

Introduction: Locating Neoliberalism in East Asia

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The Questions

The political-economic turn toward neoliberalism, commencing in the Anglophone countries in the late 1970s, has traversed most of the globe. States have recast their relations to economic markets, expanded the scope of their civil societies, and devolved power from their central to local governments. While geographically uneven, the direction of political-economic change has been unmistakable. Nation-states have given freer reign to their financial markets, granted more autonomy to their central banks, privatized more public enterprises, and localized more control over taxes and public services. Urban and regional policies have played a particularly salient part in the neoliberalization process. Cities around the world are competing for capital investment, forming public-private partnerships, relaxing land use regulations, and promoting commercial mega-projects.

The neoliberal political project was slow to take hold in East Asia. The East Asian states treated in this volume – Japan, South Korea, Taiwan, Hong Kong (PRC), Singapore, Malaysia, and Thailand – are late developers compared to the established Western powers: they industrialized under different circumstances, and the agents promoting their industrial revolutions were influenced by different ideologies, motives, and institutions. Japan, the first in Asia to join the club of developed nations, achieved rapid economic growth through state-led developmentalism. Japan's path to success established a rough road map that other East Asian nations could follow. In Japan's footsteps came a second postwar group of "East Asian tigers" – South Korea, Taiwan, Hong Kong, and Singapore. A third tier of

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“newly industrializing” Asian countries lined up behind the East Asian tigers in the 1980s, including Malaysia, Thailand, China, and Viet Nam.

While the success of developmentalism helps explain East Asia’s resistance to neoliberalization, the neoliberal political project has gained traction in the region over the past two decades. How much traction is a matter for debate. Some analysts argue that East Asian restructuring portends the triumph of neoliberalism over state-led developmentalism. Chang (1998), for example, postulates the “demise of developmental states” in East Asia and their wholesale replacement by neoliberal states. Pirie (2005: 26) argues that some Asian states (most particularly, South Korea) have gone beyond selectively adopting neoliberal policies to “consolidating a whole new and unambiguously neoliberal mode of regulation.” Others stress East Asian continuity amidst change. Vogel (2005: 51–2), for example, argues that Japan’s economic reformers have mainly modified existing institutions, rather than replacing them, in an effort to reinforce the nation’s comparative institutional advantages. In a similar vein, Schaeede and Grimes (2003: 8) conclude that Japanese officials responded to global and domestic challenges in the 1990s, not by adopting neoliberal ideology, but by pragmatically using new rules and changed circumstances to continue industrial policies in a postdevelopmental direction.

This debate has taken on added significance since the global financial crisis in 2008. The financial collapse, which triggered the deepest slump in the world economy since the Great Depression of the 1930s, brought the neoliberal worldview sharply into question. While the economic crisis has weakened the forces promoting the neoliberal political project, and strengthened those in opposition, the neoliberal outlook is still influential in most Western and East Asian policy circles and is embedded in a wide variety of national and local institutions and government programs.

The evolving relationship between neoliberalism and state-led developmentalism is the central question addressed in this book. East Asian elites have become more receptive to neoliberal ideology in recent years. And East Asian states have implemented neoliberal policies both in response to Western pressures and to combat homegrown economic dilemmas. Yet there are sizeable gaps between what neoliberal theory postulates and what has actually materialized in East Asia. Existing developmental institutions both constrain the scope and channel the trajectory of neoliberal restructuring. State officials have promoted neoliberal reforms under the *developmental* rationale that freer markets are necessary for upgrading the national economy. And politicians have been known to laud neoliberal axioms about market efficiency and small government to justify economic and political reforms that are hardly neoliberal in inspiration or in substance. Markets do not operate in a vacuum or according to immutable laws. Economic practices are embedded in human societies, which is to say they

are imprinted by history, geography, culture, and politics (North 1990). Contributors to this volume examine the ways in which neoliberal ideology has been used to justify reform projects and the match-up between neoliberal premises and actual political-economic processes and outcomes.

This book focuses on the spatial dimensions of neoliberalization, and especially on how neoliberal discourse has reshaped East Asian urban and regional policies over the past two decades. In a pioneering edited book, *Spaces of Neoliberalism*, Brenner and Theodore (2002) reveal the strategic role Western cities have played in the neoliberal political project: as loci for neoliberal policy experiments, institutional innovations, and ideological fermentation. With the North Atlantic experience in mind, contributors to this volume examine how East Asian urban and regional spaces serve as strategic sites for neoliberal restructuring and to what consequence. The reference point for restructuring in East Asia differs from North America, the United Kingdom, and Western Europe. In the North Atlantic, neoliberal reformers have targeted institutions and social structures legitimated by Keynesian liberalism. In East Asia, neoliberal reformers have targeted institutions and social structures legitimated by state-led developmentalism. There is every reason to expect concomitant differences between the two world regions in the roles that cities play in the neoliberal political project and in the impact of neoliberalization on patterns of urban and regional development.

East Asian developmental states have experienced a significant shift in their urban and regional policy principles over the past two decades. Previously emphasized policy axioms, such as centrally planned and balanced urban and regional development, have incrementally given way to new values emphasizing global competitiveness, urban entrepreneurialism, and private financial initiatives. How and to what extent are these changes related to processes of neoliberalization?

The title, *Locating Neoliberalism in East Asia: Neoliberalized Spaces in Asian Developmental States*, conveys the three main purposes of this book.¹

The first aim is to “locate” instances of urban neoliberalization for investigation as a step toward assessing the breadth and depth of the neoliberal political project in East Asia. To what extent do the studies in this collection indicate East Asian policies and institutions are converging toward Western urban and regional patterns? Are there salient differences in urban neoliberalization processes between East Asia and the North Atlantic as well as among states in the East Asian region itself?

