocratic recruitment is believed not only to measure competence but also generate “corporate coherence and esprit de corps”, which will have huge effect on individual motivation. This is because those bureaucrats will see themselves as sharing similar abilities which lead to “shared norms and goals than those who they owe their office to the favour of a particular kinsman or patron”. While the long-term career path will lead to building long-term competence and corporate coherence due to predictable long-term rewards such as competitive salaries, performance-related promotions, rather than quick returns of corrupt practices.

The study of Evans and Rauch (1999) finds that four countries of East Asia (Singapore, South Korea, Hong Kong, Taiwan) are not only on the top of Weberian score, but also the highest growth during 1970s and 1990s. The bottom of growth rates and Weberian score is mostly

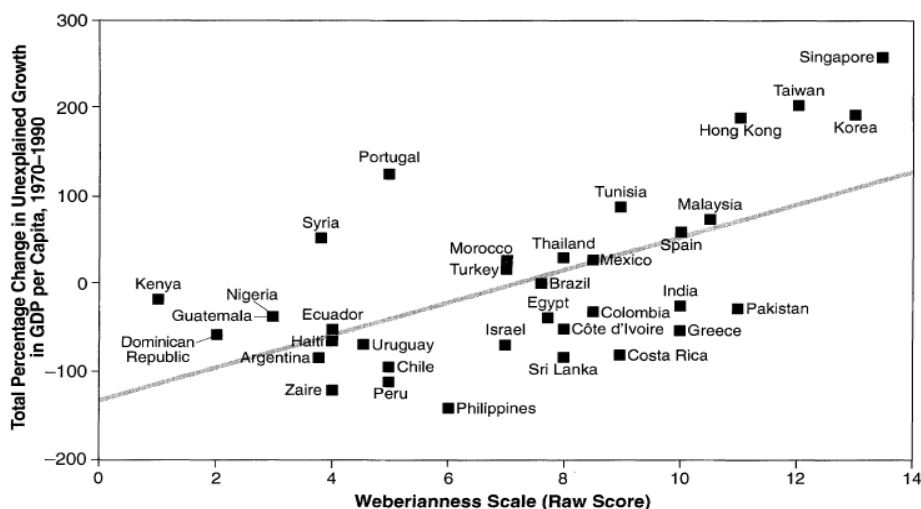


Figure 9: Scattergram showing relationship between Weberianness scale score and unexplained growth in GDP per capita, 1970 to 1990

Evans and Rauch (1999), p. 756

African countries where demonstrate institutional deficit in supporting economic performance (figure 9).

3.3. Quality of government as impartiality

In examining institutions for growth and development, the concept of ‘quality of government’ (QoG) by Rothstein (2011) will be further discussed. According to Rothstein (2011), QoG refers to norm and behaviour of “impartiality in the exercise of public authority” (p.6). In this sense, impartiality can be defined as the actions of public authority in serving people without discrimination and based on ethical and professional knowledge.

To explain the concept of impartiality, Rothstein (2011) borrows the idea of Michael Walzer (1983) on impartiality’s sphere by defining two dimensions of interests such as types of interests and scopes of interests. By combining the two dimensions, there are four spheres of conducts related to impartiality as in figure 10. To explain such dimensions, it is believed that “humans have a great repertoire than being only self-regarding, and they understand what is appropriate in one sphere is fundamentally wrong in another” (March and Olsen 1989 cited in Rothstein 2011, p.21). Then, impartiality in one sphere would not be applicable and ethical in other spheres. For instance, in “the state” sphere, civil servants or professionals behave in accordance with impartiality principle (focus on public interest rather than self-interest), and decisions should be in compliance to the law or policy, but in other sphere (market sphere), special interests or self-interests are accepted such as money from the market, and loyalties to family (Rothstein 2011, p.22).

Figure 10: Dimensions of interest and moral spheres

		<i>Type of interest</i>	
		Other-regarding	Self-regarding
<i>Scope of interest</i>	“All”	The state	The market
	“Few”	The family/clan	The interest group

(Source: Rothstein 2011, p.20)

In applying QoG approach, Rothstein (2011) focuses more on the output side of political system rather than the input side. The output side refers to impartiality in exercising public authority which Rothstein (2011) believes it can be conceptualized as universal theory and easy for measurement. Such output side focus can be included various administrative decisions and actions that do not violate impartiality principles such as the rule of law (no one is above the

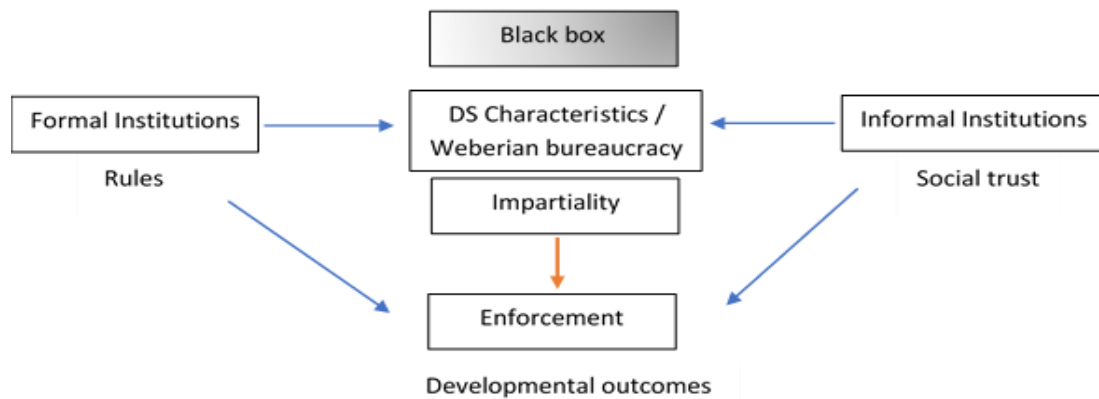
law), effectiveness or efficiency of services (quality and least-cost manner of service delivery), recruitment of public servants based on merits and qualifications, and absence of corruption.

The QoG as impartiality is believed to build reciprocity of trust among individuals which results from the reduced transaction cost due to absence of corruption. In this sense, impartiality is believed not only to produce institutional trust, but also to build political legitimacy through economic growth and life satisfaction. Such relations rely heavily on “the existence of impartial, trustworthy, reasonable, reliable and competent government institutions”. (Rothstein 2011, p.152; Persson et al 2013; Algan and Cahuc 2014; Rothstein and Tannenbergs 2015)

4. Test Model

By going through various literature on DS institutions, quality of institutions and growth, a test model is developed (*figure 11*). The test model is to comparatively examine on how DS institutions in South Korea, Singapore and China can establish coalitions between formal and informal institutions to enforce developmental outcomes.

Figure 11: A Test Model of DS Institutions for Development



Source: Adapted from North (1990); Rothstein (2011)

To test the model, the data will be collected based on the identified DS features (*as in table 2*) and in responding to the concept of quality of institutions as in the following questions (*see table 3*):

- What are the types of formal institutions that support growth and industrialization?
- What are the forms of informal institutions that play interacted role with formal institutions to enforce developmental goal?
- What are the achieved developmental outcomes?

Table 3: Pattern of Test Model on DS institutions

Institutions	Developmental Commitment		Developmental Structure	Developmental Role / Outcome
Formal Institutions	Leadership authority	the rules, policies and other regulations that support growth and industrialization	Competent bureaucracy with the concept of impartiality and Weberian bureaucracy such as recruitment, promotion, payment, training and development	<ul style="list-style-type: none"> - Economic growth - Poverty Reduction - HDI improvement
Informal institutions	Trust and Coalitions between elite-bureaucrats, public-private to support developmental goals			
Enforcement				

(Source: consolidated by author)

5. Chapter summary

This chapter provides comprehensive discussion on relevant literature which includes the key discussion between free-market and state-led development, and the role of DS for growth and development. The chapter also discusses about the concept of institutions, the quality of institutions and the relationship between Weberian bureaucracy, trust, impartiality and growth. Based on the discussed literature, the chapter presents the test model for developing case studies in the subsequent chapter.

Chapter Three: Case Studies on South Korea, Singapore and China

The case studies on South Korea, Singapore and China are believed to provide common understanding on the role of DS institutions in generating growth in different countries of diverse political systems and geographical sizes. The construction of case studies is based on the formulated test model and questions (*see figure 11, table 3*) which derive from Chapter two's discussion.

Case 1: South Korea

“We do not believe in miracles. We merely believe that hard work and sweat will bring just returns and rewards.” (President Park's New Year address, January 1, 1977)

(President Park Chung Hee Memorial Foundation, 2017)

1. Historical background and advent of DS

Korean history before 1960s was challenged by social unrests, destitution and colonialism. The first colonization by Japan from 1910 until 1945 was seen to cause dismantling Korea's 1000-year feudal institutions such as slavery abolition and paving the way for modernization. (*see Appendix 2*). However, the relationship between Japan's colonization and Korea's modernization was debatable among scholars due to the modernization was believed to support the colonial objectives rather than benefiting Korean economy. Also, after 1945-independence all colonial infrastructures were destroyed by Korean war during early 1950s which divided Korea into two ideologically separated states to be supported by USSR and US respectively – North Korea and South Korea. (Amsden 1989; Kim 1991)

During the first Republic (1948-1960), South Korea (or Korea will be used interchangeably in the rest of chapter) was under US influence through aid for war reconstruction. Aid inflowed annually at the average of “\$270 million excluding military assistance”, which contributed to “nearly 15% of the average annual gross national product and over 80% of foreign exchange”. However, under Syngman Rhee leadership, aid allocation was used for political campaigns, which promoted corrupt opportunities. In late 1950s, economy started deeply depressed due to decline in foreign aid and the result of macroeconomic policies. Economic distress, widespread corruption and unemployment induced conflicting views on the future Korean development among various groups such as student groups, and US advisors, which led to various protests and demonstrations (Amsden 1989, p.39; Kim 1991).

