Chapter 6

Governance for Growth: Improving International Development through Anglo-Japanese Cooperation

Max Everest-Phillips*

1. Introduction: Improving the governance behind economic growth

Nothing is more important for implementing the ambitions of international development than the uncertain impact of governance on economic growth—a heady mix of obdurate politics, confused economic theory, and complex often contradictory historical evidence. We still know too little about what dimensions of the governance agenda really influence the dynamics of sustainable economic growth.

Over the last few years, past certainties for achieving international development have disappeared: The World Bank's seminal study *Economic Growth in the 1990s: Learning from a Decade of Reform* (2005) stressed that there is no one path to growth, no one set of effective institutions, but that "politics trumps economics"—good economic principles can only be implemented when in accord with both the local political climate and administrative capacity. Without engagement with the detail of a country's governance, growth strategies are futile. Many in development feel unnerved. What are the guiding principles between universal principles—the investment climate[1] and good governance —and the local "varieties of capitalism"?

∗ In 2007 the author was Strategic Policy Impact and Research Unit (SPIRU) research fellow at the Overseas Development Institute, London. This chapter is written in a private capacity so the views expressed in this paper do not necessarily represent DFID.

1. For definition, see World Bank (2005a) and Moore & Schmitz (2007).

To address this development challenge, the UK and Japan are well placed to provide the international community with leadership through increased collaboration. Japan (and later East Asia) and the West had different paths to development, creating a different understanding about what dimensions of governance really matter for economic growth. With the bursting of the Japanese "bubble" economy fifteen years ago, UK interest in Japanese insights on development world has faded. At this important juncture for the British Department for International Development (DFID)—with the White Paper on International Development in 2006 highlighting the importance of governance, and a renewed understanding that economic growth is crucial to poverty reduction—closer development cooperation between Japan and the UK would strengthen understanding of divergent paths to sustainable development.

Fortunately, in recent years the international development community has rediscovered that countries need economic growth if they are ever to escape aid dependency. We are now much clearer that local context—history, political processes, institutions, social attitudes—is crucial for achieving sustainable economic growth. Increasingly we agree that there is no "international best practice" to be parachuted in by development experts and expensive consultants from Washington or other western capitals; good principles like "accountability" or "transparency" can only emerge gradually from "what really works" in local circumstances.

The case for promoting "governance for growth" through Anglo-Japanese collaboration is three opportunities: first, in 2008 Japan will hold the Presidency of the G8, will be hosting the Tokyo International Conference on African Development (TICAD), and is currently attempting to reform its development agencies. Second, "governance for growth" plays to combined strengths—DFID has been highly influential in shaping the debate on governance in the international development community; while Japan has maintained its high reputation for practical expertise on growth. Thirdly, much of the international analysis of the governance determinants of economic growth are too dominated by Anglo-American economic perceptions of how development happens, based on a narrow focus on "institutions" as "technical fix" rather than an evolving process of political governance. This is a poor reflection of the complexities of history beyond the US and UK experience—in particular, despite the voluminous literature on the "East Asian Miracle", a limited appreciation of the political governance characteristics of Japan and subsequent "later developers" that were the critical dimension to their sustained high economic growth.

Development policy prescriptions—free markets or "rule of law"—are often claimed to be universal as end goals but lack a historical sense of the different paths to economic growth from the variety of states and markets. Orthodox dogma on the causes of economic growth (the "Washington Consensus" of the 1980s and 1990s) has given way, in the face of practical failure around the developing world, to a search for political feasibility in local contexts—what really works. Economic growth requires more than just "the maintenance of macroeconomic and political stability." No successful high-growth country from China to Botswana has ever followed any fixed policy prescription on "good" governance, growth or the investment climate. Understanding how basic principles of economics need to engage with local politics and history remains a challenge of mindsets, professional expertise and knowledge. "An effective state is the single most important factor determining whether development takes place" (DFID, 2007, p.1). The most important development of recent years has been the recognition that "good governance is about good politics" (DFID, 2006, p.23). Political governance is also central to economic growth: "modest changes in institutional arrangements and in official attitudes to the economy can produce huge growth payoffs" (Rodrik, 2003, p.16). There is an increasing acceptance by the international development community that "just getting markets and the investment climate right" is not enough: governments need to take more proactive steps to support and sustain growth (Hausmann, Rodrik, & Valasco, 2005).

The governance dynamics of economic development need to be reflected better into developing countries' growth strategies. The international community must get better at finding ways to support effective political governance underpinnings that generate long-term growth. Reforms require careful priorities and sequencing. Changing power relations and the way that decisions are made in a society may take decades, but when opportunities do occur, change can happen with surprising speed. History suggests cautious optimism is justified, but progress requires international collaboration built on practical experience and expertise which the Japan International Cooperation Agency (JICA) and DFID, and the international development communities in both countries are well placed to promote. This chapter is a manifesto for collaborative action playing to the comparative strengths of two major developed countries at a key time for "governance for growth" as the crucial underpinning for all hopes of delivering the Millennium Development Goals (MDGs).[2]

2. Governance for growth

Faced by the turgid jargon of contemporary political science, economics and political economy, the concise and elegant insight of great thinkers of the past is often the most inspiring. The renewed interest in "governance for growth" reflects the advice Machiavelli gave Renaissance monarchs that they would be stronger in a prosperous realm than in an impoverished and discontented one:

> [The Prince] ought accordingly to encourage his subjects by enabling them to pursue their callings, whether mercantile, agricultural, or any other, in security, so that this man shall not be deterred from beautifying his possessions from the apprehension that they may be taken from him, or that another refrain from opening a trade through fear of taxes; and he should provide rewards for those who desire so to employ themselves, and for all who are disposed in any way to add to the greatness of his City or State (*The Prince*, 1992 edition, p.61).

Economists have in recent decades re-discovered the truth best expounded by

2. Including the "ninth" MDG of "Good Governance" that various countries such as Albania, Azerbaijan and Mongolia have also adopted.

the great English 17th century political philosopher Thomas Hobbes that:

> Without the effective institutions of the state, there is no place for industry, because the fruit thereof is uncertain; and consequently no culture of the earth; no navigation, nor use of the commodities that may be imported by sea; no commodious building; no instruments of moving and removing such things as require much force; no knowledge of the face of the earth; no account of time; no arts; no letters; no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short (Hobbes, 1651, Chapter 13).

But progress in explaining why, how and when effective states and markets emerge, and what the international community can do to promote this outcome, has been frustratingly slow.