The second aim is to “locate” neoliberal political projects in space. Neoliberalization operates at various geographical scales – global, national, regional, and local – but is typically analyzed at the national level without reference to the spatiality of the process. Contributors to this volume investigate cities and regions as spatial loci for neoliberal regulatory change.

The third aim is to “locate” the meaning of neoliberalism in the East Asian context. The neoliberal worldview is indigenous in the West but exogenously induced in East Asia, be it through imposition or emulation. Is neoliberalism a universal project with uniform meanings and applicability around the globe, as is invariably assumed by its Western adherents? Or does the creed carry different ideological connotations and political weight among neoliberal reform advocates in non-Western parts of the world? In short, does neoliberalism mean the same thing when viewed from an East Asian vantage point as it does when viewed from the North Atlantic?

Defining Neoliberalism and Developmentalism

To investigate neoliberalization in the East Asian developmental states, we need an analytical basis for drawing comparisons between neoliberalism and developmentalism and for thinking about the various ways in which they might interact with one another. We need to identify the class of phenomena to which the two belong, and specify the characteristics which distinguish one from the other. Neoliberalism and developmentalism are multifaceted; it is difficult to pin them down in their entirety. But here is an attempt at an overarching definition.

Neoliberalism and developmentalism are economic ideologies that legitimize relations of power and resource distribution. Following Gramsci (1971), *ideology* refers to shared ideas and beliefs which serve to justify the interests of dominant groups. In this definition, ideology cannot be separated from power relations and political projects since ideology legitimizes the differential power and material resources that groups hold. A power structure cannot be sustained by brute force alone (“domination” in Gramsci’s terms); it also requires an intellectual and moral discourse that attracts popular support and legitimacy (“hegemony” in Gramsci’s lexicon). Hegemonic leadership over a society occurs when people unite around the material interest and cultural outlook of a dominant group in such a way that the advance of the dominant group is perceived as the advance of the society as a whole.

Power relations are formed, sustained, and altered through political projects. The political projects are organized by alliances among socio-economic groups, with one or a few groups wielding disproportionate influence in the alliance. These groups ally because their members believe in the ideology and have material interests that are legitimated by the belief system. The alliance mobilizes people and resources in an effort to influence state action and establish a political regime. Political regimes wield state power through public policies, governance institutions, and a regulatory framework. The ultimate aim is to create and sustain a type of political

economy (a distinctive set of relations among state, economy, and society) that accords with the project's economic ideology.

As ideologically imbued political projects, neoliberalism and developmentalism embody a number of interdependent elements: economic ideology, socioeconomic alliance, political movement, political regime, public policies, governance institutions, regulatory framework, type of state, and variety of capitalism. Specific analyses of neoliberalism or developmentalism tend to focus on a subset of these elements (on neoliberal policies, for example, or on the developmental state) but rarely encompass them all, nor do they typically anchor the particular elements under study to an inclusive, generic definition. As a consequence, the meaning of the two terms, and especially the more widely discussed *neoliberalism*, can seem chaotic.

With the *genus* in mind, we can now discuss the two *species* of ideologically imbued political project. We begin with ideology because, while neoliberalism and developmentalism are multifaceted phenomena, it is the ideas and beliefs expressed in the ideology that ultimately allow one to distinguish any given facet (alliance, policy, institution, etc.) as neoliberal, developmental, or something else entirely. In other words, ideology provides the anchoring point for the definition, the feature that all elements belonging to the species share in common.

Neoliberalism is an ideology holding that economic progress is best achieved by liberating individuals to pursue their own initiatives. Individual initiative is best secured by private property rights and competitive markets.

The neoliberal state provides the requisite governance institutions and regulatory policies – legal system, sound money, public order, and national defense – to secure private property and economic competition; but the state refrains from direct intervention in markets to achieve substantive economic goals because public involvement is believed to distort prices and benefit powerful interest groups (Harvey 2005: 2).

Neoliberal ideology serves to legitimate a political project to reestablish the conditions for capital accumulation and restore the power of economic elites (Harvey 2005: 19). Neoliberals seek to undo the class compromise between business and labor, embodied in collective bargaining and the welfare state, which underpinned Keynesian liberalism in the West from the 1930s to the 1970s. Finance capital, particularly institutional investors, is the leading force in the neoliberal socioeconomic alliance and political regime. The political project seeks to resuscitate classical economic liberalism while modifying the *laissez-faire* creed in two main ways: first, in recognizing that competitive markets are neither inherent in nature nor naturally self-regulating, but must be socially constructed and attended to by the state; and, second, in extending the market model beyond the economy to government and society (Lemke 2001; Brown 2006; Peck and Tickell 2002).

Developmentalism is an ideology holding that economic progress is best achieved when the state leads the nation in promoting economic change. Public ownership, planning, and goal setting are institutional means to achieving national economic development. Public and private sectors cooperate under the overall guidance of a pilot planning agency. The state further encourages cooperation among businesses and between business and labor to speed the adoption of new technology, reduce production costs, and expand the nation's share of global markets (Johnson 1982: 18, 318; Hatch and Yamamura 1996: 220; Schneider 1999: 283).

Industrialization is the developmental state's highest priority, and industrial policies are the state's primary means for achieving economic goals. The government uses industrial policies and its powers over capital allocation to protect domestic industries, develop strategic industries, and adjust the economic structure to changes in the world economy. The developmental state attempts to combine industrial policies with competition among private firms through the use of market-conforming methods of economic intervention. Bureaucrats have sufficient talent and autonomy to take initiative, make effective decisions, and deter the claims of interest groups that would undermine economic growth (Johnson 1982: 26–9, 315–19).

A political-bureaucratic elite is the leading force in the developmental socioeconomic alliance and political regime. Developmentalism emerged in late-industrializing countries as a reaction against economic liberalism. Developmentalists consider the *laissez-faire* creed to be an ideological rationale for Western imperialism (Gao 1997). Economic policy making is dominated by nationalist public officials who reject the free market model of the international economy and the individualism embedded in neoliberal economic ideology.