In response, military intervention was started in May 16, 1961 by General Park Chung Hee to restore the situation. However, the military was challenged by two poles of dissent including the student movement who demanded equal rights and democracy and the US policy package. Such challenges prompted immediate call for general election, but Park won “only by a slim margin”. Only in the subsequent elections, Park won landslide victory which believed as the result of accelerated growth and inclusive distribution of income (Amsden 1989, p.49).

Park’s regime from 1962 to 1979 was regarded as the ‘Golden Age of growth’ and laid foundation for Korea’s industrialization. Park’s development model was believed to be driven by his study from various sources, but Park seemed to be much inspired by Japan’s model of industrialization which happened during the Meiji restoration through using the role of millionaires to create large plants and the role of government to oversee and guide the millionaires (Amsden 1989; Kim 1991)

2. State leadership and intervention

State leadership in Korea was seen through entrepreneurial decision-making, which focused on planning and coordinating the availability of credits and interest rates to curb the market. In this regard, initiatives for new manufactures as well as major industries’ diversification were primarily done by the state which believed to be shaped by Park’s strong commitment on transforming Korean economy to build his regime’s legitimacy. Such leadership was realised through state promoted the change of industrial structure from agrarian base to light industries during the early 1960s, and from light industries to heavy industries in the late 1970s. Such transformation was seen to be founded in the first Five-Year Plan (1962-1966) and second Five-Year Plan (1967-1971). In supporting state leadership role, Park’s government established the Economic Planning Board (EPB) in 1961 with other bureaucratic institutions to formulate, deliver and approve industrial projects in performance-based manner. (Amsden 1989; Savada and Shaw 1990; Kim 1991).

Korea’s state intervention was centred by state subsidies to promote import-substitution and exports among private enterprises through performance setting in the principle of reciprocity. Such intervention was known as disciplinary incentives, which could be explained that state enforced punishment on firms for bad performance and rewards for the good ones. With government’s subsidies, Korean export started to increase sharply after 1963 (*table 4*). (Amsden 1989; Kim 1991).

In promoting exports and investment, government imposed various forms of intervention such as nationalized banks, credit guarantees, and multiple interest rates and exchange rates. The control of banks and credits was aimed at controlling capital flows, “which allowed government to determine where, when, and how much to invest in which industries”, and increased foreign borrowing for the targeted industries. The subsidized credits were supposed to provide to any exporters, but the targeted firms and industries with large scale, diversified business (Chaebol) and well-connected with government such as cement, steel, shipbuilding, and machinery tended to receive long-term capital with favourable interest rates. Such practice suffered many small industries. (Amsden 1989, p.73).

Table 4: Exports of Manufactures and the Exchange Rates, 1960-1965

Variable	1960	1961	1962	1963	1964	1965
Exports (mil. U.S. \$)	4.1	5.7	9.6	38.6	57.7	106.4
Manufactured exports as percent of total export	12.5	13.9	17.5	44.5	48.4	60.8
Official exchange rate (won/dollar)	62.5	127.5	130.0	130.0	214.3	265.4
Export effective exchange rate ^b	147.6	150.6	151.5	189.4	281.4	304.6
Individual items as percent of total manufactured exports						
Processed food		36		21		14
Textiles		25		29		41
Lumber and plywood		07		10		14
Metal and steel products		10		21		13
Other		22		19		18

^aManufactures are defined as Standard Industrial Trade Classification codes 6, 7, and 8.

^bThe number of units of local currency actually paid or received for a \$1.00 international transaction. Surcharges, tariffs, the implicit interest foregone on guarantee deposits, and any other charges against purchases of goods and services abroad are included, as are rebates, the value of import replenishment rights, and other incentives to earn foreign exchange for sales of goods and services abroad.

Source: For exports, Economic Planning Board, 1967. For exchange rates, Frank, Kim, and Westphal, 1975. For product breakdown, Hong, 1975.

Source: Amsden 1989, p.67

In promoting core industries, government tended to put restriction on foreign firms. This means foreign investment in Korea was welcomed only in light manufacturing export sector, while import-substitution sectors and heavy industry were discouraged for foreign investors. Though government encouraged foreign direct investment in high-tech industry during 1980s, the trend was still lower than the 1965 percentage of GNP (*table 5*). This can reflect that Korean industrialization was basically depended much on national rather than foreign enterprises (Amsden 1989; Kim 1991)

To ensure firms' profitability, Park's government was seen not only to provide cheap credits through foreign borrowing, but also control labour wage, which believed to build competitive advantage for exports and guarantee profits for business especially during 1960s. Only after

1977, the real wage was seen to surpass productivity. Such labour-wage increase was seen as the result of government's response to increasing demands of labour unions as well as the shifting of Korean industries from labour-intensive to capital-intensive during the late 1970s (Amsden 1989; Kim 1991).

Table 5: Direct Foreign Investment, 1965 - 1985

Year	DFI*	Percent of GNP
1965	20,671	0.73
1970	13,642	0.16
1975	169,398	0.81
1976	72,160	0.25
1977	65,915	0.18
1979	107,312	0.17
1980	140,751	0.25
1981	145,327	0.23
1982	187,791	0.28
1983	267,753	0.36
1984	419,049	0.52
1985	531,720	0.65

*Approval basis. Unit = current \$1,000.

Source: Ministry of Finance.

Source: Amsden (1989, p.77)

From 1960s to 1990s, Korea faced various events of foreign debts crises such as in early 1970s and 1980s due to its foreign borrowing strategy and the consequence of global oil crisis. The crises seemed to be quickly recovered under government's initiatives such as government's bailouts, rescheduling bank loans, disciplinary sanctions, and government's stabilization programmes through expansionary policy and industrial restructuring which led to merge or privatize the big business (Amsden 1989; Chang 2006). (*see Appendix 3*).

In 1997 Asian financial crisis, Korea's government seemed to divert from its traditional path of intervention. Such diversion was believed as the result of full democratization process during the late 1980s and the demand of OECD membership, which led to deregulate foreign borrowing and made the inefficient Chaebols easy access to short-term risky credits without restraints. But Korea's debt/GNP ratio (22%) during the mid-1990s was considered by World Bank as low risk (below 48%). It was noticed that overinvestment with high growth rate was not the problem, but the problem was the high interest payments which caused inefficiency and unprofitability. From 2000s, Korea seemed to adopt IMF's institutional reform prescription in exchange for bailout fund. However, the developmental objectives were persisted such as more focus on green growth, E-government and science-related industries, which believed to ensure transparency and anti-corruption, and to rebuild trust and sustain international competition (Chang 2006; Kim and Kim 2007; Wade 2018).

3. Bureaucratic institutions and cooperation

Korea's industrialization was believed to be strongly supported by bureaucratic institutions in formulating and implementing the development plans. For instance, the comparison between the planned targets and actual achievements from 1962 to 1981 showed that the actual performance was seen mostly above the planned targets, except the fourth Five-Year Plan due to global economic recession (*table 6*). Such success was believed to be carried out by bureaucrats who performed well based on agreed targets (Kim 1991).

During 1960s, Park's regime established various bureaucratic institutions to support developmental goals. For instance, the Economic Planning Board (EPB) was established in 1961 with the support of competent bureaucrats who were young and foreign educated in economics and planning to deliver and monitor economic plans with the understanding of Korean contexts. Also, EPB was seen to be supported by senior management, substantial budget, and other governmental and academic institutions (Admsden 1989; Kim 1991).

Korea's industrialization seemed to have close cooperation between state and big business (*chaebol*). The factors that strengthened state and big business cooperation were seen through government's disciplinary incentives. The disciplinary incentives included government's subsidies which imposed on *chaebol* for delivering export targets. In such regard, firms with

Table 6: Comparison of Planned Targeted and Performance (1962-1981)

(unit: real annual growth rate: %)

	The First Plan (1962-1966)		The Second Plan (1967-1971)		The Third Plan (1972-1976)		The Fourth Plan (1977-1981)	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
GNP	7.1	7.8	7.0	9.7	8.6	10.1	9.2	5.5
Agro-Forestry and Fishery	5.7	5.8	5.0	1.5	4.5	6.1	4.0	0.1
Mining and Manufacturing	15.0	14.3	10.7	19.9	13.0	13.0	14.2	9.7
Manufacturing Alone	15.0	15.0	-	21.8	13.3	18.7	14.3	9.9
Social Overhead and Others	5.4	8.4	8.8	12.8	8.5	8.5	7.8	5.2
Population	2.8	2.7	2.2	2.2	1.55	1.7	1.8	1.8
Per Capita GNP	4.2	5.0	4.7	7.3	7.0	8.2	7.5	3.9
Fixed Investment	14.8	25.7	10.2	17.9	7.8	11.1	7.7	9.9
Export of Commodities	28.0	38.5	17.1	33.8	22.7	32.7	16.0	12.0
Import of Commodities	8.7	18.7	6.5	25.8	13.7	12.8	12.0	10.8
Employment	4.7	3.2	3.3	3.8	2.9	4.5	3.2	2.3

Source: Economic Planning Board

Source: Kim (1991, p.53)

leading performance in exports and new products or entering risky industries tended to receive high rewards such as further licenses or licenses in lucrative sectors which led to diversified business development. While the discipline would include the refusal on bailout as the result of bad management. However, the bailout process was seen “highly politicized as the government has typically chosen close friends to do the taking over of troubled enterprises” (Amsden 1989, p.15; Kim 1991)

To explain how state bureaucracy worked and built cooperation with the private sector, a study of Ha and Kang (2011) provides a specific insightful case on Ministry of Commerce and Industry (MCI) during the 1960s and 1970s. Ha and Kang (2011) find that there were two groups of bureaucrats – careerists were those who served above the section chief level, and non-careerists were those who served below section chief. For the recruitment of careerist bureaucrats, there were four different ways “(a) higher civil service examination, (b) ex-military officers, (c) transfer from other government ministries, and (d) special recruitment” (p.83), while the recruitment of non-careerist was not clearly specified. It was noted that the special recruitment and promotion of regionalism (South-eastern region), where the stronghold of President Park and other senior bureaucrats positioned, were seen in high rate compared to other groups, which showed Park’s regime was not only to expedite industrialization but also to build political survival. Such public-sector recruitment and promotion were also emulated by business firms to maintain good relationship and networking with government officials (ibid).