Economic growth is essential to delivering the MDGs. Yet the proportion of British aid to Africa devoted to “directly productive” activities (growth and rural livelihoods), expressed as a percentage of aid for “social” spending (education, health, social and governance), had fallen from 371% in 1988/9-1989/90 and 208% in 1993/4-1994/5, to only 45% by 2003/4 (Killick, 2005; also Ch.3). The data from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) on sector-specific aid from all donor sources shows that the ratio of assistance to “social”, as against “economic”, sectors changed in a continuous—and continuing—trend from 1:4 in 1978 to 4:1 in 2004 (Killick & Foster, 2006). Optimists may point to “convergence”—poor countries will catch up with the rich (notably China and Vietnam at present; East Asia and Botswana in earlier decades); pessimists highlight non-convergence—the rich countries carry on getting richer (per capita income in many African countries is roughly where it was at independence 40 years ago: Pritchett, 2006). But in either case, economic growth really does matter for poverty reduction. And while few now doubt that governance is critical, what aspects of governance really matter to deliver the economic growth needed for sustained poverty reduction is still far from clear.

Governance is defined in various ways by different international development agencies. The basic concept seeks to capture the *process* of governing, distinct from the government as the individuals holding state authority at any particular moment. Governance contains two different elements—the aspects of governing the state that are of *intrinsic* importance to the population, such as respect for human rights; and the *instrumental* dimensions of governance—the attributes of the quality of governance that delivers on the needs of the population. Governance affects all aspects of growth dynamics in different ways, via such diverse areas as investment, finance, education, health, and innovation. Property rights, contract enforcement and markets—in labour, property and capital—are socially constructed and politically regulated (Harriss-White, 2005). Governance can impact through many channels: political systems and processes; national legal systems; state bureaucratic policy process and its implementation. Policy, policy action and policy outcomes often differ significantly from the plan, depending on capabilities (Pritchett, 2004).

Yet what aspects of political systems and government capabilities are necessary to deliver growth in different developing country contexts remains far from clear. Successful high growth in East Asia was due to the existence of strong states with a clear growth agenda. While few would doubt that governance and economics are closely connected, what is being measured as "governance" may not capture the relationship: not only that high-growth and low-growth developing countries have had the same governance quality over the last two decades according to standard indicators of governance, but that the average high-growth developing country actually had slightly worse governance in the 1990s than the average low-growth country (Khan, 2006: also Ch.5). This suggests that greater effort is needed to identify better the dimensions of governance that actually deliver growth.

Governments concerned for the long-term good of their general population and responsive to their needs are likely to be supportive of economic growth that will deliver better livelihoods for all; the intrinsic and the instrumental dimensions to governance are intertwined: respect for civil liberties and human rights is correlated with growth outcomes (Rodrik, 1998; Stiglitz, 2002). Government determined to deliver economic growth must maintain political stability and show long-term commitment. The wide variety of historical trajectories towards "best practice" in developed economies shows there is no one path to sustainable growth (Hall & Soskice, 2001).

> Once one moves beyond general statements of the kind that property rights are good for growth and corruption is bad, there is much that remains unclear. Which institutions demand priority? What are the specific institutional forms that are required? Do these differ across countries according to the level of development, historical trajectory, and initial conditions? (Rodrik, 2003, p.8)

"Government failure" and "market failure" remain contested concepts: whether and how much the state should interfere in markets, and how far the private sector can or should deliver functions of government. Some countries have made rapid transitions to growth without profound governance reforms, while governance reforms supposedly crucial for growth have had no effect on economic performance of African countries (Sachs et al., 2004). China has significantly higher growth rates than India but does not perform better along the supposedly critical dimensions of "Investment Climate" governance such as property rights or the rule of law.[3] So causality is unclear between governance, investment and growth: for example, India and Brazil with similar rates of investment (21% of GDP) grew at rates as different as 5.7% and 2.1% between 1980 and 2004. Substantial intra-national growth differences exist that cannot be explained by broad generalisations about institutional factors: there are significant examples of rapid growth and investment in some sectors within countries that are otherwise regarded as having poor growth and investment climates (Haber et al., 2003). Growth differs widely by locality within countries, with local governance factors often explaining the marked regional variations in growth performance—for example, across the Indian states of

3. For example, China does not have high scores on accelerating resource allocation to growth sectors, prioritizing infrastructure for these sectors, and making credible support available to investors bringing in advanced technologies (Qian & Weingast, 1997).

Gujarat, West Bengal and Tamil Nadu that were at a comparable level of development at the time of Independence[4]; and across China (World Bank, 2006).

How much then does governance "matter" for growth? Political power influences what growth strategies are realistic, and the governance capabilities needed to implement them. Growth can be politically desirable to achieve political stability, or can be politically threatening if socially divisive, so governments must also be concerned about the social impacts of growth—economic transformation inevitably causes some social upheaval including localised unemployment from "churning" as companies enter and exit the market place with improvements in competitiveness and productivity. Governments always require the capacity to buy off resistance to change, and providing a social safety-net for those adversely affected is crucial to facilitating modernisation of the economy. Successful growth economies have all had the state playing an important but varying role: attracting investment; improving productivity, technology, and competitiveness; delivering economic and political stability seems critical. To achieve this, political leadership, vision and achieving a sense of national purpose has always been decisive factors.

Political competition may have differing effects on components of both conflict and growth dynamics.[5] So what matters is how the political arrangements deliver effective legal systems, regulation and competition, an efficient public sector, and stable fiscal and monetary policies. What seems critical for investment and sustainable growth is that political conflicts can be settled by agreed rules, without violence, even if the institutions and the rules highly biased to

4. Gujarat has consistently attracted a higher share of investment. West Bengal failed to capitalize on its initial conditions, and Tamil Nadu has a fluctuating performance. Investment per capita in Gujarat was two and half times the all-India average by 1994, while in Tamil Nadu such investment stood at 0.85 of all-India levels, and in West Bengal at 0.47. Local politics in Gujarat developed "strategic capacities" that have consistently made that state attractive to private capital, while in West Bengal and Tamil Nadu local politics have tended (at least until recently) to have the opposite effect (Sinha, 2005).
5. According to Pinto (2005), political competition possibly decreases the rate of physical capital accumulation and labour mobilisation but increases the rate of human capital accumulation and productivity change.

elite interests (Przeworski & Curvale, 2005). The World Bank summed up its key lesson from the 1990s as the need not just to get the economics right, but to "get the politics behind the economics right" (World Bank, 2005b). This requires getting beyond the imprecise, ahistorical and non-political use of terms such as property rights, institutions and infrastructure. Property rights, for example, are constructed through a process of constant political contestation—requiring enough stability in the process to maintain positive risk perception while allowing property rights to adjust to new conditions and technological change. Confusion over the historical evolution of "secure" property rights is often based on the shaky historical justification of the supposed impact of the "Glorious Revolution" of 1688 as creating constraints on government in England; yet this hardly explains the impact on property rights in Japan of the 1868 Meiji "Restoration" (Everest-Phillips, forthcoming-a). As Ha-Joon Chang (2007a) observes, Korea's economic performance over the last four decades is the equivalent of turning Haiti into Switzerland.[6] Politics has to be put back into "political economy" to answer how this can happen.