Measuring

Neoliberalism and developmentalism are utopian projects in that neither can be fully realized in practice; they are inevitably compromised by negotiations with opposing forces and by the weight of institutional legacies. In this sense, the conceptions of neoliberalism and developmentalism outlined above are ideal types or models that can only find concrete expression in modified or "actually existing" form (Brenner and Theodore 2002).² Each project has met with greater success in some countries and during some time periods than in others. The degree to which one or the other movement has taken hold in a given society is indicated by the presence or absence of the various elements that define the political project (here called the *constituent elements*). The constituent elements can be roughly ordered along a continuum indicating the depth to which a political project has penetrated a society. At the shallow end, project advocates have done little more than espouse

ideological maxims and policy proposals. At the deep end, nearly all of the project elements are in place, and the society approximates a neoliberal (or developmental) variety of capitalism. In the middle range, the political project is promoted by a socioeconomic coalition with sufficient resources and popular support to initiate new public policies and modify governance institutions but without yet establishing a dominant political regime or full-blooded neoliberal (or developmental) state.

In short, a political project can gain ideological adherents without managing to implement its policy proposals, it can achieve policy successes without having much of an impact on existing governance institutions and regulatory norms, and it can establish a political regime without fundamentally altering existing relations between the state, economy, and society.

Comparing

The constituent elements also provide a basis for comparing the developmental and neoliberal political projects both within and across societies. For example, at the level of economic ideology, neoliberals stress individual liberty and freely competitive markets compared to the developmentalist emphasis on economic nationalism and state-guided industrialization. At the level of the socioeconomic alliance, finance capitalists play a vanguard role in neoliberalism as contrasted with economic bureaucrats in developmentalism. At the level of public policies, neoliberals emphasize regulatory norms that enhance market competition, like antitrust, whereas developmentalists emphasize industrial policies designed to achieve substantive economic goals, like the targeting of new industries. At the level of the state as a whole, neoliberals emphasize a market-rational, regulatory relation between state and economy compared to the plan-rational, developmental relation advocated by developmentalism (Johnson 1982: 18).

Combining

Finally, the constituent elements also provide an analytical means for investigating the evolving relationship between neoliberalism and developmentalism in East Asia, the subject matter of this book. The two political projects have a history of antagonism and accommodation, including various kinds of cross-project borrowings and hybrid formations. These marriages can make strange bedfellows, as for example when public officials in developmental states adopt neoliberal policies in a quest to meet planned national economic goals. Such couplings raise intriguing questions; in the above instance, for example, are neoliberal policies promoted by nationalist public officials for developmental purposes truly indications of “neoliberalization,” or are they better thought of as political adjustments

that help preserve the existing developmental regime? These and related issues will be explored in the pages that follow.

Actually Existing Neoliberalism in East Asia

Neoliberalism and developmentalism exist in pure form only in the imagination. The human globe is both heterogeneous and interdependent: divided by culture, political sovereignty, and economic development yet interwoven by trade, migration, and information networks. The two political projects emerged in particular geo-historical settings and then spread to other parts of the world, shaped at each stop along the way by local circumstances. Consequently, the geographical expression of neoliberalism and developmentalism is combined and uneven, which is to say that each project is recognizable globally while displaying differences in content and strength among regions, nations, and localities.

The neoliberal movement first took hold in the United Kingdom and United States, spread to other Anglophone nations and to Continental Europe, and then branched out to countries beyond the Western capitalist zone. Neoliberalism is most firmly entrenched in the Anglophone countries, where the project originated, and least so in countries with fundamentally different cultural histories and political traditions; between ideological core and periphery are many gradations and permutations in commitment to the movement. As the political project spreads among nations, it weighs into the balance of local political forces, it interacts with competing ideologies, and it combines with different kinds of governance practices (Tickell and Peck 2003: 21).

The starting point for understanding neoliberalization in East Asia is understanding developmentalism in East Asia. Entering East Asia from the West, the neoliberal political project confronted a political-economic environment dominated by developmentalism and its legacies. Developmentalism has a long and turbulent history in East Asia. As with the advance of neoliberalism in the West, the spread of developmentalism among nations in the Asian Pacific has been uneven, contested, and shaped by local context and selective appropriation.

Developmental hues pervade the entire East Asian region but they are tinted, sometimes nearly beyond recognition, by diverse national and local pigments. The project runs deepest in Japan, the first nation-state in East Asia to assume developmental functions and the first to successfully catch up with the Western capitalist powers. The creed is more ingrained in Japan's Northeast Asian neighbors, South Korea and Taiwan, than in Southeast Asia, where Singapore most closely approximates the developmentalist model.

East Asian developmentalism first took shape in Japan in the late nineteenth century. The Japanese created a distinctive configuration between politics and economics, and between public and private sectors, sharply at odds with the liberal model but in tune with the circumstances Japan faced at the time of the Meiji Restoration. Newly joined to the outside world, Japan faced Western military conquest and economic domination by foreign companies. The essential and urgent task was to ensure national survival through increased economic and military power.

Japan met the challenge through the instrumentality of a strong nation-state, in both senses of the term; the Japanese drew upon their identity as one people and upon their capacity to exercise institutions of government. In taking a state-led path to development, Japan departed fundamentally from the Anglo-American paradigm that vests economic governance primarily in markets and confines the state to setting the minimal conditions for effective economic competition. Instead, Japan followed the lead of another late developer, Bismarck's Germany, and the approach enunciated by the German Historical School (Gao 1997: 3–40).

Japanese developmentalism emphasized the independent role of a “Capitalist Developmental State” in guiding industrialization, a concept indebted to the thinking of Friedrich Liszt (Pyle 1974). Liszt stressed the necessity of state protection of indigenous industry in the face of international competition from foreign rivals. The Japanese model gave state officials a preeminent role, assuming they could act autonomously, independent of particular economic and social interests, and lead the policy-making process on behalf of the nation as a whole.