More than that, in Park government, export target was used as performance criteria for both bureaucrats and firms. For instance, MCI set annual export performance based on government’s export target, and regularly monitored export performance through monthly conference with all relevant government agencies and business. Such practice not only put pressure on government agencies and officials to achieve the targeted performance, but also on manufacturers to increase exports. Also, Korean bureaucracy and elites were seen to be much influenced by Confucian tradition, which believed to contribute to high performance and make any job failures “inseparable from personal failures”. Such culture emphasized the “saving face” to avoid fault or criticism and led to highly rely on rules and regulations for their duties’ operation processes (Kim 1991; Ha and Kang 2011; Im et al 2013, p.293).

Case 2: Singapore

"We knew that if we were just like our neighbours, we would die. Because we've got nothing to offer against what they have to offer. So, we had to produce something which is different and better than what they have. It's incorrupt. It's efficient. It's meritocratic. It works"

Lee Kuan Yew interviewed with the New York Time on 29 August 2007 (BBC 2015)

1. Historical background and advent of DS

After the British started to locate troops in 1867 to establish the Straits Settlements, Singapore was seen to change from a small fishing village to an important seaport due to its attractive location for maritime transports. Such change made economic opportunities for Singapore and led to dramatically increase its inhabitants. In 1953, Singapore was given partial self-government from the British which emerged key political parties such as "Labor Front, led by David Marshall, and the People's Action Party (PAP) under Lee Kuan Yew". These political parties were seen to campaign for independence. In 1957, Independence was given to Malaysia, and Singapore remained colony, but local election was granted. In May 1959, PAP won election, and Lee Kuan Yew was named as the first prime minister. But the strong political opponent to PAP was the communists (such as Socialist Front) that still received large public support during 1960s-1970s (Saxena 2011, p.7). (*see Appendix 4*)

In September 1963, Singapore had joined Malaysia's Federation due to voters' decision. However, political differences emerged without reconcilability as Malaysian ruling elites supported affirmative action for indigenous Malay rather than multiracialism and meritocracy principles of Singapore. Such political tension caused communal riots across the period of 1963-1964. Due to fear of Singapore's domination over the federation and the continued violence among the Chinese and Muslim communities, Malaysian government decided to detach Singapore from the federation in 1965, which made Singapore an independent state on 9 August 1965 (Pereira 2008; Saxena 2011).

After gaining independence, Singapore's government had requested international supports for the country's future development, which provoked various views among international experts. Among the international views for Singapore's development, "the World Bank mission (1955) and the Lyle Industrial Development Program (1959) considered Singapore's industrialization in the context of its relationship with Malaysia, and only the Winsemius Report (1961)

proposed an export-oriented development strategy which would allow Singapore to stand on its own". (Low 2001, p.416; Saxena 2011). (*see Appendix 5*)

In 1965, Singapore was seen to start its first economic plan when PAP government gained the whole seats in the parliament. From then, Singapore was seen to have high growth as the result of increase in export of machinery, transport equipment, and services (*table 7*). The success of Singapore was not only seen in high economic growth but also the least corrupt government, and improvement of social welfare, which believed to be driven by interventionism of Lee Kuan Yew and his party (Huff 1995; Saxena 2011).

Table 7: Singapore macroeconomic indicators, 1960-92 (%)

	1960-66	1960-69	1967-79	1970-79	1980-92
Annual real GDP growth rate	5.7	8.0	9.7	8.3	6.7
Annual inflation rate*	1.1	1.1	5.4	5.8	2.4
Savings ratio†	6.7	11.5	27.5	28.8	42.7
Investment ratio†	17.5	20.7	38.5	40.5	41.3

*GDP deflator.

†The savings ratio and investment ratio are defined respectively as Gross National Savings and Gross Capital Formation divided by Gross Domestic Product. All variables are in real terms deflated by the GDP deflator.

Sources: Singapore, Department of Statistics, *Singapore National Accounts 1987* (Singapore, 1988); Singapore, Ministry of Trade and Industry, *Economic Survey of Singapore 1993* (Singapore, 1994).

Source: Huff (1995, p.1422)

2. State leadership and intervention

Singapore was seen to move from entrepot economy during 1950s (due to attractive seaport location for trade and transport) to industrialized economy during 1980s and 1990s. Such move showed abilities of state leadership in anticipating economic changes and imposing effective responses to sustain high growth and productivity. It was also noted that Singapore's leaders during the late 1950s were mostly high-educated in economics and with personal integrity. (Huff 1995; Low 2001; Saxena 2011).

Economic planning in Singapore was seen to adapt domestic economy to international economy through selective industries, which required anticipation and flexibility for quick and competitive responses. Such planning was believed to be supervised by Economic Development Board (EDB) that was established in 1959 to lead industrialization and build necessary infrastructure for supporting the targeted industries. The targeted industries during 1960s were export-oriented which EDB and other government agencies became responsive institutions for harnessing industrialization process (Huff 1995; Low 2001).

Singapore's key attraction of foreign investment could be seen through controlled labor relation and wage for the benefit and reliance of foreign investment. In addition to controlled labor,

government also provided tax exemption for business, and state's industrial infrastructure, which built foundation for low-cost production and industrial competition. As result, foreign investment became excessive in 1970s, which led to account for more than 70% and 80% of output and direct exports during 1970s-1990s and became Singapore the fourth largest recipient of foreign investment among developing countries (Huff 1995; Low 2001; Pereira 2008; Saxena 2011).

Singapore's government was also seen to involve in forced saving to stabilize inflation and allow government to increase more investment. The substantial contribution to forced saving was through Central Provident Fund (CPF), which was designed to support post-retirement security. By 1980s, Singapore became over-saving and over-investment which made Singapore's growth the highest in Asia (7.1% during 1980-89). The high saving encouraged government to establish government-linked corporations (GLCs) which were known as state-owned enterprises to support key industries (such as communication, airline, shipping line) where less attractive to MNCs due to high risks. Also, to rebalance with the MNCs and GLCs, EDB developed a master plan for SME (Small and Medium Enterprises) after 1989. During that time, privatization program of GLCs was introduced especially the critical and healthy GLCs such as telecommunication which was part of government's industrial restructuring in responding to WTO's liberalization and deregulation. Such privatization program caused merger of GLCs with either MNCs or local business. However, the appointment of GLCs' chairmen and other top members was remained politically linked as mostly politicians and retired senior civil servants were appointed. Such managerial control was believed to compromise corporate policy with the direction of state macroeconomic policy (Huff 1995; Low 2001; Pereira 2008; Saxena 2011).

In supporting new direction of growth during 1990s, Singapore's government adopted regionalization policy to nurture GLCs with expanded regional opportunities. Such policy allowed state and GLCs to invest in regional economies such as Asia Pacific region with the aim of generating external revenues to support Singapore's economy as well as upgrading GLCs to MNCs. This encouraged Singapore's GLCs to adopt high technology and recruit foreign talents which believed to provide efficiency and competitiveness in sustaining growth in the region and global markets (Low 2001; Pereira 2008).

Furthermore, government intervention was also found in social sectors such as housing and education. Housing intervention was seen through the establishment of Housing and Development Board (HDB) in 1960 to provide not only affordable public houses but also

foundation for PAP electoral support and legitimacy. Likewise, during 1960s, education was the national priority in responding to job creation and supporting industries. From 1970s, education focus became more specialized to support the industrial restructuring. The first education reform was started during 1980-1995, and after 1995, education was further reformed due to increasing demand of knowledge-based economy, which allowed schools to have autonomy in tailoring education packages. (Saxena 2011).

During 1990s to 2000s, Singapore reached the post-industrialization period which witnessed the increasing number of domestic capitalists and working class. However, state leadership and control remained strong as government could strengthen and consolidate itself within society especially through its success of delivering major development projects such as biomedical science and employment restructuring. (Low 2001; Pereira 2008; Saxena 2011). (*see Appendix 6*).

3. Bureaucratic institutions and cooperation

Singapore's growth and industrialization were believed to be supported by bureaucratic institutions. PAP government during the late 1950s was seen to align its vision of national development with civil service institutions to carry out development plans. The alignment was seen through encouraging elites and bureaucrats' participation in social work, establishing citizen's complaint mechanism, and establishing Political Study Centre. Such strategy was believed not only to build psychological acquaintance of similar mindset between bureaucrats and elites, but also to build capacity for implementing development plans (Saxena 2011).