3. Japanese development experience matters

Growth only happens when it is politically possible. One crucial dimension to Japan's post-1945 economic recovery was the era of Prime Minister Ikeda for whom delivering economic growth meant political survival. In 1960 the renewal of the Japan-US Security Treaty provoked violent nationwide protests. A sense of national crisis shook the confidence of the Japanese political, business and bureaucratic elite, and the previous government resigned in an atmosphere of political chaos. The new Ikeda government (1960-1964) deliberately sought a new national vision to avoid confrontation over political

6. Life expectancy at birth in Korea in 1960 was 53 years. In 2003, it was 77 years. In the same year, life expectancy was 51.6 years in Haiti and 80.5 years in Switzerland. Infant mortality in Korea was 78 per 1,000 live births in 1960 and 5 per 1,000 live births in 2003. In 2003, infant mortality was 76 in Haiti and 4 in Switzerland. The 1960 Korean figures are from Chang (2006), Tables 4.8 (infant mortality) and 4.9 (life expectancy); 2003 figures from UNDP (2005), Tables 1 (life expectancy) and 10 (infant mortality).

ideology. Ikeda, a former Ministry of International Trade and Industry (MITI) minister, successfully refocused national attention on his plan to double Japanese GDP within a decade—this had succeeded by 1967. Ikeda was described as “the single most important figure in Japan's rapid growth. He should long be remembered as the man who pulled together a national consensus for economic growth” (Nakamura, 1994).[7] Japanese politics now turned on the *seichoritsu* (“growth rate”). Charles De Gaulle offered another epitaph, allegedly asking after meeting Ikeda: “Who is that transistor salesman?”

Europeans who managed to visit Japan before the end of the Tokugawa regime’s policy of isolation in the middle of the 19th century were always surprised to discover how effectively the country was run. The Swedish surgeon and naturalist Peter Thunberg, for example, travelling from Nagasaki to Edo (Tokyo) in 1776, was impressed how “both the supreme government and the civil magistrates make the welfare of the state, the preservation of order, and the protection of the persons and property of the subject, an object of greater moment and attention in this country than in most others” (Voyage de C.P., 1796, IV, p.11). This political strength combined with a strong work ethic developed a political system of reinforcing the state’s legitimacy through building its administrative capabilities and political responsiveness to the needs of the population, with long-term consequences for commitment to the success of the private sector (Morishima, 1982). Japan successfully evolved from feudal to global power within two generations, but Japanese industrialisation was by no means self-evident: a German economist visiting Japanese factories in the late 1880s reported that “Japanese workers work relatively little and that all work progresses only slowly” (Rathgen, 1891, p.422). The political elites of the Meiji “Restoration” that overthrew the feudal Tokugawa regime in 1868 were determined to preserve Japan’s political independence through economic wealth and military power. Aware of the dangers of dependency, their unifying vision was to overcome this external threat: subservience to foreign powers “is a deep-seated disease afflicting vital areas of the nation's

7. Johnson (1982, p.252) also notes the importance of the Ikeda Plan for boosting national self-confidence essential for investor confidence.

life" (Fukuzawa, 1875 [1931], p.189). An effective state was essential and, mirroring continuing argument about modernisation theory about autocratic rule "to get things done", even ardent democrats throughout the Meiji period were much concerned that the constitutional government could lead to violent rifts in the national political consensus that would set back progress in both political and economic development (Przeworski et al., 2000).[8]

British observers of Meiji Japan's early development prospects were however scathing:

> In this part of the world, principles established and recognised in the West appear to lose whatever virtue and vitality they originally possessed and tend fatally towards weediness and corruption… The Japanese are a happy race and, being content with little are not likely to achieve much.[9]

That concern then about corruption remains a timely reminder to understand governance challenges in broader context of how development really happens. The Japanese in turn noted what the British advocated for development was not actually how Britain had developed: when the Iwakura Mission of 1871 to 1873 visited Europe and the US to unearth the secrets of modernisation, the Mission's members discovered that both technology adaptation and constitutional arrangements mattered, but also that Britain had abandoned protectionism for free trade only after it had achieved industrial leadership and skills that enabled the country to benefit. The Mission summarised for the former samurai warriors now running the Emperor Meiji's government, the challenges Japan faced to catch up with the developed world:

> The strength of a country depends on the prosperity of its people which, in turn, is based on the level of output. To increase output, industrialisation is essential. However, no country has ever initiated the process of industrialisation without official guidance and promotion.[10]

8. No conclusive evidence exists that non-democratic regimes are more effective in stimulating growth, and may be less effective at sustaining it.
9. *Japanese Gazette*, Yokohama, 1882.
10. Quoted in Ohno K. & I. (1998, p.7).

In the early 1990s when the Japanese economy was still booming and the US felt in retreat politically and economically, much attention was devoted by the World Bank—thanks in part to strong Japanese lobbying and its then rising International Development Association (IDA) funding contribution—to learning from the East Asian experience: most notably the World Bank report of *The East Asian Miracle* (World Bank, 1993) and supporting studies on how Japan had led the region (the "flying geese" phenomenon) in creating "Communism that Works"—high growth with equity. The collapse of the Cold War provoked considerable surge of interest in possible lessons for developing countries in this "unorthodox" route to development. Japan and East Asia suggested a key role for some form of "industrial policy" that, when done right, showed that the state, not just markets, did really shape effective economic development. The post-1945 state-led reconstruction of the Japanese economy had been achieved through "a greater centralization of economic authority than had been achieved at the peak of Japan's mobilization for war" (Dower, 1999, p.544). Japanese post-war recovery and the subsequent success of East Asia were not built on any unique set of guiding principles or institutional arrangements (Haggard, 2004).

But the subsequent collapse of Japan's "bubble economy" and the following decade of economic malaise, along with the Asian financial crisis of 1997-98, caused a precipitous decline in attention to what Japanese experience and ideas had to offer the international development community. This was unfortunate not least because those studies paid scant or inadequate attention to the importance of governance, a topic in itself then more focused on technocratic intervention than on learning the lessons of politics and historical experience. The inaccuracy of so much growth diagnostics often lies in limited understanding not just of government capacities but more importantly of political intentions critical for sustained economic success.