Hegemonic leadership by one segment of society over the rest has both ideological and moral requisites – ideological in supporting the economic and political interest of the dominant class and moral in uniting people around the interest of that class in such a way that the advance of the class is perceived as the advance of the people as a whole (Gramsci 1971). The worldview of the dominant class thus becomes the “common sense” of the entire society (Eckert 1993: 116).

A state-crafted ideology, rooted in economic and cultural nationalism and in Confucian philosophy, played a crucial role in Japanese developmentalism. By stressing the interest of the nation above the individual, state officials used nationalism to mold a compliant workforce and to enhance state autonomy. Confucian philosophy provided an ethical basis for government, justified a hierarchical political system, and praised consensus and conformity as signs of respect and loyalty (Pye 1988). Confucian tradition valued communal over individual desire, rejected material gain as a moral ideal, and considered self-interested motivation to be base. The threat from foreign powers enabled the new political-bureaucratic elite to claim control over the people and identify collective interest with state interest. The state

devalued individual freedom, opting instead for a paternalistic relation to the population inculcated through education and corporate culture.

Merchant-industrialists, driven by the profit motive, led the industrial revolution in the West. In Japan, it was samurai bureaucrats, competitively selected into state administration according to Confucian dictates, and bent on building a country with sufficient military and economic might to prevent defeat by Europe or the United States (Morishima 1982: 97). The driving force behind Western industrialization, the capitalist bourgeoisie, remained weak in Japan. The Japanese bourgeoisie had no history of struggle against the government to acquire the freedom to do business nor did it take the initiative during the Meiji Revolution. As the Meiji government instituted compulsory education, and inculcated Confucianism as the national ideology via the education system, the samurai class grew and metamorphosized into a governing class of intellectual-bureaucrats.

Hegemonic leadership also requires material concessions to other classes and a willingness to sacrifice in the short term for the sake of long-term stability. Ideology is not sufficient; the exercise of power must also be legitimate. The authority of Japanese officialdom derived from successful development, itself, from a reciprocal and mutually supportive relationship between government and business, and from the equitable distribution of returns from high-speed growth (Johnson 1982: 318). Once economic development became the state's most important source of legitimation, development projects took on a life of their own because they ensured security of status for public officials and the developmental regime (Castells 1992).

Actually Existing Developmentalism in East Asia

Japanese-style developmentalism diffused unevenly to neighboring East Asian nations after the Second World War; first to Korea and Taiwan, then to Singapore and Hong Kong, and more recently to Malaysia, Thailand, China, and Viet Nam. While East Asia's developmental states have achieved remarkable success, often being characterized as "economic miracles," developmentalism has come under increasing challenge from the neoliberal political project over the past two decades.

Japan's military defeat in World War II and the emancipation of nations from Japanese occupation unleashed the developmental project in East Asia. After independence, Korea and Taiwan could draw upon transportation and communication infrastructure and bureaucratic expertise built up during the Japanese colonial period to mount successful state-led developmental strategies (Woo-Cumings 1995: 442; Wade 1990: 73–5). The Cold War also facilitated rapid East Asian economic growth under strong state leadership. Although unsympathetic to free market and democratic values, South Korea, Taiwan, Singapore, Malaysia, and Thailand were embraced by

the Western powers because they served as allies against communism. In return, the East Asian developmental regimes received American military assistance, financial aid, tolerance for protecting their domestic industries, and privileged access to the US market (Pempel 1999: 174).

Japanese postwar aid and foreign direct investment also played a critical part in establishing East Asia as a center for world manufacturing. Japan coupled foreign aid, often tailored to the overseas needs of Japanese companies, with developmental thinking, stressing the importance of manufacturing, sectoral industrial policy, and long-term economic planning. Japan's foreign investments reflected the government's vision of a Japan-led regional division of labor based upon stages of specialization and product cycles (Hatch and Yamamura 1996). Countries occupied different roles, graded by technical and organizational capacity, and improved their sophistication over time. The industrial upgrading process was state guided and facilitated with public funds but driven by market competition (Ozawa 2002). As South Korea, Taiwan, Hong Kong, and Singapore followed in Japan's developmental path, they, too, began investing in their less developed neighbors – Malaysia, Thailand, Indonesia, China, and Viet Nam – further spreading industrialization in the region.

East Asian Developmentalism and North Atlantic Fordism

The comparative institutional literature typically identifies two main varieties of capitalism: *liberal market economies* (LME) characterized by neoliberal market-enhancing policies and *coordinated market economies* (CME) in which political and social institutions help govern market activity (Hall and Soskice 2001). The Anglophone countries, with the United States as the prime example, fall under the LME heading. Continental European and East Asian countries are usually grouped under the CME category, with Germany and Japan often held up as exemplars in each region (Albert 1993; Soskice 1999).

The differences between developmentalism and neoliberalism are readily apparent. But East Asian developmental states, like Japan, South Korea, and Taiwan, also differ from West European coordinated market economies, like Germany, in several important respects.

The developmental state has a *plan-rational* relation to the economy: state ownership, planning, and goal setting are rational means to achieving substantive economic goals. Coordinated market economies, like Germany's, have a *market-rational* relation between state and economy: the state balances regulatory policies to ensure market efficiency with social policies to ameliorate market failures and externalities; maintaining market competition, however, is given priority (Thanawala 2002; Henderson and Appelbaum 1992: 18–23).