During 1960s, several bureaucratic institutions were established to support government policies including the Economic Development Board (EDB), Housing and Development Board (HDB), and other key institutions. Singapore's bureaucrats were classified into two groups such as Singapore Civil Service (SCS) which focused on function-related regulations and policy formulation, and Statutory Boards (SBs) that served operational functions such as service delivery and market and with flexibility in recruitment and management (Huff 1995; Low 2001; Saxena 2011).

PAP government was seen to build civil service institutions through meritocracy rather than seniority especially in recruitment, appointment and management. Such meritocratic approach was seen in selecting elites which based on professional qualifications and merits rather than popularity and seniority. The best performed civil servants were encouraged to become politicians. In supporting meritocracy and staffing requirement, Public Service Commission

(PSC) was established in 1951 with central authority in dealing with appointment, promotion and other disciplinary control. However, such centralized management was criticized as not responding to the needs of specific services and agencies, which led to delegation of PSC's function-related appointment and promotion to line managers during early 1995. But PSC still reserved authority in promoting and appointing high level management positions and imposing disciplines (Huff 1995; Saxena 2011).

It was noticed that the key factor that contributed to cooperation and trust in Singapore was anticorruption policy. During colonial rule, corruption was epidemic in Singapore due to rampant inflation, ill-paid civil servants and poor management. During that time, there was also an Anti-Corruption Branch (ACB) under police force, but it was unable to impartially fight against corruption. In 1959, PAP won election with strong promise of anti-corruption, which forced their political leaders to set as good example of divesting themselves from financial or commercial interests during public-office tenures. Singapore's anticorruption was based on certain factors such as strong political will, legislative credibility, and effective administrative institutions in fighting corruption, which the newly established CPIB (Corrupt Practices Investigation Bureau) played significant role in building such integrity and credibility, especially in pursuing corruption allegations among high ranked officials (Saxena 2011).

In supporting meritocracy and anticorruption, Singapore's public-sector salary was seen to be constantly improved. During 1950s and 1960s, salary allowances for Singapore's civil servants were low and often cut due to budget deficits. But from early 1970s, when economy became healthy, salary allowances started to improve, which believed to compete against private-sector salaries to cope with civil service brain-drain. With double increase in GNP and the third time's re-elected PAP, public-sector salaries became the government's priority to reflect pragmatic policies and to attract competent bureaucrats for the growing economy, which led to subsequent salary revision. (ibid)

Case 3: China

“It doesn't matter whether the cat is black or white, so long as it catches mice, it's a good cat”.

Deng Xiaoping's speech, July 7, 1962 (Chinadaily 2014)

“Cross the river by touching the stones; take one step and then watch for the next one”. Deng Xiaoping's concept on economic reform in 1978 (Zhu 2009, p.89)

1. Historical background and advent of DS

China is one of the oldest countries with long history of dynastic rules and foreign influences. The downfalls of dynastic rules were believed due to oppressive and corrupt rulers could not respond to increasing socio-economic and political problems and foreign invasions which provoked chaos and rebellion across the country, especially during the early twentieth-century of Qing emperor. From 1910s to 1930s, China was not only experienced civil wars among warlords but also foreign domination such as the Versailles victory allies' decision on transferring Shandong province from German control to Japanese occupation. Due to disappointment with the West imperialism, some Chinese intellectuals turned into Marx-Leninist and joined the Communist International (Comintern) movement as they witnessed the success of 1917 Russian Revolution. In such regard, the Chinese Communist Party (CCP) was founded on 1st July 1921 in Shanghai with the support of Russian Comintern's representatives (Easterly 2013; Rossabi 2014). (*See Appendix 7*)

After WWII, the situation in China under Chiang Kai-shek seemed chaotic due to his inability to control warlords and foreign occupied territory. In late 1949, the strong Chinese communist was seen to defeat Chiang government and Mao declared the People's Republic of China. Under Mao, China was enforced by the 'Big Push' strategy or Soviet model's command economy which aimed at achieving rapid industrialization. Government investment was high compared to other developing countries which mostly focused on heavy industry. Chinese economy appeared to take off during 1950s. However, China's big push strategy seemed too much focused on the upstream of industrialization (heavy industries), which ignored the supporting downstream industries (agriculture, light industries). Such focus made China's growth lagged behind other NICs (Naughton 2007; Rossabi 2014)

During Mao's regime, economic policy was shaped by his personal views and often against his political opponents, which caused policy instability especially when economy changed. The turning point of Maoism was seen in 1978 after Mao's death and the rise of Deng Xiaoping

with other CCP leaders. China's reform in 1978 was believed to respond to the failures of Mao's model of self-reliance, which encouraged Deng Xiaoping and other CCP leaders to search for new path of development. Deng called the 1978 economic reform as 'Second Revolution' by opening-up to the outside world and gradually abandoning the command economy. China's economic reform was believed to learn from NICs especially Singapore through the 'Southern Tour' of Deng Xiaoping during the late 1970s and followed by other senior CCP members in the 1980s and 1990s. Deng was surprised by the rapid development of NICs and confirmed his CCP members in 1992 that China could do better than that. The result of economic reform showed that China's GDP growth achieved double-digit across the years and in 2005 China became the third largest economy after the US and Germany. (Wang, 2003; Naughton 2007; Su et al 2013; Mbaso and Mqolomba 2016; Lim and Horesh 2016).

2. State leadership and intervention

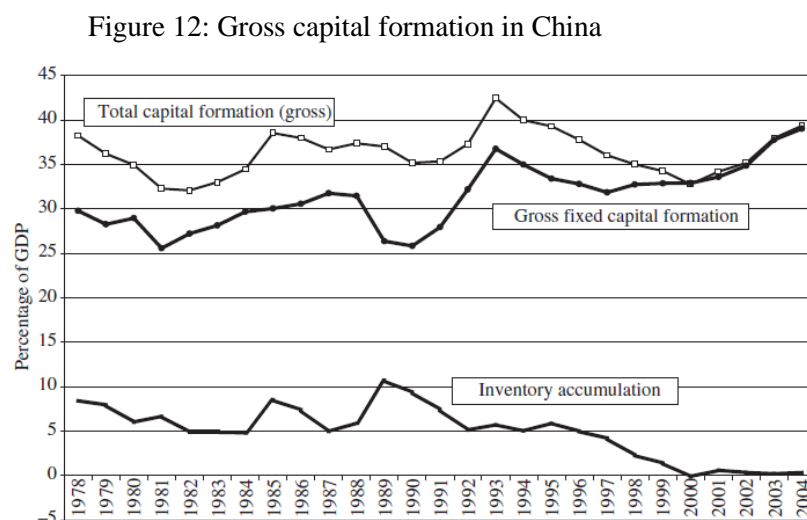
China's state leadership was seen through its capacity in adopting coexistence between command economy and market-based economy to build regime legitimacy. Such leadership was expressed through various initiatives of experimental reform. Though China was ruled by the communist party, Deng tended to institutionalize decision-making processes. Such institutionalization could be seen through the establishment of Party Secretariat in 1980 which was formed by expertise members in major reform areas to support the Political Bureau and Standing Committee in policy formulation and monitoring. State Council was also established to support coordinative and administrative functions of government, and the old members of CCP were encouraged to retire through appointing as government's consultants and being replaced by new competent and talented members (Worden et al 1987; Knight 2014).

The post-1978 experimental reform was seen its first success in agriculture. Agriculture under Mao's regime was collectively controlled and focused on 'Grain First' policies which land's ownership, farmers' inputs and production were compulsorily targeted by the state. Such practice incurred high costs and retarded growth in agriculture due to lack of decision and incentives for increasing production. The 1978 agricultural reform was started through 'contracting approach' which autonomy (decision of production) and incentives (prices, tax) were given to farmers to manage the contracting land for the agreed targets. Through the state's given high price, incentives and supports, production was dramatically increased which not only met the agreed targets for selling to government, but also farmers could release the above-targeted grains to the market. Such agriculture success increased rural income and built rural

supports for government, which encouraged government to apply such approach in other sectors (Naughton 2007).

From 1978 to 1993, the use of contracting approach in China's economic reform seemed to decentralize power from central to local governments, but state planning was still significant especially in priority sectors to ensure stability and attainment of government's objectives. In such regard, state firms were required to sign contract with government and adapt to the market and compete with other non-state firms. It was also noted that government's supports were only committed during the early stage, but when enterprises became growing out of plan, government's supports became reduced, which allowed enterprises to compete in the market and decide their best prices (ibid).

China's post-1978 growth was believed to be associated with high rate of investment and productivity, which resulted from government's reduction in inventory cost on ineffective and low-quality factories and machines, and government continued to completely reduce inventory accumulation to zero during the late 1990s (*see figure 12*). China's high investment including FDI could be explained through such productivity improvement, and other profitability opportunities which were supported by government policies and institutions. For instance, in promoting competition and performance, government imposed various initiatives of both rewards and disciplines for businesses. The rewards included not only profit incentives, but also import-export rights, tariffs and non-tariffs protection, and loans with preferential interest rates. Oppositely, the poor-performance enterprises were forced to shut down due to budget constraints (Naughton 2007; Su et al 2013; Knight 2014; Lim and Horesh 2016).



Source: Naughton (2007, p.145)

From early 1990s, a new phase of reform was introduced due to post-Deng leadership and China's preparation for WTO membership. The new phase reform seemed to increase strong role of government in strengthening regulatory and administrative management to ensure the effective use of resources and to achieve strong economic performance. Such strong role of government could be seen in various interventions such as uniformed fiscal and tax system to increase budget revenues, controlled central bank to implement monetary policy and supervise commercial banks, and restructuring state-owned enterprises (SOEs) to reduce state's burdened cost (Thun 2004; Naughton 2007).