4. The "dialogue of the deaf" on industrial policy

The debate over "market" or "government" failure posits a false dichotomy: effective development is "a synergy between state action and market functioning" (Lange & Rueschemeyer, 2005). Yet exactly what form or function for these governance capabilities and political systems to transform an economy into high, sustainable growth is far from certain: state-led development has been highly effective in both authoritarian (e.g., Korea, Taiwan, apartheid South Africa) and democratic (e.g., Kerala, Mauritius, Costa Rica) regimes, but nothing is worse for sustainable economic growth than state-led development led by an anti-developmental state. The result has been a "dialogue of the deaf" using selective evidence to assert "market failure" or "government failure" while ignoring politics and giving short shrift to history.

Successful development has always included some state manipulation of economic incentives. All developed countries became rich on the basis of policies contrary to strict prescriptions of free market and free trade. The debate around the "proactive state" and the feasibility for developing country governments of trade and industrial policies focuses on the economics yet the political governance is the critical dimension to success or failure: only governments can address political risk. The theological camps, concerned with belief systems more than evidence, can be divided as follows:

- *Atheists* question the efficacy of state policies, arguing away East Asian success that it would either have happened anyway or did not matter, and that outside the East Asian context industrial policy invariably ends up in failed inward-looking import-substitution with open-ended interventions and protectionism (e.g., Krueger, 1990).
- *Agnostics* argue that East Asia only really saw modest gains from industrial policy, that it already had the seeds of its own success in high standards of bureaucracy, health and education, and that, given the high risk of rent-seeking and other potentially adverse effects, developing countries "should be exceptionally cautious before embarking on such policies" (Pack, 2000, p.64). This line of argu-

ment asserts that, in the new era of World Trade Organization (WTO) and globalization, the context and "rules of the game" have completely changed: "the role of activist industrial policies is still controversial but is likely to have been important" (World Bank, 2005b, p.83) in the past but no longer feasible under different circumstances.

- *True Believers* point to the "East Asian Miracle" and seek to explain how industrial policy elsewhere usually failed to conform to the Asian experience (e.g., Rodrik, 2004). They argue that "industrial policy … is an imperative. The idea that the government can disengage from specific policies and just focus on providing broad-based support to all activities in a sector neutral way is an illusion based on the disregard for the specificity and complexity of the requisite publicly provided inputs or capabilities" (Hausmann & Rodrik, 2006).

These entrenched positions in economic belief systems have obscured the importance of variations in the governance dimension as the key determinant: the balance between political structures and administrative capabilities that produce development outcomes. "Institutional arrangements" across East Asia may have been highly varied (Haggard, 2004); but the political determination to overcome external and domestic threats was a universal characteristic.

Effective industrial policy principles are surprisingly clear: government support to the private sector that is always time-bound, and assessed by transparent performance criteria often linked to export orientation that provides market discipline through learning international competitiveness, as well as access to bigger markets; a concern to promote innovation and technological upgrading that foster efficient local linkages; co-ordination of public and private initiatives; flexibility in adapting policy instruments to changing circumstances (Amsden, 1989; Wade, 1990; Evans, 1995). Industrial policy is not about "picking winners"[11] but "as a *process* whereby the state and the private sector jointly arrive at diagnoses about the sources of blockage in new economic

11. "The governments of Taiwan, Korea and Japan have not so much picked winners as made them" (Wade, 1990, p.334).

activities and propose solutions to them" (Rodrik, 2004, p.24). It is an "action science", learning by doing, including how to recognise and then close down failure. Industrialisation in developing countries involves high risks because learning is costly with uncertain returns. The state, in early levels of development, needs to foster entrepreneurship through promoting technological and marketing knowledge, developing a shared vision of the future, creating a willingness to take calculated risks, and an ability to raise capital—all in ways that promote rather than thwart the development of private entrepreneurship (Stiglitz, 1996).

Successful industrial policy can support private sector innovation through a process of rewards and constraints to stimulate efforts to adopt imported technologies to work under local conditions (including protecting property rights enough to incentivise the development of new technologies); to offer educational facilities promoting appropriate technology and vocational training that support international competitiveness through diversification and technological upgrading; and enforcement of performance criteria using the disciplines of the international market. Time-bound subsidies to investment in new goods or production only work if the political determination exists for closing down failure before it becomes a new vested interest—the political and administrative capacity to do this was one of the major achievements of East Asia (Harrold et al., 1996; Court et al., 2001).

East Asia's "iron triangle" of political, bureaucratic and business consultation and collaboration was built on "embedded autonomy", a meritocratic bureaucracy's capacity to manage the institutionalised dialogue between ministries, industry associations and research institutions without "capture" and rampant corruption. Building such capacity presents many major governance challenges. At the same time, some "infant industry" will not develop without import protection or support for domestic sales; and the start-up costs in some strategic industries do require state support to survive. The post WW2 patent system in Japan was specifically "designed to promote technological catch-up and diffusion through incremental innovation" (Maskus & Mcdaniel, 1998).

Cartels have often been instrumental in establishing an industry and then creating the international competitiveness needed to allow gradual opening up: the continuing success of Swiss banking can be traced to the creation of the Swiss Banker's Association in 1912 that, in acting as a cartel in the Swiss banking sector, was instrumental in the emergence of the Swiss financial centre (David & Mach, 2006). In Switzerland, the absence of a patent law throughout the 19th century has been identified as one way that Swiss companies "caught up" in new areas such as the chemicals industry. The patent law finally enacted in 1888 ["the most incomplete and selective patent law ever enacted in modern times" (Schiff, 1971, p.93)] was simply designed to serve the vested interests of watch-makers (David & Mach, 2006). Effective intellectual property rights protection appears to reduce the number of competitive sectors in which to innovate, perversely increasing the possibility of duplication of innovation, thereby hindering growth (Horii & Iwaisako, 2005).

Yet much of the policy advice given to developing countries is ahistorical, based from the present on the liberal economic "regulating state." The political and capacity underpinnings for this may simply not exist in many developing country contexts where the "state" has a very different historical role and social fabric. At different economic, social and political levels of development, different strategies and institutions to support them are needed to kick-start and then maintain growth. The problems bedevilling latecomers today are not formal legal constraints but informal political pressures exerted by North Atlantic economies in favour of radical market opening. Latecomers lack a vision to guide them in responding to this pressure, especially a politically supported vision grounded in relevant science and technology (Amsden & Hikino, 2000).