The postwar compromise between capital and labor based upon collective bargaining and social welfare legislation, sometimes referred to as the *Fordist mode of regulation* (Aglietta 1998), has been integral to the functioning of Europe's coordinated market economies; but it has no parallel in East Asia's developmental states. The accommodations between contending class groupings encapsulated in East Asia's developmental regimes transpired within a different ideological and institutional framework, one centering upon state-led mobilization of capital and labor to catch up with economically more advanced nations. In developmentalism's "growth first" ideology, social welfare policy is a supplement to industrial policy rather than a universal and comprehensive right, as in the European welfare state model; and the developmental state lodges responsibility for social security as much in the family, neighborhood, and company as in government ministries, often with the encouragement of public subsidies (Yamashige 2002; Park 2008).

In Continental Europe, the state coordinates the economy by bringing business and labor together and encouraging them to conclude a series of "corporatist" bargains about their future behavior that will move the economy along a desired growth path. The state mediates the class relation through policies that support the interests of business, such as favorable conditions for capital investment, and the interests of labor, such as an elaborate welfare system (Panitch 1980). In East Asian developmentalism, by contrast, labor's welfare is less a state than a corporate responsibility. Firms tend to group into enterprise families that combine managerial authority with the concept of the company as a community. The firm as community ideology is encouraged in various ways by the developmental state and by the organization of workers into enterprise rather than into industry-wide unions. East Asian corporations often take responsibility for functions that in Western capitalist societies are performed by the market (e.g., job mobility and employee housing), the state (e.g., training and pensions), and the community (e.g., sociability and leisure). Because labor's welfare is less a state than a corporate responsibility, company growth becomes the security that East Asian workers must bank on. The institutional division of labor that puts responsibility for social investment in the state and for social consumption in the corporation produces a symbiotic relationship between company and union and the sense of dependence that workers often manifest toward the corporation in East Asia.

Developmentalism in East Asia versus Latin America

East Asian developmentalism shares similarities and differences with developmental projects in other regions of the world, including Latin America, where developmental ideology has been influential since the

1960s. Developmentalists in East Asia and Latin America are nationalists, believing in the prime importance of national industrialization and in the state's responsibility to promote it. Developmental states in both regions take a plan-rational approach to the economy, pursuing a form of political capitalism in which profits and investment depend upon decisions made in the state but in which property and wealth are mostly left in private hands. Developmental political projects in both regions also have a history of authoritarianism, being led by single-party regimes dominated by the military or by a centralized political executive (Schneider 1999).

The sharpest contrast between Latin American and East Asian developmental states resides in the bureaucracy: Latin American bureaucrats do not have the "embedded autonomy" characterizing East Asian officialdom (Evans 1995). Compared to East Asia, Latin American bureaucracies are bloated, weakly institutionalized, and unstable. State officials receive less training and lower salaries. Bureaucratic power is distributed through patronage rather than by merit and is more prone to corruption. Dependent upon political machines or the military, and subject to immediate dismissal, bureaucrats in Latin American states are less insulated from private interests than in East Asia, where a credentialed civil service helped create a professional and nationally committed phalanx of officials (Schneider 1999: 278, 304).

The patron-client relations dominating Latin American bureaucracies evince a different balance of power among actors in the developmental alliance than has prevailed in much of East Asia. Bureaucratic appointments are the main avenues to state power for all contestants in Latin America, and these paths are controlled by the military or by political machines. Government officials and business executives alike depend upon the patronage of political and military bosses. The Latin American developmental alliance is also weaker than in East Asian states because the landed elite, out to prevent industrialization from undermining their agrarian interests, play a more prominent political role. Land reform and a scanty natural resource base have more typically constrained the power of the landholding class in East Asia (Pempel 1999: 174).

The nationalism inspiring developmental discourse is less potent in Latin America than in East Asia. Latin American elites are more distanced from the rest of the population. While organized labor and civic associations are typically weak in East Asia, large investments in education, widespread social mobility, and a redistributive tax system have nonetheless produced a more egalitarian distribution of the growth dividend in most East Asian states than is typical in Latin America (Pempel 1999: 166–70). East Asian states have more homogeneous populations and longer national histories compared to Latin American societies which typically mix indigenous, mestizo, and immigrant cultures and where the

nation, defined by state boundaries, is often not the individual's primary source of identity.

The motives and wherewithal to industrialize have also been stronger in East Asia than in Latin America due to the two regions' different relationship to the international system and world economy. The developmental legacy of Japanese colonialism is absent in Latin America. So, too, was the degree of threat to existing regimes posed by the Cold War divisions between capitalism and communism: a clash that partitioned some East Asian states, threatened to unseat regimes in others, and elicited unprecedented levels of military assistance and external aid from the United States (Woo-Cumings 1999: 22). The control over capital flows exerted by many East Asian states, and tolerated by the United States to sustain the anticommunist alliance, buttressed the relative autonomy of East Asian bureaucracies. In Latin America, by contrast, US multinational corporations have dominated investment in many economic sectors (Stallings 1990).

Developmental Neoliberalism in East Asia

Neoliberalization does not have the same effects wherever it occurs; it depends upon the geographical and institutional setting. The diffusion of new beliefs, technologies, and policies often modifies but rarely transforms recipient social structures, and governments invariably attempt to control the process (Bendix 1970: ch. 11). The neoliberal political project in developmental states is thus hemmed in and channeled by developmental worldviews, regulatory institutions, and power configurations.

Neoliberalism and developmentalism clash because the two ideologies reflect the outlook and interests of different groups in society and because these ideologies must be implemented through politics and the exercise of state power (Chang 1999). Neoliberal market worship conflicts with the developmental ideology of state-led economic growth. Norms, social relations, and cultural expectations, shaped under the influence of developmental institutions and regulatory systems, hinder neoliberal efforts to institute free markets and commodify public goods. The industries, firms, and workers who benefit from developmental institutions resist neoliberal reforms, as do developmental political coalitions and policy networks.