3. Bureaucratic institutions and cooperation

China's 1978 reform was seen to focus not only on economy but also political reform, which was seen to modernize bureaucracy through introducing professionalism. China's bureaucracy was seen to be centrally controlled, but economic responsibility was decentralized to local governments and SOEs through contracting approach. Economic decentralization was purposed to incentivize reform coalitions through promoting performance-based management in generating growth, which encouraged competition among local governments and SOEs in achieving reform objectives. Local GDP growth and FDI attraction were used for performance evaluation criteria. Competitions among local governments were high as the results of performance rankings were regularly published and the top three performers would be rewarded such as their leaders were selected into national leadership, while the bottom three performers would be punished. In such practice, reform initiatives and managerial capacities were seen to be created by local governments to achieve good performance (Naughton 2007; Knight 2014; Mbaso and Mqolomba 2016).

Through decentralizing economic management, performance contracts were used for all hierarchical ladders of bureaucrats between officials and their superiors. Some researchers believe that China's performance contract was influenced by NPM, but such practice was believed to have long existed in China. Performance contract tended to create principle-agent problem due to political influence, evaluation manipulation and lack of people's participation. However, China's performance management was believed to build political coalition in achieving government's growth strategy rather than fitting into Western democracy. In solving the principle-agent problem, government created incentives for both government officials and business. Incentives for government officials included appointments, promotions, and revenue retention, and incentives for business involved accessing to government subsidies (cheap loans,

tax concession), import-export rights, and tariff protection (Naughton 2007; Collins and Chan 2009; Su et al 2013; Knight 2014; Lim and Horesh 2016; Zang 2017).

China’s bureaucracies were divided into two groups, the small core bureaucracies (administrative units) and the large extra-bureaucracies (service units). The core bureaucracies were belonged to the CCP and responsible for formulating, planning and implementing economic and social policies. The extra-bureaucracies served as the “contracting arm of the core civil service” to provide services where core bureaus understaffed. China’s public employees mostly faced low pay and limited budget allocation, which local governments were encouraged to generate self-financed income through extra-bureaucracy’s service provision (table 8). Ang (2017, p.288) calls such practice as ‘bureau-franchising’ and believes to be entrepreneurial bureaucracy. However, such practice might lead to excessive and notorious fees creation and collection, if not being closely monitored by the core bureaus, and might create budget discrepancies especially staff incentives across local governments due to different capacities in generating and managing income (Knight 2014; Ang 2017).

Table 8: Public employees by funding category, 2003

	Partially or fully state-funded	Entirely self-funded	TOTAL
Core bureaus (<i>jiguan danwei</i>)	8,926,450	96,733	9,023,183 (19.4%)
Extra-bureaucracies (<i>shiye danwei</i>)	35,199,835	2,312,272	37,512,107 (80.6%)
TOTAL	44,126,285 (94.8%)	2,409,005 (5.2%)	46,535,290

Source: *Local Public Financial Statistics*. Percentage over total indicated in parenthesis.

Source: Ang (2017, p.290)

Though rapid growth perceived, other social challenges also emerged such as “income inequality, procedural injustice, or environmental pollution”. To tackle such problems, in mid-2000s Chinese government introduced new growth objectives by focusing on harmonious society policies, which led to modify officials’ contract responsibilities by including non-growth objectives such as rewards for local governments in increasing minimum wages and reducing environmental pollution, and punishment for officials who caused social discontent (Knight 2014, p.1342).

Table 9: Summary of DS institutions from the case studies (South Korea, Singapore, China)

		South Korea	Singapore	China
Formal institutions	Elite Leadership	<ul style="list-style-type: none"> - started from military regime (President Park, EPB) (1962-1979) - influenced by Japan DS - pragmatism approach 	<ul style="list-style-type: none"> - started from PAP government (Lee Kuan Yew, EDB) (1965-1990s) - influenced by UNDP report (Winsemius report 1961) - pragmatism approach 	<ul style="list-style-type: none"> - started from 1978 reform (Deng Xiaoping and other CCP leader, party Secretariat, State Council) - learning from NICs - pragmatism approach
	Growth-industrialization rules and policies (government intervention, state leadership)	<ul style="list-style-type: none"> - export-oriented industrialization - supported and targeted specific industries and local large-size firms (Chaebols) with foreign borrowing strategy - government controlled banks, credits, interest rates, exchange rates, labor - government provided disciplinary supports and subsidies based on export performance and compliance - post-1997 crisis, adopted liberal market (due to OECD membership, full democracy) - late 2000s focused on green growth, E-government 	<ul style="list-style-type: none"> - export-oriented industrialization - government provided technical supports, subsidies and infrastructure to attract FDI (MNCs) in manufacturing - forced domestic savings (tax consumption, CPF) to increase investment and self-reliance - government controlled banks, credits, interest rates, exchange rates, labor - Housing policies through established HDB to attract immigration - Education policies to support MNCs and reduce unemployment - established GLCs (SOEs), and support local SMEs to balance and compete with MNCs - post-1990s regionalization policy to expand investment to low-cost region - post-industrialization (2000s) (due to increased domestic capitalist, skilled working class) focused on biomedical science and services 	<ul style="list-style-type: none"> - export-oriented industrialization - experimental reform through ‘contracting approach’ (autonomous production with incentives) - successful agriculture reform in early 1980s increased production above the target - continued using ‘contracting approach’ with local government and SOEs to increase FDI and production - post-Deng reform in 1990s led to recentralize regulatory and administrative management - after becoming WTO member in 2000s adopted privatization on poorly managed SOEs

	Bureaucracy	<ul style="list-style-type: none"> - industrial plans and projects were supervised and approved by EPB - meritocratic recruitment and promotion - autonomous bureaucrats (autonomy in formulating and supervising development projects and business) - two types of bureaucrats – careerist and non-careerist 	<ul style="list-style-type: none"> - industrial plans and projects were supervised by EDB - meritocratic and performance-based recruitment and promotion - autonomous bureaucrats (autonomy in formulating and delivering DS policies) - two type of bureaucrats – SCS and SBs - competitive salary was introduced after attaining high growth (post-1970s) 	<ul style="list-style-type: none"> - CCP controlled bureaucrats’ disciplines and compliances - meritocratic and performance-based recruitment and promotion - autonomous bureaucrats in decision-making and delivering target production - two type of bureaucrats – core bureaus and extra-bureaus - varied levels of salary across local agencies due to different capacities in generating self-funding income
Informal institutions	Elite-bureaucrat coalitions	<ul style="list-style-type: none"> - top leadership influenced through economic reform to build security against communist - build identity and loyalty through using mixture of merits and region-based recruitment and promotion - export-targeted performance 	<ul style="list-style-type: none"> - top leadership influenced through economic reform to build independence from Malaysia’s federation and communist - psychological and vision formulation on development agenda through joint social work activity, and training - anticorruption policy through elite’s role model - meritocracy and performance based (recruitment, appointment, promotion) - sustained high growth contributed to salary improvement (post-1973) 	<ul style="list-style-type: none"> - top leadership influenced through committed economic and political reforms to build regime legitimacy - export-based performance - allowed local governments to retain revenues for self-finance and performance bonuses - anticorruption through centralized budget management
	Public-private coalitions	<ul style="list-style-type: none"> - state provided disciplinary rewards and technical supports (guaranteed profitability for good performance and compliance) 	<ul style="list-style-type: none"> - government provided technical supports, subsidies and infrastructure (attract FDI, MNCs) - controlled cheap labor to benefit business 	<ul style="list-style-type: none"> - government provided subsidies and supports especially for TVEs, SOEs - profit incentives through contracting approach applied for both business and

		<ul style="list-style-type: none"> - repressive cheap labor for competitive advantage - used foreign borrowing to support business investment - business executives' recruitment emulated bureaucrats' recruitment style to build networking relation - post-1997 reform rebuilt trust and cooperation of post-liberal democracy through transformative economic innovation (green growth, E-government) 	<ul style="list-style-type: none"> - provided high interest rates for household saving, and used saving to support business investment - GLCs/SOEs heads were appointed by PAP government - provided public housing and education programs to create jobs and support business - post-industrialized success included biotech, services and reemployment schemes 	<ul style="list-style-type: none"> local governments to increase production and FDI attraction - government provided direct import-export right, and set tariffs and NTBs for selective import to protect domestic market - post-2000s increased openness and privatized poorly managed SOEs after becoming WTO member - focused on non-growth objectives such as reducing pollution, increasing minimum wages, reducing social discontent
Enforcement	Developmental outcomes	<ul style="list-style-type: none"> - strong growth and industrialization - reduced poverty and unemployment (through agriculture, export-oriented light and heavy industries) 	<ul style="list-style-type: none"> - strong growth and industrialization - reduced poverty and unemployment through housing and education policies, export-oriented manufacturing, high-tech industries and services 	<ul style="list-style-type: none"> - strong growth and industrialization - reduced poverty and unemployment through increasing agricultural income, export-oriented manufacturing

Source: Consolidated by author

Chapter Four: Discussion

1. Introduction

With the main objective of assessing DS institutions in promoting growth and development and in responding to the test model questions, the study finds that though the three countries (Chapter 3) possessed different contexts and strategies, they achieved common goal of industrialization through similar institutional setting of both formal and informal institutions (*see table 9*). The formal institutions included elite leadership, growth-industrialization policies, and competent bureaucratic structure. The informal institutions involved elite-bureaucrat coalitions, and public-private coalitions.

Among the key features of DS institutions, the study finds that elite leadership was the driver of economic intervention through strong political commitment, but the success depended much on how the top elite could build state leadership (capacity and bureaucratic structure), as Amsden (1989) called ‘state entrepreneurship’, to lead industrialization.