5. Beyond political economy without politics

The industrial policy debate has been political economy without the politics. Effective policies require effective state bureaucracies recruited on merit and motivated by competitive salaries, a transparent internal promotion process and career stability (Rauch & Evans, 2000). The attributes of the political systems that can consistently deliver such capabilities is much less certain (Khan, 1999). Political context is central to successful economic growth of which industrial policy is one element; clear political leadership, vision and enough consensus to maintain long-term development goals. How this is achieved is little understood—except in retrospect. Successful high-growth states have all shared a political imperative to deliver growth, and developed the capacity to deliver this effectively through pressure from a determined leadership, political vision on the necessity of economic growth, and a sense of national purpose that shared prosperity underpinned political stability.

Sense of national purpose: Growth happens when the legitimacy of the state depends on its ability to deliver continuing economic development. The politics of economic growth by legitimating contentious policy and motivating individuals and social groups behind a shared vision of long-term development, is the least understood dimension to development. Successful "late developers" have almost all experienced some "political settlement" around elites' use of nationalism and the politics of economic growth to ensure social cohesion. State legitimacy matters for economic growth. The most economically successful African states, such as Botswana, are also the continent's most legitimate, so their political leaders do not need to maintain political power at the expense of development. State legitimacy in Africa is estimated to be worth 2.5 per cent annual growth (Englebert, 2002). Economic nationalism has played an important role in economic development in all successful development. Bismarck's development ideology of "Blood and Iron" was picked up and adopted by Meiji Japan under the slogan *"Fukoku kyohei"*—"Rich country, Strong military." In the 1960s nationalism was a strong force in South Korea's slogan—"defeat communism and achieve unification"—and in Taiwan—"retake the mainland."

The primary function of government, to create an inclusive polity, is greatly complicated in societies like Nigeria with significant deep ethnic divisions. Type of regime—democracy or autocratic rule—is not the decisive factor (Przeworski et al., 2000). Economic growth threatens to upset the "political settlement" on which inter-ethnic collaboration may depend. Malaysia's

"Vision 2020" for achieving developed country status depends on a political settlement by which the Chinese and Indian populations that dominate the private sector are politically supported—in return for growth—funding the majority Malay population's social welfare and economic empowerment. National unity requires attention to equity and social cohesion through shared growth that has purchased political support for the social transformation of rapid industrialisation and economic growth. Providing decent housing for low-income households was, for example, a deliberate strategy for buying political support from growth in Singapore and Hong Kong, creating social inclusion that supported development objectives (Chua, 1997).

In all of East Asian high-growth countries, inequality fell as incomes rose: "Labour has been compensated for its decreased political role through wage policies tied to increases in productivity" (Johnson, 1982, p.151). Finland's economic development after its independence from a poor, vulnerable and conflict-prone country to a modern economy with model Nordic democratic institutions was the result of a post-Civil War political consensus around the country's need for policies that delivered both growth and equity, such as land reform and compulsory schooling (Jäntti, 2005). The politics of shared growth was less obvious in other high growth countries such as Gabon or Botswana, but these are small and non-industrialised economies with a strong political class. By contrast Nigeria's repeated call for a "national ideology" legitimising the *status quo* is found in "development" that does not threaten the existing political settlement (Williams, 1977).

Political leadership: to pursue growth requires far-sighted individuals capable of building up the political coalition and administrative competence to deliver on long-term public goods necessary for economic growth; security, infrastructure, a culture of entrepreneurship, strong macro-economy and international competitiveness. A major ambition for development must be to understand better when and how political leadership pursues sensible growth strategies because in political competition (whether "democratic" or "authoritarian" systems). While effective political good leadership of the growth process may depend on happenstance, the political climate that throws up effective leaders is shaped by political competition, transparency and accountability.[12] There is also an increasing phenomenon of "the emergence of MBA politicians who are focused on improving the productivity of the private sector" (Ndulu et al., 2007, p.179).

Political vision for growth: ideas or ideologies create social cohesion and provide legitimacy for supporting growth. In 1721 the shogun had passed the "Law against New Items" with the state purpose "to ensure that absolutely no new types of products should be manufactured" (Ramseyer, 1996, p.132). By the end of the Tokugawa era, however, traditional Confucian hostility to economic growth as the main source of national wealth, power and prestige was gradually abandoned, an ideological transformation embraced by the architects of the Meiji Restoration that made modern capitalism politically feasible in Japan (Sagers, 2006). Similar shifts are needed in many developing countries:

> There are some countries in the world where there are political leaders with sufficient self-confidence and political commitment that they are developing their own vision of how to develop. However, that is not happening in other countries. The main issue in economic growth today is not necessarily that views are changing that much in Washington but to what extent countries are taking their own futures into their own hands (Rodrik, 2006, p.4).

6. What is to be done? Japan's expertise on growth and UK on governance

Countries often remain firmly stuck in their own historical experiences that culturally determine a "world view" on "how development happens." Japan and the UK, ex-colonial powers on different sides of the world with very different experiences of both governance and growth dynamics, with their rela-

12. Glaeser et al. (2004), besides demolishing the use of "institutions" to explain growth, demonstrate that economic growth since the 1960s has to a significant extent been a consequence of having effective leadership, rather than constraints on executive authority for institutionalised credible commitment.

tive aid budget size and staffing skills, have potential influence and importance in shaping the development agenda; and they matter particularly at the moment in the international ambitions for scaling up aid and for improving aid effectiveness, for donor harmonisation, alignment and better genuine collaboration. *The World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform* (2005) provides an excellent introductory guide for putting political governance at the centre of economic growth dynamics.

Japan and the UK can offer a particularly important complimentary reflection on current ambitions, challenges and opportunities in international development. Modernity may be a Western project, for its two organizational complexes, nation-state and systematic capitalist production, have their roots in the specific characteristics of European history (Giddens, 1990). Japan, as the first non-Western country to succeed in "mastering development", has an especially important potential voice and credibility with the developing world. Japan has continued to stress economic growth through technology adaptation and infrastructural development, themes otherwise overlooked by much of the rest of the development community until recently. Influential Japanese economists have been prepared to critique the preoccupation of neoclassical economics in Europe and the USA, with short-run equilibrium—markets as the balance of supply and demand—as only working, like liberal democracy, in the already advanced states, not in the "catching up" context of developing countries. The Japanese experience has always made it apparent that "late developers" need to pay more attention to how the state must actively shape its private sector for international competitiveness (e.g., Murakami, 1996).