But the two political projects are not entirely antagonistic or mutually exclusive; they share some elements in common. Both developmentalism and neoliberalism prioritize economic performance and capital accumulation over other values. Both the developmental and the neoliberal state value methods of state intervention based upon market incentives. In fact, Western neoliberal policy makers, distinguished from classical liberals by their willingness to extend the market model to various sectors of society, may have learned something from Japan's developmental

success with supply-side, market-conforming approaches to government intervention.

Pragmatism and sensitivity to performance are characteristic features of East Asian developmental states. East Asian elites have eagerly studied foreign policies, including neoliberal measures, and have borrowed them when they felt these tools might help them repair regulatory breakdowns in their developmental regimes. Countries without a liberal tradition are bound to take a more experimental, compartmentalized, and “secular” approach to neoliberal reform as contrasted with the universal, totalistic, and quasi-religious significance attributed to neoliberalism by many in the ideology’s heartland (Nelson 2001).

Ideological clashes, political accommodations, and selective appropriations have resulted in “developmental neoliberalism” in East Asia: a process of hybridization that can be seen in various configurations along the Asian Pacific Rim. The coupling or mix between developmentalism and neoliberalism varies among the East Asian states in part because developmentalism, itself, has been unevenly constituted in East Asia, due to national differences in resource endowment, cultural outlook, social stratification, and political institutions (Pempel 1999).

Japan’s post-World War II developmental state, for example, has been firmly embedded in a constitutional democracy guaranteeing individual liberties and civil rights. The nation’s political institutions have facilitated a process of reciprocal consent between public officials and business executives and the incorporation of workers into a consensual corporatism. South Korea’s developmental state, by contrast, was governed, until the late 1980s, by a succession of authoritarian regimes, including military dictatorships. Korea’s developmental regime suppressed labor organization and civil society and sparked explosive popular challenges to state authority. The bonds among state, business, and labor are less strongly institutionalized and more conflictual in Korea than in Japan. Weaker and less stable developmental institutions and corporatist relations help explain why the neoliberal political project has gained more traction in Korea than it has in Japan.

The nature of neoliberalism, itself, also generates differences in the developmental-neoliberal hybrid among East Asian nations. Neoliberalism, a political rationality that is “expressly amoral at the level of both ends and means” (Brown 2006: 692), is too narrow an outlook to sustain electoral and governing coalitions. For that, it must combine with other ideologies and strands of thought. For example, the US Bush administration (2001–8), often held to be a prototypical neoliberal regime, was actually based upon a “marriage of convenience” between neoliberals and neoconservatives. The neoconservative political philosophy, with its strong theological and nationalist overtones, differs considerably from the libertarian philosophy underlying neoliberal economic policy, and so, too, did many of the Bush

administration's policies. The US Clinton administration's (1994–2001) "Third Way" neoliberalism involved a quite different political coalition and mix of public policies from Bush's neoconservative neoliberalism. So, neoliberal ideological coalitions and political projects are bound to vary, both within a single country over time and across countries at any given time.

Forces Driving Neoliberalism in East Asia

The forces energizing the neoliberal project in East Asia emanate from political and civil as well as economic sectors of society; they operate on local and national as well as global geographical scales; and they have unfolded over several decades.

East Asian developmental states first began to experiment with neoliberal reforms in the 1980s. Early in the decade, they introduced market-friendly measures to counteract domestic problems brought on by the 1970s oil shocks. As the United States and United Kingdom turned further toward market fundamentalism, East Asian regimes began to experiment with neoliberal policies as part of their ongoing effort to "learn from in order to catch up with" the technically more advanced Western powers. They also faced growing American pressure to liberalize their trade regulations so as to reduce their trade surpluses with the United States.

The United States turned a blind eye to East Asian developmentalism during the Cold War (1950–90), despite fundamental disagreements with the ideology, in order to secure allies against communist adversaries. But once freed from Cold War constraints by China's opening to Western markets and the collapse of the Soviet Union, and experiencing a slumping economy and an economic challenge from Japan, the United States began to vigorously criticize East Asian developmentalism as part of a strategy to create a "New World Order" based upon the neoliberal model (Chang 1999: 183). Many East Asian states were vulnerable to American pressure because they depended upon the US military for their national security, a legacy of the Cold War. The global neoliberalism program was orchestrated through international regulatory institutions, like the International Monetary Fund (IMF) and the World Bank, that embodied the ideology and financial backing of Washington's "Wall Street-Dollar Regime" (Gowan 1999). The IMF and World Bank further pressured East Asian developmental states to adopt neoliberal practices by attaching "structural adjustment" requirements to their financial assistance programs.

Pressures to move in a neoliberal direction notwithstanding, East Asian developmentalism was alive and vigorous throughout the 1980s. The turning point came with the Asian economic crises in the 1990s. After 40 years of sustained economic growth, Japan fell into a decade-long slump

after the burst of its financial bubble in 1989. East Asian economies were rocked further by the 1997–8 financial crisis, which began in Thailand and quickly spread along the Asian Pacific Rim. Thailand and South Korea, among others, were forced to turn to the IMF and World Bank for financial assistance and to accept the neoliberal structural adjustments demanded by the loan programs. A growing chorus of critics inside and outside of the region began pointing to policy failures and structural contradictions in the developmental model (Vogel 2005). The close working relationships among governments, banks, and industrial corporations, once viewed as the linchpin of the Asian economic miracles, were now seen to induce moral hazards, corruption, and waste. As more people came to view government retrenchment and freed-up markets as plausible steps to solving the economic crises, the neoliberal political project picked up momentum.

Political democratization movements have also boosted the neoliberal project in East Asia. East Asian states have been governed, for the most part, by centralized leaderships based in the military or in a single political party. Authoritarian regimes facilitated state coordination of market behavior, but they also repressed labor and opposition movements, sometimes severely. Even in Japan, with its postwar history of democratic rule, a single party has dominated national politics for half a century.