2. DS institutions in explaining growth in South Korea, Singapore and China

Good institutions have been claimed by many scholars as the source of economic growth, but the criteria for defining good institutions tend to be different and mostly equated to institutions of developed economies such as democracy, and good governance (Chang 2002; Rothstein 2011). For the case of China where institutions were at the embryonic stage of transitional economy, it seemed not to fit into the criteria of good institutions. Yet, China’s economy performed well. Chan and colleagues (2015) believe that China’s institutions in promoting growth during Deng’s leadership were much based on informal institutions of TVEs rather than the mediocre formal institutions.

However, such focus of Chan and colleagues (2015) might not be well enough to explain China’s informal institutions. In response, it can be traced back to Mao’s regime which introduced ‘Big Push’ strategy to increase agriculture productivity, but it tended to fail. Deng’s agriculture success was seen as the result of contracting approach which ensured incentives and profitability and consequently changed farmers’ and TVEs’ behaviours (Rodrik 2007). Though informal institutions are believed to be important, incentive structure’s reform is seen to change human behaviours (North 1990; Hodson 2006; Leftwich 2010)

In the cases of South Korea and Singapore, DS model was started at similar period and with similar goal of industrialization, but the strategies were taken differently such as favouring domestic firms (Chaebols) and foreign borrowing were seen in South Korea, while Singapore

was seen to favour MNCs and force domestic saving. When economy began to take off, South Korea started to welcome foreign investment but only in light industries, while Singapore departed from MNCs to establish GLGs and SMEs due to increasing number of domestic capitalists.

This can be reflected that state leadership in South Korea, Singapore and China was not about adapting to specific ideology, but rather a pragmatism approach in responding to their own specific contexts. Such pragmatism approach was seen to be influenced by transformational leadership (entrepreneurship, innovation), which not only included educated and moral leadership, but also initiated interventions without being captured by vested individual interests (Amsden 1989; Bass 1990; Huff 1995; Chang 2002; Saxena 2011; Teelken et al 2012).

3. Autonomous bureaucracy and impartiality

In answering the causal relationship between growth and development in South Korea, Singapore and China, it could be explained through autonomous bureaucrats in exercising their authority. Such autonomous role was seen through the ability in formulating and implementing DS plans, as Evans (1995) called 'embedded autonomy'. Though bureaucrats in South Korea, Singapore and China were autonomous, they were not independent from elites. Such close cooperation behaviour was shaped by certain factors of both formal and informal institutions such as top leadership influence (developmental commitment), recruitment-promotion processes (meritocracy, performance-based), anticorruption policies and pay incentives.

In the cases of South Korea, Singapore and China during the early reform, bureaucrats were seen to receive low pay, but cooperation and loyalty were high. Such high cooperation could be explained through influence of leadership commitment and recruitment-promotion processes, which built reciprocity of trust and cooperation (North 1990; Leftwich 2010; Rothstein 2011). The close cooperation between politicians and bureaucrats tended to be criticised as causing collusion and corruption, but in the cases of South Korea, Singapore and China, close relationship was seen to build shared values and esprit de corps in achieving developmental objectives.

The study of Dasandi and Esteve (2017) identifies four types of political-bureaucratic relations namely collaborative, collusive, intrusive and integrated models which were defined by relations between the levels of bureaucrats' autonomy and the degrees of power separation between politicians and bureaucrats. In such classification, bureaucracies in South Korea, Singapore and China were seen to fit into collaborative rather than collusive relationship due

to high level of bureaucrats’ autonomy but low level of power separation (*table 10*). The high autonomy was seen to encourage bureaucrats to have “innovation, experimentation and risk taking”, which led to focus on skill and meritocracy in formulating and implementing the assigned policies (Dasandi and Esteve 2017, p.233).

Table 10: Typology of political-bureaucracy relations

		Autonomy of bureaucrats	
		Low	High
Separation of political and bureaucratic spheres	High	Intrusive (e.g., India and Ghana)	Integrated (e.g., UK and USA)
	Low	Collusive (e.g., Zimbabwe and Mexico)	Collaborative (e.g., Singapore and China)

Source: Dasandi and Esteve (2017, p.232)

Though Dasandi and Esteve (2017) believe that DS bureaucracy was not fitted into the ideal type of Weberian bureaucracy in terms of political neutrality, but the collaborative model was seen to have certain Weberian characteristics such as meritocracy and performance-based career progression. Also, the absence of collusion and corruption in DS collaborative bureaucracy could be fitted into the concept of impartiality in exercising public authority. In this sense, impartiality was seen to be derived from bureaucrats’ autonomy in implementing the assigned tasks based on legal-rationality authority which was defined by impartiality’s sphere dimensions (*see figure 10*) (Rothstein 2011).

4. DS capacity in coping with 1997 financial crisis

Among the three case studies (Chapter 3), South Korea was seen to be highly affected by the 1997 crisis due to its foreign debt strategy. The effect of crisis on Korea could be reflected that when economy became mature (increasing number of domestic capitalists, technological evolution), bureaucrats’ capacity required to be advanced (active intervention) to support the developmental processes (competition, regulations) in the globalized economy (Liao 2001; Beeson 2004; Chang 2006; Song 2013).

However, Korea’s bureaucratic institutions during early reform seemed less focused on meritocracy due to recruitment and promotion were much based on regionalism and ex-military backgrounds. Such practice might be one of the causes of the post-1997 crisis restructuring. While Singapore and China were less likely affected by the crisis as they were seen not only to increase large domestic savings, but also adopt new industrial strategies with the improvement of meritocratic performance, anticorruption and financial incentives (Chapter 3).

5. Implications for other developing countries

DS tended to be criticized by neoliberalist as ineffective, inapplicable or dead due to various circumstances. However, DS was seen its success not only in East Asia, but also in UK and US during the eighteenth and nineteenth centuries. The post-WWII rise of NICs and the recent China would demonstrate plausible evidence of DS applicability. Though some studies believe the success of East Asian DS was based on Confucian culture, but there is similarity between Confucian and Weberian principles where meritocracy and moral discipline embedded. (Kim 1991; Chang 2002; Beeson 2004; Caldentey 2009; Hayashi 2010; Mbaso and Mqolomba 2016).

The situation in many developing countries mostly faces weak domestic capitalist and infant industries, which require state to guide, support and protect as the cases of South Korea and China, or to attract foreign investment as the case of Singapore and with insurance of profitability and growth for both business and state. Such interventions require close cooperation and trust among elites, bureaucrats and business to achieve the development goals. (Chang 2002; Wade 2018).

In that sense, the transplantation of DS is depended much on the bureaucratic capabilities to support the intervention policies without collusion and corruption, which refers to the establishment of autonomous bureaucracy (meritocracy, performance-based incentives) where the concept of impartiality is exercised in imposing disciplines and rewards without discrimination or favouritism to encourage good performance among business and government officials. (North 1990; Rothstein 2011).

6. Limitations of the study

This study acknowledges certain limitations due to time and resource limits which inhibit the abilities to effectively collect and analyze the data from multiple sources. Also, the number of selected case studies might limit the scope of generalization on the effect of implications. The study may require other methods of research such as direct observations or interviews to build understanding on individual interactions at the micro level.

7. Chapter summary

This chapter provides discussion on the finding which shows significant role of DS in pursuing catch-up strategy. The key factors that ensure DS success include elite leadership, competent and autonomous bureaucracy, and coalition settlements between elite, bureaucrats and business. Though East Asian DS faced certain crisis, the recovery strategy depended on DS capacity. DS is believed to be applicable for developing countries.

Chapter Five: Conclusions

The debate on supremacy of role between ‘statism’ and free market in economic development seems to end due to both sides facing the same imperfections and needing support from each other. In the twenty-first century, economic development seems to depend more on state capacity rather than whether less or more role of state (Rapley 2007; Easterly 2013).

The situation of most developing countries tends to face the challenges of world economy where hierarchical structure between the core and periphery persists, which not only control the entry but also the share of benefit going to the rich rather than the poor. Against such challenges, states need innovative and responsive capacities to cope with the changing international environment. The success of NICs including South Korea, Singapore and the recent rise of China suggest that DS model through its pro-market government would become an effective catch-up strategy for developing countries, which requires active role of state to go beyond neoliberal recipe by not only providing subsidies and protection to infant industries, but also enforcing performance conditions without being captured by specific interests and corruption. (WB 1993; Lee 1993; Beeson 2004; Song 2013; Knight 2014; Wade 2018).

Though DS has been criticized by neoliberalist as ‘crony capitalism’ or inducing corruption, from literature, there are different routes for DS and not all DS are successful, which depend on DS capacity that can build developmental structure to support developmental role (Vu 2007; Routley 2012). The cases of South Korea, Singapore and China show that DS success depended much on top leadership which was seen as the driver of economic intervention and could build state leadership (capacity and bureaucratic structure) to lead industrialization, and enforce cooperation and trust among elite, bureaucrats, and private sector. (North 1990; Leftwich 2010).

DS was not about state rigidity or sticking to particular ideology, but it was about state that could localize development path through the use of pragmatic approach to respond to the changing circumstances as shown in the case studies. In this sense, DS depended much on the capacity of state leadership in responding to not only domestic capitalist but also global capitalist (Beeson 2004; Caldentey 2009; Hayashi 2010; Song 2013; Wade 2018).