DFID is making serious efforts to scale up aid towards the honourable ambition of spending 0.7 per cent of GDP on international development. DFID has emerged as one of the leading agencies in the international development community on the topic of governance. The UK's 2006 White Paper—*Making Governance Work for the Poor*—emphasised that "[f]irst and foremost, the fight against poverty cannot be won without good governance. We need to help governments and citizens make politics work for the poor." But although this otherwise excellent document had a chapter on Governance and a chapter on Growth, it failed adequately to link together these two essential attributes of development. To do that, DFID must answer the question posed by Japan's first *White Paper on Economic Development (Kogyo iken)* of 1884:

> Which requirements should be considered as most important in the present efforts of the government in building Japanese industries? It can be neither capital nor laws and regulations because both are dead things in themselves and so totally ineffective. The spirit sets both capital and regulations in motion … So if we assign weights to these three factors with respect to their effectiveness, the spirit should be assigned five parts, laws and regulations four, and capital no more than one part.

Japan is reforming its aid effort, and in 2008 takes on the Presidency of the G8 while hosting the TICAD. Facing fiscal problems and comparatively under-developed civil society interest in international development, it needs international support for its vision and potential to shape the international development agenda. Yet Japan has much to offer. It deserves praise for steadfastly focusing on low-profile objectives of growth through for example delivering on the need for proper infrastructure, which only now after many detours, has again become fashionable with other major donors. Japan has been traditionally cautious on governance issues,[13] not least (and very differently from the UK) because development is in its own backyard of Asia where the legacy of its militarism of the 1930s and WW2 create added sensitivities to "meddling in internal affairs of other countries." But Japan has started to become a "normal state" in international relations. Japan has also begun to see its comparative advantage in international development in Japanese effective post-war democracy in delivering economic growth with comparatively high social equity—the "good governance" agenda matched its self-interest as well as the common good.

For many years Japanese development philosophy has been emphasising

13. JICA (2005) suggested that good governance as the basis for participatory development has five subcategories of goals including building a market environment.

development as a process of long-term transformation in which local contexts (initial conditions and stages of development) matter. The Japanese development community shares a strong belief, borne out of Japan's historical development process, that the role of the state in economic growth is more than just facilitation of market forces, but is to transform the economy in ways that only government authority and capacity to coordinate disparate individual interest makes possible. It is also practical and focused on real economic challenges of building an adequate infrastructure, developing a country's industrial structure and creating sustainable employment.

The ambition is a collaborative iterative process by which two major development partners, DFID and JICA, can harness their comparative advantages to find shared objectives for improving aid effectiveness around strengthened governance inputs in growth diagnostics and strategies—recognising that limitations in political leadership, strategic vision and sense of national purpose over economic growth are the universal "binding constraint." Japan is both an advanced industrialised country and an Asian "late developer" that enjoys close rapport with many developing states. Japan's economic development model still offers contemporary insights on the importance of capital formation and technology policies that contributed to Japan's rapid industrial capitalist growth; self-directed strategies, technological borrowing, taking advantage of shifts in comparative advantage from the product cycle, educational policy, business assistance, financial institutions, transfer of agricultural savings to industry, low wages policy, and foreign-exchange rate policies conducive to export expansion (Nafziger, 2005). Japan offers an understanding of growth more focused on business than applying the generalities of economic theory. A recent evaluation of the World Bank's work on China noted that: "The terms 'global value chain', 'brand', 'core business', 'outsourcing', 'research and development capability', 'the IT revolution', and 'global procurement', are absent from the World Bank's publications on enterprise reform" (Nolan, 2005, p.13).

Japan also offers excellence in strategic planning for development. This has been applied most strikingly in its support since 1995 of Vietnam's transition to a market economy. Japan's official and private institutions, including JICA and the National Graduate Institute for Policy Studies (GRIPS), jointly with Vietnamese counterparts developed practical and comprehensive ideas covering macroeconomics, industrial policy, social protection, and agricultural and rural development. The project has proved immensely valuable both in content and in stimulating economic coordination among key sectors and stakeholders ("growth coalitions"). Like previous East Asian success, it used the discipline of commitment to free trade as a disciplining device for improving performance, and an approach based on self-help, rather than aid dependence. This project is credited with helping Vietnam continue its rapid economic growth through warding off other donor and International Financial Institutions pressure to a Poverty Reduction Strategy Paper (PRSP) that would otherwise have made Vietnam's budget excessively biased toward "pro-poor" expenditures at the cost of economic requirements including infrastructure—a point belatedly conceded by other donors' and World Bank's recent "rediscovery" of the importance of infrastructure for long-term development (Ishikawa, 2001; Ministry of Foreign Affairs, Japan, 2002).

Japan and the UK are well placed to promote better growth diagnostics that start from the governance challenges, incentives and practical capacity constraints. This starts from the policy debate around the growth components of Poverty Reduction Strategies (PRSs), to inform donor programmes on growth, underpinned by good diagnostics with an emphasis on implementation of recommendations and monitoring progress. Japanese growth expertise is perhaps uniquely placed to address a major governance question—how much of governance form matters to deliver essential governance functions? What institutional arrangements are universal requirements essential for economic growth, what requires local ownership and context specific policy?[14] Are there stages

14. Chang (2007a) characterises this as: political democracy; an independent judiciary; a professional bureaucracy, ideally with open and flexible recruitments; a small public-enterprise sector, supervised by a politically independent regulator; a developed stock market with rules that facilitate hostile mergers and acquisitions (M&A); a regime of financial regulation that encourages prudence and stability, through things like the politically-independent central bank and the Bank for International Settlements (BIS) capital adequacy ratio; a shareholder-oriented corporate governance system; labour market institutions that guarantee flexibility (Ch.2, p.4).

in economic and political development where new institutional arrangements become critical to maintain growth—e.g., China's plans to introduce a law on property rights in 2007, after nearly three decades of economic growth that has defied the mantra of "secure property rights" as the key to development? This requires bringing politics explicitly into the analysis of the market (and not just into the analysis of the state) as political constructs, defined by formal and informal institutions of rights and obligations, whose legitimacy (and therefore whose contestability) is ultimately determined through political processes. Institutions shape peoples' political actions given their motivations and perceptions because they influence people's perceptions of their own interests, of the legitimate boundary of politics, and of the appropriate standards of behaviour in politics (Chang, 2001). DFID is best placed to complement Japanese growth expertise with insight on the politics of growth as well as the institutional dimension of governance: development as building effective political leadership, vision and supporting national consensus on long-term growth tied to social equity.

Japan's experience and approaches to governance with a growth outcome objective should push the International Financial Institutions and other key players to do more to make theory and policy fit the facts of Asia's success, less choosing facts to fit theory through seeking better evidence-based research on what really works. This requires policy experimentation on what aspects of state leadership, vision, national purpose and technical capabilities can be developed in what local political context and under prevailing WTO global rules, for example through:

- National strategies for international competitiveness and export orientation.
- Promoting economically literate political leadership and paying attention to the political and economic vision and interests of elites, as central to poverty reduction.
- Matching capacity to alleviate the negative aspects of growth such as environmental concerns, political and social tensions over the distribution of growth, urbanisation, housing shortages, regional variations

in unemployment, as well as a welfare safety-net.

