

Lesson Plan – Week 3: The Politics of Economic Development: State and Market-Led Development

Section Goals

We have now finished two weeks of study on different theories of economic development. This week we bring the state in as a main actor. Our main goal is to understand all of these theories of development, compare and contrast them with each other, and understand their explanatory value and their limitations. By the end of section we will hopefully be able to answer:

- What roles do political institutions (the state) play in economic development under what circumstances?
- What are the key impediments to economic development?
- What are the costs and benefits of different development strategies?
- Are particularly regimes better at economic development?

Discussion Questions

1. **Recap** : Last week we discussed four theories of development: Weber's cultural theory, modernization theory, Gershenkron's theory of time-contingent development, and dependency theory.
2. **State-led Capitalism in East Asia** : What is Johnson's model of development? What role does the state play in Johnson's model of development?
 - a. How does this model contrast the classical theories of development?
3. **State-led Capitalism in Africa** : Bates describes a form of state-led capitalism in Africa. How is his explanation of development similar to the theory that Johnson proposed? Why don't we see the same level of development in Africa today as we do in South Korea or Taiwan? (bureaucratic corruption; labor organization)
 - a. How did bureaucrats behave differently between East Asia and Africa? Why? (military threat)
 - b. How did labor organization differ between East Asia and Africa? Why? (land reform policies/education v. agricultural policies)
4. **Institutions and Development** : What do Acemoglu and Robinson argue is the main requirement for development? What institutions matter for A&R?
 - a. What is Sachs' critique to A&R? Do you buy it?
 - b. How does their argument relate to modernization theory? (education, they make some similar arguments but provide a causal structure)
 - c. How does A&R's model of development compare to other models of development? (repression of labor; state-owned banks (Mexico v Korea); monopolies; elite behavior)
5. **Impediments to Development** : What are the main impediments to development? (Think about Bates and A&R)
 - a. Why were African bureaucrats corrupt where as those in East Asia were not?

- b. Bates claims that "market intervention leads to the formation of vested interests in policy programs." What do we make of this? Did this happen in East Asia? How do we overcome this?
 - c. According to A&R, when elites can use politics to establish extractive economic institutions, they will. When do they fail and when do they succeed and why? (Johnson argues that elites in Korea and Taiwan did not extract despite having the capacity to do so. A&R argue that extraction in these scenarios is inevitable.)
6. **Costs of Development** : Who bears the burden and cost of development/industrialization in the models proposed by Johnson and Bates? What does this mean for the industrialization process?
- a. How does the state fund economic development in the cases presented by Johnson and those from Bates? (ag v. banks) How does this affect who bears the burden?
 - b. Do all good things go together as modernization theorists would say or does development require trade-offs? What are these trade-offs? (think about Johnson model)
7. **Regime and Development** : Does modern development require authoritarianism? Do you think a particular type of regime is more likely to result in development? Why? Does regime type relate to the ability to develop strong and effective state institutions?
- a. What aspect of development requires authoritarianism according to Johnson? (long-run stability; capacity to manipulate economy; insulation from public pressure)
 - b. What would Gershenkron say? (authoritarianism results from existing economic institutions (opposite of A&R) interacting with development timing)
8. **Overview** :
- a. How does the international economy affect development? (think about in the cases of Johnson, Bates, A&R, Sachs even)
 - b. How does long-run development compare to short-run development? (compare Johnson and A&R)
9. **Looking forward** : What advice do we have for developing countries today? What do we think will happen to China?