The lessons from case studies are believed to be useful for developing countries to adopt DS model for their own development path. The lessons show that developing countries require not only committed elite leadership to build state capacity (competent bureaucracy), but also the state capacity that can build cooperation and trust among elites, bureaucrats and business with

the principle of impartiality in achieving developmental outcomes to avoid being captured by vested interests, collusion and corruption. Then, the basic foundation can be started from the establishment of autonomous bureaucracy (meritocracy, performance-based incentives) in the Weberian sense rather than NPM with the enforcement of impartiality in imposing disciplines and rewards to change agents' behaviours to more focus on good performance. When bureaucratic capabilities are in place, the industrial policies can be adopted and implemented based on the local context requirement, which is called pragmatism approach (North 1990; Chang 2002; Beeson 2004; Chang 2006; Rothstein 2011; Wade 2018).

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Appendixes

Appendix 1: The shortcomings of structural adjustment programs (SAP)

The key components of SAP could be identified such as (1) privatization of state-owned enterprises to increase competition and efficiency in the market, (2) reduction in government spending (fiscal austerity) to reduce inflation, (3) trade liberalization through eliminating price control (currency devaluation) to lower the cost of production, and (4) deregulations to reduce rent-seeking and corruption opportunities.

There were certain shortcomings of SAP's market remedy which required the role of government as the market could not work. For instance, to attract foreign investment, it required government to increase more spending on infrastructure and facilities and more government policies on protecting investors' benefits including finding the market abroad for the produced goods.

Regarding privatization, it sounded efficient and competitive, but when it came to human-capital formation especially related to sophisticated technological capability (such as scientists, engineers), it required creating specialized firms in research and development where the cost was higher than the benefits, and no private firms were willing to take the risk.

For trade liberalization, it seemed good but only when there were no discriminating manners in the developed economies. However, protected and subsidized economy seemed high among developed economies to nurture their own industries such as imposing quotas for developing countries' exports. It is believed that "the revenue the third world loses to the first world protectionism may be ten times greater than what it gains from first world aid" (p.97). The protectionism of the developed economies and the low-priced imports led to fail local entrepreneurs in continuing efforts of investment and production. It is believed that trade liberalization became successful only after the countries became capable in industrial exports or became industrialized economies.

Trade openness and exports would not accelerate development and industrialization in developing countries but increased primary commodities exports. As the case of some Asian and Latin American countries, trade liberalization became successful after these countries spent long period of state-led industrialization, which reflected the role of state in economic development especially through the adoption of import-substituted import's (ISI) protection and subsidizing industries. It was about building up local industries' readiness to take advantage from liberal trade policies.

Finally, the remedy of currency devaluation was believed to benefit producers. But it caused the raising price of imported inputs which eventually suffered the import-dependent export industries.

In total, SAP was seen to help the rich and hurt the poor which led to more increase in inequality and injustice due to the poor could not afford for their healthcare, education which hindered human capital formation, and led to the question, development for who? The marginalization and unequalled distribution of national wealth tended to cause violence, conflicts, crime across society which produced threats to democracy and social stability.

Source: Rapley (2007)

Appendix 2: Korea before Japan's colonization

Before Japan's colonization, Korea was ruled by Yi dynasty (1392-1910) which believed to provide Korea's stability as the result of balancing power between the king, bureaucrats and aristocrats. Aristocrats (yangban elite) were seen to hold high status, privileges, landed property and bureaucratic officeholding, and the use of Confucian culture was the way to build legitimacy and economy interests. Though the king and aristocrats were antagonistic, they tended to mutually support each other for the security of benefits and power in society structure. The power balance between the king and aristocrats was believed to maintain stability, mobilize resources for development and overcome threats from the outside world.

The peasant rebellions and foreign invasion in the 1860s "created a sense of urgency about the need for reform" (p.30), but the system of power balance and the privileges of upper classes put challenges against reform. The system of power balance made the poor farmers suffered due to landlords' tax. However, the state revenues were seen shortage and the peasant unrest persisted, which were blamed on the weakness of the central government in responding to the issues effectively. The weakness of Korean state during that time led to decline in local industry due to employment without adequate compensation and royal household's demand on importing luxury goods especially from China.

Japan's trade that arrived in the 1870s modernized the way of exchange in Korean economy from barley and rice to acceptance of Japanese yen. "The monarchy was forced to rely on China to suppress peasant uprising in 1894, which gave Japan a pretext under which to increase its military presence. Japan declared Korea a protectorate after routing Russia in war in 1905". In 1910, "Japan formally annexed Korea" after defeating insurgents and dissolving Korean army. (p.31)

Source: Amsden (1989)

Appendix 3: Korea's three phases of stabilization

The first stabilization (1971-1972) was seen to respond to the declined growth due to IMF remedy on limiting debt and foreign capital movement which resulted in declined investment and exports. To restore exports, the government introduced currency devaluation which immediately increased the price of won against financing debt and caused financial problems for borrowed firms. To avoid going bankrupt, the firms tended to get politically connected for demanding government's bailout. The 1972 Presidential Emergency Decree specified the bailout with two objectives: "to revive economic activity by stimulating investment demand and to relieve the interest burden of overextended firms" (p.96).

Though economy and investment became fully expanded and diversified in 1973, the steel industry just started while at the same time the first oil crisis happened. The oil crisis caused increase in oil price which produced severe threat to the oil-dependent industries. This led to the second stabilization in January 1974 which encouraged government policy response to maintain growth. The response was seen to increase imports, expand domestic credit (over 40%), and increase investment (from 26% of GNP in 1973 to 32% in 1974).

In curbing deficit, the government "both borrowed abroad and depleted its foreign reserve holdings, which fell by 3.5% in a year" (p.98). This caused rising total debt from 32% to 40% between 1974 and 1975. The response of increased borrowing and reduced reserves resulted in positive growth (7.7% and 6.9% between 1974 and 1975) while many other countries faced depression. In 1976, fast growth continued and "GNP grew by 14.4%" (p.99). After 1976-77, the output rate remained high (12.7%) due to investment in heavy industries and infrastructures.

The third stabilization was seen to be started after the assassination of President Park and at the time of global oil crisis. In early 1980, GNP growth was experienced -5.2%, and it rebounded to 6.2% in 1981 which was below previous rates of growth but better performance than other late industrializers (Latin America, India).

The stabilization policy during early 1980s was seen not to be different from the past practices, which foreign borrowing was used to increase investment while private investment and savings fell. The monetary policy was seen to move around contractionary and expansionary model which depended on economic situations to deal with interest rates, exchange rates, and bailouts.

Source: (Amsden 1989)

Appendix 4: Chinese community in Singapore during and after British colonization

During the British colonization, domestic business (commodities, trading, banking, real estate) was mostly owned by Chinese community in the form of family-owned enterprises. But the Chinese community was seen to have diverse and fragmented membership due to different dialects and clans. In 1906, the first effort was successful in forming ‘Singapore Chinese Chamber of Commerce and Industry’ (SCCCI), but due to its diversity of clan lines and cultures made it difficult for advocacy role. During late 1950s and early 1960s, there emerged Chinese patriotism mobilization among SCCCI and other Chinese clan associations through emphasis on solidarity with mainland China, which caused cultural subdivisions among Chinese communities. There were two contradicted groups of the Chinese communities – the ‘babas’ referred to the group that was “acculturated and integrated with either local Malays, the British or both”, which included top People’s Action Party (PAP) leadership such as “Lee Kuan Yew, Goh Keng Swee, Toh Chin Chye, Tony Tan”), and the ‘sinkeh’s’ (‘aliens’ or Chinese Chinese) referred to the Chinese-educated group that fought against the British on issues of citizenship and Chinese education and found constituency of opposition political parties, which led to threaten more division in Chinese ethnic. However, in 1959 PAP claimed victory which “provided the English-educated moderated leadership the opportunity to start the complex process of distancing itself both from the left and Chinese chauvinism” (p.417)

Source: Low (2001)

Appendix 5: Winsemius Report

Winsemius Report was produced by a team of UN experts (United Nations Expanded Program of Technical Assistance (EPTA), later became UNDP) led by Dr. Albert Winsemius (Dutch economist) to undertake industrial survey during early 1960s. The team observed that development in Singapore required foreign investment which Singapore needed to build safe and stable conditions for foreign investors. The 10-year development plan was proposed by Dr Winsemius to transform Singapore from trade port to manufacturing and industrialization. The first emphasis of the plan was to create jobs through attracting foreign investment in various sectors “such as textiles (production of shirts and pajamas), shipbreaking, building materials and small industries” (p.15). The team also suggested the creation of Economic Development Board (EDB) for delivering the 10-year program.

In supporting the proposed development plan, Dr Winsemius was seen to serve as Chief Economic Advisor to the government of Singapore from 1961 to 1984, which he did not only work closely with various prime ministers (Lee Kuan Yew, Goh Keng Swee, Goh Chok Tong), but also helped persuading various international companies to invest in Singapore (such as Philips, Esso, Royal Dutch Shell) due to his strong belief that Singapore could become a financial center, and international center for both air and sea transports. During that time, UN agencies that provided technical expertise for Singapore were not only UNDP but also many other specialized UN agencies such as “FAO, ILO, ITU, UNESCO, UNIDO, UNCTAD, WHO, ADB, World Bank” that provided technical supports for almost every sector of Singapore economy (p.16).

Source: Saxena (2011)

Appendix 6: Singapore's post-industrialization

Post-industrialization in Singapore happened in the 1990s when the manufacturing industry declined its share to the country's GDP and the service sector started growing. The manufacturing sector in Singapore was seen to move to other low-cost late industrialized countries such as China, Vietnam, Indonesia, Malaysia and Thailand. Such relocation of manufacturing sector was believed to be caused by the high cost of production and operation in Singapore such as land, labor and other related costs. In response to such post-industrialization consequence, Singapore government introduced two new programs such as biotechnology sector (which was highly profitable), and service sector (due to decline in manufacturing sector).