- Improving organisational effectiveness of the United Nations Conference on Trade and Development (UNCTAD), the leading international body of expertise in this area but its current impact does not reflect its potential.[15]

An Anglo-Japanese development cooperation with an "governance for growth" emphasis should actively promote the role of government as providing the political vision for reform to "catch up", matched by the capacity to implement it effectively to transform societal relationships into those needed for a market economy through policy actions to promote:

a) Support for governments to develop their leadership, strategic vision, sense of national purpose and technical capacities through active policy experimentation, "learning by doing" to promote innovation, entrepreneurship and technological adaptation. "Governance for growth" suggests some key areas for attention in Africa through infrastructure initiatives like the Infrastructure Consortium for Africa and the New Partnership for Africa's Development (NEPAD) Infrastructure Project Preparation Facility; and initiatives like the Investment Climate Facility and the Africa Enterprise Challenge Fund. Donors need better political governance analysis of political incentives to promote growth (Everest-Phillips, forthcoming-b).
b) Long-term planning; the wish and capacity to think long-term needs to be taken more seriously—such as by implementation of National Plans of Action produced by countries completing the African Peer Review Mechanism linked to changing expectations and creating political vision beyond the current limitations of most PRSPs. Long-term planning is also an important potential coordination process in itself, by which political leadership, officials and the private sector agree on the obstacles to growth and practical ways to implement

15. UNCTAD is attempting to respond to international criticism of its performance and poor reputation: http://www.unctad.org/en/docs/wpd168_en.pdf

reform; and finding ways to make industrial policy work according to the country's political realities.

c) Mitigation of impacts of growth—"Economic growth is sustainable only when the opportunities and fruits of growth are perceived to be shared equitably by the standards of that society" (Ohno, 2002, p.4).

d) Developing the inter-disciplinary capacity for economists and governance experts to talk a common language.

References

Amsden, A. (1989). *Asia's Next Giant: South Korea and Late Industrialisation.* New York: Oxford University Press.

Amsden, A. & Hikino, T. (2000). "The Bark is Worse than the Bite: New WTO Law and Late Industrialization", *The Annals of the American Academy of Political and Social Science,* 570(1): 104-114.

Chang, H-J. (2001). *Breaking the Mould: An Institutionalist Political Economy Alternative to the Neoliberal Theory of the Market and the State.* Switzerland: UNRISD.

Chang, H-J. (2006). *The East Asian Development Experience: the Miracle, the Crisis, and the Future.* London: Zed Books.

Chang, H-J. (2007a). *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World.* London: Random House.

Chang, H-J. (Ed.) (2007b). *Institutional Change and Economic Development.* New York: UNU Press and Anthem Press.

Chua, Beng-Huat (1997). "Political Legitimacy and Housing: Stakeholding in Singapore", *Housing, Theory and Society,* 18 (1/2): 93-94.

Court, J., et al. (2001). *Asia and Africa in the Global Economy.* Tokyo: United Nations University Press.

David, T. & Mach, A. (2006). "Institutions and Economic Growth: The Successful Experience of Switzerland (1870-1950)". WIDER Research Paper No. 2006/101.

Department for International Development. (2006). *Eliminating World Poverty: Making Governance Work for the Poor.* A White Paper on International Development. London.

Department for International Development. (2007). *Governance, Development and Democratic Politics: DFID's Work in Building More Effective States.* A White Paper on International Development. London.

Dower, J. (1999). *Embracing Defeat: Japan in the Wake of World War II. W. W.* New York: Norton & Co, Inc.

Englebert, P. (2002). *State Legitimacy and Development in Africa.* London: Lynne Rienner.

Evans, P. (1995). *Embedded Autonomy: States and Industrial Transformation.* Princeton: Princeton University Press.

Everest-Phillips, M. (forthcoming-a). "The Myth of 'Secure Property Rights': Good Economics as Bad History and its Impact on International Development". London: Overseas Development Institute Working Paper.

Everest-Phillips, M. (forthcoming-b). "Beyond 'Constraints': Promoting the Politics of Economic Growth in Developing Countries". London: Overseas Development Institute Working Paper.

Fukuzawa, Y. (1875). *Bunmeiron no Gairyaku* [An Outline of a Theory of Civilization]. (Original work published 1931.) English translation by David A. Dilworth and G. Cameron Hurst. Tokyo: Sophia University.

Giddens, A. (1990). *Consequences of Modernity.* Cambridge: Polity Press.

Glaeser, E., et al. (2004). "Do Institutions Cause Growth?" NBER Working Paper 10568.

Haber, S., et al. (2003). *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico,* 1876-1929. New York: Cambridge University Press.

Haggard, S. (2004). "Institutions and Growth in East Asia". *Studies in Comparative International Development,* 38: 53-81.

Hall, A. P. & Soskice, D. (Eds.) (2001). *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage.* Tokyo: Oxford University Press.

Harriss-White, B. (2005). *India's Market Economy.* Oxford.

Harrold, P., Jayawickrama, M., & Bhattasali, D. (1996). "Practical Lessons for Africa from East Asia in Industrial and Trade Policies". World Bank Discussion Papers 310.

Hausmann, R., Rodrik, D. & Valasco, A. (2005). "Growth Diagnostics". Retrieved from http://ksghome.harvard.edu/~drodrik/barcelonafinalmarch2005.pdf

Hausmann, R. & Rodrik, D. (2006). "Doomed to Choose: Industrial Policy as Predicament". Paper presented to the World Bank and IMF Meeting, Singapore, September.

Hobbes, T. (1651). *Leviathan.* London.

Horii, R. & Iwaisako, T. (2005). "Economic Growth with Imperfect Protection of Intellectual Property Rights". Osaka University, International Public Policy (OSIPP) Discussion Paper 5(23). Osaka: Osaka University.

Ishikawa, S. (2001). *Enshakkan Kondankai* [Advisory Committee on ODA Loans]. Report of the Advisory Committee for ODA Loans. Tokyo.

Jäntti, M. (2005). “Growth and Equity in Finland”. Background paper for *World Development Report 2006*. World Bank.

Japanese Imperial Government. (1884). *White Paper on Economic Development [Kogyo iken]*. Tokyo.

Japan International Cooperation Agency. (2005). Participatory Development and Good Governance: Report of the Aid Study Committee. Tokyo: JICA.

Johnson, C. (1982). *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925-1975*. Stanford: Stanford University Press.