Popular struggles to democratize the state spread throughout East Asia during the 1980s and 1990s. Movement activists criticized developmental regimes for their “cronyism”; lack of transparency in relations among bureaucrats, politicians, and business executives; and centralized control over intergovernmental relations. Government intervention in economic activities, an essential part of the developmental state, came to be seen as “undemocratic” and in need of structural reform. Bureaucrats, politicians, corporate executives, scholars, and social activists of all stripes started searching for alternatives to state-led developmentalism. Certain tenets of neoliberal ideology, especially those calling for political decentralization and more local autonomy, appealed to prodemocracy groups. The influence of neoliberalism was further enhanced by the weakening of East Asian socialist and communist parties following the end of the Cold War.

In short, the combination of local and nationally based challenges to the authority of the developmental state, regional economic crises, and the Washington-promoted global spread of neoliberal ideology opened the way for neoliberal reform programs in East Asia. The neoliberal political project was also abetted by structural changes in the world economy, especially the move from standardized mass production of goods to continuous product differentiation and quality improvements. The latter production model, known as *flexible specialization* (Piore and Sable 1984), requires continuous learning and makes central direction of national economies and

balancing of development among regions more difficult. With the transition from mass production to flexible specialization, peripheral localities and regions, to maintain their economic viability, must shift from performing branch plant functions for metropolitan-centered headquarters and R&D sites to becoming seedbeds for innovation themselves, a challenge that requires more local government control over public investment and service provision, a key neoliberal tenet. The pressures for neoliberalization in the East Asian states thus travel both downward and upward along global-to-national-to-local axes, and neoliberal policy experiments have occurred at all levels of the state.

State–Society Relations

Economic markets are self-regulating in theory only; left to themselves in practice, they tear societies apart (Polanyi 1944). To function effectively, markets require a mode of regulation, institutions that govern property and exchange relations among economic actors to ensure that market dislocations do not undermine a nation’s social cohesion (Aglietta 1998). Institutions are enforceable rules of conduct that establish mutual obligations among members of society; they include formal rules, such as legal and administrative codes, that are enforceable through police and the courts, and informal rules, such as cultural norms and values, that are enforceable via socialization and peer pressure (Streeck and Thelen 2005: 9).

Neoliberals differ from *laissez-faire* liberals in recognizing that competitive markets are neither inherent in nature nor naturally self-regulating, but must be socially constructed and overseen by the state, and in their desire to extend the market model beyond the economy to government and society (Lemke 2001; Brown 2006). In this sense the neoliberal political project seeks to implement a new mode of capitalist regulation, one that models the state on the market *and* uses the state to extend market-like decision making throughout society. Neoliberals not only aim to “roll back” existing institutions that constrain markets, but also seek to “roll out” new regulatory institutions that encourage government and civil society to emulate competitive market behavior (Peck and Tickell 2002).

Public choice theory articulates the neoliberal rationale for modeling government on economic markets (Tullock and Buchanan 1965). Units of government are likened to business firms, and citizen political participation to consumerism. Competition among units of government, and between government units and private firms, enhances efficiency in service provision. Consumer choice is maximized when local governments each offer their own distinctive bundle of services and tax rates. Centralized, unitary government reduces productivity and increases inflation. Private contracting of government activities and increased competition among local and regional

governments boost a nation's productivity and global competitive power (Savas 1987).

"New Public Management" programs that restructure government bureaucracies along the lines of the business corporation to include budgeting for results, performance management, and customer satisfaction exemplify neoliberal regulatory policies. So, too, do school voucher programs whereby the government issues certificates to parents so they can pay for the education of their children at a school of their choice rather than the state school to which they are assigned. According to public choice theory, when schools must compete with one another to attract students, inefficiencies are pinpointed, accountability is localized, school administrators and teachers are given incentives to improve, and pupil performance is enhanced (Friedman 1955; Enlow and Ealy 2005).

Regulatory institutions, like new public management and school voucher systems, do not arise spontaneously out of market competition; they are collective political responses to societal problems and emerge out of industrial disputes, political conflicts, and legislative compromises (Aglietta 1998). The state is thus the framework within which neoliberals contend with other political projects (developmental, social democratic, communitarian, etc.) for ideological adherents, political representation, and influence over state intervention into economy and society. In the analytical terms guiding this book, the state is the arena in which neoliberals seek to form cross-group alliances, to mobilize people and resources to influence state action, and to establish a political regime and a mode of regulation, with the ultimate aim of constructing a political economy that accords with their economic ideology. In doing this, they must contest with other political projects throughout.

Neoliberalization thus consists of complex, contentious, and shifting interactions among social forces acting in and through the state. In East Asia, the neoliberal political project operates within the institutional framework of the developmental state. For East Asian states to move to a neoliberal market system means not only dismantling existing developmental institutions, but also creating new neoliberal ones. Full conversion would require changes at all levels of East Asian societies: laws, administrative practices, norms, and values (Vogel 2005: 4).

Neoliberal Spaces in East Asia

This study emphasizes the spatial contours of neoliberalization in Asian developmental states. Research on the neoliberal political project in North America and Western Europe indicates that cities are strategic loci for neoliberal policy experiments and institutional implementation (Brenner and Theodore 2002: 21). How has neoliberal discourse affected urban and regional policies in East Asia over the past decade? Have East Asian

city-regions similarly served as laboratories for neoliberal restructuring, and with what consequence for urban life?

Some Western researchers hypothesize that a political-economic shift in mode of regulation – from Fordism to flexible accumulation – is bringing about a parallel transition in urban institutions: from the “Keynesian Managerial City” to the “Neoliberal Entrepreneurial City” (Hackworth 2007; also see Jessop 1991a, 1991b; Brenner and Theodore 2002). During the Fordist era, local governments were extensions of the Keynesian welfare state.³ Regional policy encouraged industrial relocation to spread employment and reduce local inflationary pressures. Cities built infrastructure to support Fordist mass production, provided social consumption and welfare services, and sometimes competed with each other to attract investment.