Biomedical sciences initiative was launched in 2001 to support the growing industrial sub-sectors such as "pharmaceuticals, medical technology, biotechnology and healthcare services". The target of introducing biomedical sciences sector was believed "to generate around US\$18 billion in manufacturing output and employment of 15,000 people by 2015" (p.1195). The biomedical sector became significant for Singapore's economy, for instance, in 2006 it generated output of \$14.8 billion which was around 10% of total manufacture output and employed about 10,571 people. Such strategy believed to confirm the success of Singapore developmental state in the modern time.

Many countries also introduced biomedical strategy by promoting joint ventures between domestic biomedical firms and multinational biomedical corporations which believed to provide win-win relationship such as gaining access to domestic markets by multinational corporations and benefiting technological transfer and capitals for domestic firms. However, Singapore strategy was different as the government allowed multinational corporations to involve in biomedical production without building up domestic firms and provided several incentives such as state subsidies (set up operation in Singapore), and tax breaks.

To supply adequate labor for the targeted sector, Singapore government invested heavily in education and training particularly in the biomedical areas such as awarding postgraduate scholars to pursue doctoral programs in the fields of biomedical sciences. For instance, 276 postgraduates were awarded scholarships both outside and inside the country between 2001-2004. The cost of each biomedical scholar was around \$0.6 million, and time spent for their education and training could be around six to eight years (doctoral level scientist), which was a kind of long-term investment. At the same time, in responding to the immediate demands of high skilled labor in biomedical industry, Singapore government changed its immigration and labor laws to allow multinational corporations employing foreign talents. The number of highly qualified researchers and workers started to increase "from under 100 in 2001 to over 4600 in 2006" (p.1196).

In addition to supplying high skilled human resources, Singapore government started to heavily invest in biomedical-supported infrastructure projects such as "the Tuas Biomedical Park and Biopolis" (p.1196). The costs of these two projects were significantly large. For instance, Tuas Biomedical Park was developed in a 183-hectare site and costed around \$550 million which believed to offer special provisions of infrastructure for pharmaceutical and biopharmaceutical manufacturers. Whereas Biopolis was a kind of world-class research and development hub in the areas of biomedical sciences to provide collaborative environment for private and public research communities. To support and attract multinational corporations for such investment, the government adopted intellectual property and bioethics by changing legal and institutional frameworks to protect and enforce biomedical research and production for the benefits of country's competitiveness.

Moreover, to prevent high rate of unemployment, government invested in ‘Work Restructuring Scheme’ through the establishment of “Workforce Development Agency (WDA) in September 2003” (p.1198) to control the retrenchment of industrial workers and coordinate with other agencies (both semi-government and non-government) to retain and shift workers from manufacturing to service sector. Several programs were innovated by WDA such as “Place and Train or Re-skilling schemes” to coordinate unemployed individual, employers, and training providers to offer training and upgrade skills for workers. The cost of the schemes was covered by the state, for instance, 90% of the training fees that were paid to service providers were covered by WDA, and employer received “absentee subsidy” (90% of hourly wage) for employee’s absence from work to attend the training (p.1199).

From 2006, the government invested in several work retraining schemes such as “\$30 million Job Re-creation Program” (offer employers grants for redesigning high valued-added jobs), “the \$20 million advantage scheme” (offer employers subsidy for hiring old workers), “the \$80 million Workforce Skills Qualification System” (offer workers part time classes on IT skills, numeracy and literacy), and “pledged \$80 million to the existing Lifelong Learning Fund” (p.1200). The government funds for supporting retraining schemes were mostly based on the budget surpluses of the successful economic growth.

Source: Pereira (2008)

Appendix 7: Sun Yat-sen's party and the rise of the communist

During early 1920s, cooperation between CCP and Guomindang was seen to start. But in mobilizing supports from Chinese workers, CCP faced obstacles due to government's restriction, intimidation and execution on workers and business owners who participated in protests and strikes. Due to the small and limited number of proletariats, in 1923 the USSR representative and Sun Yat-sen agreed that communism was not suitable for China, but USSR would support Guomindang in expelling the West imperialists and unifying the country by using the model of USSR communist party. In such agreement, Soviet military assistance was founded by establishing military academy in Canton (Whampoa Military Academy). Chiang Kai-shek (future brother-in-law of Sun) became military commander, and Zhou Enlai became political commissar. In such agreement, the Chinese communist became the subsidiary role to the Sun's party. The subsequent death of Lenin in 1924 and Sun in 1925 and the new leadership of USSR (Trotsky and Stalin) made unrest and instability for the CCP and Guomindang alliance.

In 1926, Chiang's supremacy became dominated due to his control over the opponents from both the left and the right and his subsequent marriage with Sun's daughter. In leadership of Guomindang, Chiang determined to expand territory control. Chiang seemed to favor the right (landlord, industrialist) rather than the left (communists, workers). Due to such betrayal alliance, USSR called for the Chinese communists to take arm against Chiang, which caused many Chinese communists being arrested and murdered by Chiang's troops, and split the communists into various groups. Among the various communist groups, Mao Zedong was emerged during that time.

Based on personal experience and investigation on peasant livelihoods in Hunan province, Mao believed that the communist victory was only happened by peasant supports through rural rebellions (such as the 1927 Autumn Harvest Uprising). However, due to inadequate supports and poor organization, the rebels were quickly suppressed by Chiang. By the end of 1927 and early 1928, Chiang's military could control the east coast of China (from Guangzhou to Shanghai) including Beijing. The victory of Guomindang provided hopes for life improvement among the population. However, a few years later, Guomindang seemed disappointed people's hopes such as the continued Japanese expansionism, widespread corruption, and poor rural conditions especially mounting peasant distress (due to landlords' exploitation, declined demands of Chinese products caused by Great Depression, poor irrigation infrastructures and natural disasters).

During Chiang's regime, it seemed that economy was opened to the world, and education, healthcare and urban lifestyles became modernized. However, such progress was seen to benefit only a small group of elites while the majority of population could not access and also suffered from government's oppression. Chiang's regime also tried to eradicate the communists through the establishment of secret agents to spy and use brutal forces against the communist members. Such repression caused some remaining communists including Mao Zedong (1893-1976) to flee to remote region in Jiangxi province (which was known as Jiangxi Soviet and became stronghold for the communist), where Mao started to justify the Marxist communist by more reliance on the poor peasants rather than the proletariats due to the continued hardship of the Chinese rural society. In small number and lack of heavy weapon support, Mao used guerrilla warfare to avoid full-scale fighting. The support of local peasants in terms of information and intelligence became protecting shield for the communist, and the use of guerrilla warfare would be more effective.

Several strong and suppressive attacks against the communist by Chiang's regime and with the use of heavy weapons and air attacks, the communist leaders decided to move out of their stranglehold in October 1934 through the so-called 'Long March' movement, which produced historical success

for building local grassroots supports in a long and perilous journey from Jiangxi to a remote and safe region in Shaanxi province. Though many communist soldiers were captured and killed by Guomindang along the way, the march of six-thousand miles provided safety and unity for the communist leaders and their followers, which led to the establishment of the Red Army or People's Liberation Army.

In the new stronghold of Yan'an in Shaanxi province, Mao supported Stalin's call for joining united front against the Japanese and condemned Chiang's attack on the communist. Mao's support for united front encouraged some of Chiang's ally to join the Chinese communist to fight against Japanese. Due to Japanese aggression, students' protests also emerged during the late 1935. Chiang's campaigns were seen to focus on exterminating the communists and protestors rather than curbing Japanese encroachment, which increased hostilities and tensions during the late 1936 and caused frustration among his military commanders.

After WWII erupted, the situation in China became chaotic due to more foreign decisions made for China especially among the super powers such as Japan, USSR, US and other Western allies. The Chinese communist was engaged in attack against Japanese, but due to its weak position, such attack caused harsh reprisals from Japanese on the Chinese population. The consequence encouraged the Chinese communist to change its leadership and ideology. The historical moment of the long march led to increase more membership from around ten thousand to around 2.8 million by 1942, which made Mao an undisputed leader of the party. Though the membership increased, Mao found out that many new members were lack of knowledge and dedication to communism. From 1942 to 1944, Mao initiated a new campaign (Rectification Campaign or purifying party members) to root out the ignorant members which led to recruit more new members from peasants of Yan'an and its surrounding regions. Schools were set up to train proper behavior and ideology, where Maoism was developed on par with Marxism and Leninism. Brainwashing, self-criticism and self-confession emerged in group discussion training which caused attack on the independent minded intellectuals and others who criticized Maoism. Such campaign led to purging movement among the distrusted members.

After defeating Chiang in late 1949, the Chinese communist under Mao occupied Beijing and declared the People's Republic of China. The success of communist in China caused stressful spreading of the communist insurgent movements across Southeast and Eastern Asia to fight against capitalist and imperialist exploitation, and some countries fell under control of the communist. Such consequence of Cold War forced the UN Security Council and the West to intervene the war against the communist and to alienate trade with China. Due to heavy cost of the war on China and the fear of US presence, the truce agreements were signed between the conflicting parties. The stressful situation was gradually released after US president (Richard Nixon) visited CCP leader (Mao Zedong) in 1972 in Beijing. Such visit was believed as part of the US operation plan to warn the ethnic Chinese in Southeast and Eastern Asia who sought support from CCP would face similar fate of North Korea, Hungary, and Viet Minh due to harsh treatment from their protectors (Russia, China) and people were enslaved by poor living standards in the communist system.

Source: Rossabi (2014); Lim and Horesh (2016).