Khan, M. (1999). “The Political Economy of Industrial Policy in Pakistan 1947-1971”. SOAS Department of Economics Working Paper No. 98. London: University of London.

Khan, M. (2006). Paper for World Bank Annual Meetings. SOAS.

Killick, T. (2005). “Understanding British Aid in Africa”. Overseas Development Institute paper. London: ODI.

Killick, T. & Foster, M. (2006). “What Would Doubling Aid Do for Macroeconomic Management in Africa?” A synthesis paper, ODI Working Paper 264. London: ODI.

Krueger, A. (1990). “Government Failure in Development”, *Journal of Economic Perspective,* 4: 9-23

Lange, M. & Rueschemeyer, D. (Eds.) (2005). *States and Development: Historical Antecedents of Stagnation and Advance*. New York: Palgrave Macmillan.

Maskus, K. & Mcdaniel, C. (1998). “The Impact of the Japanese Patent System on Productivity Growth”. University of Colorado Centre for Economic Analysis Working Paper No. 99-01. Colorado: University of Colorado.

Ministry of Foreign Affairs, Japan. (2002). *ODA White Paper*. Tokyo: MoFA.

Moore, M. & Schmitz, H. (2007). “Investment Climate”. Paper for Future State Phase 2 Programme 1. UK: Institute of Development Studies, University of Sussex.

Morishima, M. (1982). *Why Has Japan Succeeded? Western Technology and the Japanese Ethos*. Cambridge & New York: Cambridge University Press.

Murakami, Y. (1996). *An Anticlassical Political Economic Analysis: A Vision for the Next Century*. Stanford, Calif: Stanford University Press.

Nafziger, E. (2005). “Meiji Japan as a Model for Africa's Economic Development”, *African and Asian Studies,* 4 (4, Fall): 443-464.

Nakamura, T. (1994). Lectures on Modern Japanese Economic History: 1926-1994. Tokyo: International Library Foundation.

Ndulu, B., et al. (2007). *Challenges of African Growth: Opportunities, Constraints and Strategic Directions*. Washington, DC.: World Bank.

Nolan, P. (2005). *Evaluation of the World Bank’s Contribution to Chinese Enterprise Reform*. Washington, DC.: World Bank.

Ohno, K. (2002). *The East Asian Experience of Economic Development and Cooperation.* Tokyo: GRIPS Development Forum.

Ohno, K. & Ohno, I. (Eds.) (1998). *Japanese Views on Economic Development: Diverse Paths to the Market.* London, New York: Routledge.

Pack, H. (2000). *Industrial Policy: Growth Elixir or Poison.* Washington, DC.: World Bank Research Observer.

Pinto, P. (2005). "Political Competition and the Sources of Growth", *Comparative Political Studies,* 38(1): 26-50.

Pritchett, L. (2004). *Reform is Like a Box of Chocolates: Understanding the Growth Disappointments and Surprises.* Cambridge: Kennedy School of Government, Harvard University.

Pritchett, L. (2006). "The Quest Continues", *Finance and Development Quarterly,* 43(1). International Monetary Fund.

Przeworski, A., et al. (2000). *Democracy and Development: Political Institutions and Well-being in the World, 1950-1990.* Cambridge & New York: Cambridge University Press.

Przeworski, A., Curvale, C. (2005). "Does Politics Explain the Economic Gap between the United States and Latin America?" Colombia. Retrieved from http://politics.as.nyu.edu/docs/IO/2800/ba_gap.pdf

Qian, Y. & Weingast, B. (1997). "Institutions, State Activism, and Economic Development: Comparison of State-Owned and Township-Village Enterprises in China". In Aoki, M., Kim, H-K. & Okuno-Fujiwara, M. (Eds.), *The Role of Government in East Asian Economic Development: Comparative Institutional Analysis.* Oxford: Clarendon Press.

Ramseyer, J. (1996). *Odd Markets in Japanese History: Law and Economic Growth.* New York: Cambridge University Press.

Rathgen, K. (1891). *Japans Volkswirtschaft und Staatshaushalt.* Leipzig.

Rauch, J. & Evans, P. (2000). "Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries", *Journal of Public Economics,* 75: 49-71.

Rodrik, D. (1998). "Democracies Pay Higher Wages". NBER Working Paper 5698.

Rodrik, D. (Ed.) (2003). *In Search of Prosperity: Analytic Narratives on Economic Growth.* Princeton, NJ.: Princeton University Press.

Rodrik D. (2004). "Industrial Policy for the Twenty-first Century". Centre for Economic Policy Research Discussion Paper 4767.

Rodrik, D. (2006). "Home-grown Growth Problems and Solutions to Economic Growth", *Underground Markets,* 27 (4).

Sachs, J., et al. (2004). "Ending Africa's Poverty Trap". *Brookings Papers on Economic Activity,* 1: 117-240.

Sagers, J. (2006). *Origins of Japanese Wealth and Power: Reconciling Confucianism* *and Capitalism, 1830-1885.* New York: Palgrave Macmillan.

Schiff, E. (1971). *Industrialization without National Patents. The Netherlands, 1869-1912 and Switzerland, 1850-1907.* Cloth: Princeton.

Sinha, A. (2005). *The Regional Roots of Developmental Politics in India: A Divided Leviathan. Bloomington,* IN: Indiana University Press.

Stiglitz, J. (1996). “Some Lessons from the East Asian Miracle”, *The World Bank Research Observer* 11 (2): 151-177.

Stiglitz, J. (2002). “Participation and Development: Perspectives from the Comprehensive Development Paradigm”, *Review of Development Economics*, 6 (2): 163-82.

United Nations Development Programme. (2005). *Human Development Report 2005.* New York: UNDP.

Voyages de C.P. (1796). *Thunberg au Japon par le Cap de Bonne-Espérance, les Isles de la Sonde.*

Wade, R. (1990). *Governing the Market: Economic Theory and the Role of Government in East Asian industrialization.* Princeton, N.J.: Princeton University Press.

Williams, G. (1977). “Class Relations in a Neo-Colony: The Case of Nigeria”. In Gutkind, P.& Waterman, P. (Eds.) *African Social Studies.* London: A Radical Reader.

World Bank. (1993). *The East Asian Miracle: Economic Growth and Public Policy.* New York, Tokyo: Oxford University Press.

World Bank. (2005a). *World Development Report.* Washington DC.

World Bank. (2005b). *Economic Growth in the 1990s: Learning from a Decade of Reform.* Washington DC.

World Bank. (2006). *China: Governance, the Investment Climate and a Harmonious Society: Competitiveness Enhancements for 120 Cities in China.* Washington DC.