But with the shift from Fordism to flexible accumulation, national governments devolve various public responsibilities to other levels of government, the third sector, and the private sphere, while retaining their central coordination functions. Local officials prioritize economic regeneration and policies to make their local economies more competitive in the new global economy. Cities take on new development functions and form new economic partnerships with unions, chambers of commerce, venture capital firms, and universities (Jessop 1991a: 274).

Keynesian urban governance is characterized by managerialism, that is, by an emphasis on national regulation, local participation in nationwide urban programs, strong city administration, and commitment to uniform standards of collective consumption. The neoliberal counterpart, urban entrepreneurialism, devolves regulatory power from national to local authorities, diffuses local government authority to public-private partnerships, and emphasizes public choice and unregulated growth (Hackworth 2007). The neoliberal state intervenes on the supply side of the economy to promote business innovation, downplays full employment in favor of international competitiveness, subordinates redistributive welfare programs to policies which enhance labor market flexibility, and shifts focus from public investment in urban infrastructure and housing to public support for private gentrification and commercial mega-complexes (Jessop 1991b; Hackworth 2007).

Urban neoliberalization is precipitated by several interrelated factors. The global economic transition from mass production to flexible specialization weakens the efficacy of national planning and places a premium on local innovation. National cutbacks in urban expenditures require cities to find new sources of revenue. Deregulation of finance expands the range and availability of private capital. Central government retrenchment, the devolution of revenue-raising responsibility to localities, and pressures to innovate force cities to compete for resources in the private capital market. There is a power shift within urban regimes as profit-driven financial institutions

(commercial banks, thrifts, and institutional investors), through their ability to turn the capital spigot on and off, replace government regulatory agencies as overseers of urban development, and local officials “marketize” city space for economic growth and private consumption (Brenner and Theodore 2002: 367–77; Hackworth 2007).

Is the East Asian “developmental city” transforming into an “entrepreneurial city” like the transition from Keynesian managerialism to neoliberal entrepreneurialism in the West? There are parallels between the developmental city and the Keynesian managerial city, but there are also divergences. As in the Keynesian managerial city, local government in the developmental state tends to be an extension of the central government; but East Asian local officials are often weaker than their Western counterparts since they tend to be agents appointed by central regimes rather than representatives elected by local publics.

As in the Keynesian managerial city, developmental regional policy encourages balanced growth, and places limits on economic competition among localities; but in the East Asian case, this is largely to sustain state legitimacy in the face of regional frictions caused by the functional primacy of the political capital city.

As in the Keynesian managerial city, the developmental state prioritizes urban infrastructure to support mass production and economic growth; but the Keynesian emphasis on social welfare expenditures is largely absent in the developmental city due to the East Asian family- and company-centered social security model. Social consumption services, like education, housing, and medical care, can take a variety of forms in East Asian developmental cities, but they are always lesser priorities than economic development and these outlays are evaluated, not for their intrinsic merit, but by their impact on economic growth.

Since the starting point for urban neoliberalization in East Asia is the developmental city, not the Keynesian city, the outcomes can differ as well. East Asian developmental states are devolving some tax and expenditure responsibilities from central to local governments and decentralizing more decision making to localities, as in the West, but they are typically doing so within unitary state constitutions and national-planning frameworks that, in comparison to federally organized nation-states like the United States, Canada, or Germany, place inherent institutional limits on local autonomy.

East Asian regions are becoming more differentiated, state officials are encouraging localities to become more economically competitive with one another and internationally, and investment is flowing disproportionately into selected zones, all of which fit the Western neoliberal model. But the East Asian state also continues to take an integrated approach to

intergovernmental relations, and national ministries continue to emphasize the benefits to be gained from central-local coordination, shared responsibilities, and regional equity.

East Asian localities are forming new public-private partnerships, relaxing some land use regulations, and subsidizing commercial mega-projects, all indicating increased commodification of city spaces. But these steps in the neoliberal direction are typically incremental; they have neither the scale nor the scope of their Western counterparts; and they tend to be pragmatically, not ideologically, motivated responses to specific development problems.

Moreover, the neoliberal spatial turn in East Asia cannot be attributed to the sway of neoliberal discourse and politics alone; it also emanates from contradictions and political dynamics within developmentalism itself. Political decentralization and fiscal devolution, for example, reflect longstanding requests from local officials to flatten the intergovernmental hierarchy of decision making and resource distribution, and the demands of citizens' movements demanding democratization of the developmental state. And, in certain respects, developmentalism actually facilitates the diffusion of neoliberal ideas and urban policies. For example, the place marketing typical of neoliberalism is not entirely inconsistent with a developmental ideology that prioritizes market-conforming methods to spur economic growth.

Neoliberal outcomes vary not only between East and West but also within East Asia, among nations, regions, and localities. Neoliberalization does not unfold smoothly on a homogeneous East Asian plane, but unevenly on an already bumpy surface. Developmentalism, the object of neoliberal attack, takes varied national and urban forms in East Asia, as does the demographic, cultural, and political contexts for neoliberalization. Attention to city and regional scales, as well as national ones, helps illuminate the variegated nature of the neoliberalization process in East Asia.

Final Remarks

This book examines the influence of neoliberalism on cities and regions in several Asian Pacific nations: Japan, South Korea, Taiwan, Hong Kong (PRC), Singapore, Malaysia, and Thailand. All have a history of governance by developmental states. All have implemented spatially selective liberalization policies in recent years, as evidenced, for example, in special economic zones, industrial clusters, public-private housing policies, and global city-inspired redevelopment projects. All have experienced decentralization in state power, spatial diversification in national regulations, and increased marketization of urban spaces.

Rather than assuming that neoliberalism has triumphed over developmentalism, we treat the evolving relationship between the two political projects as our central question. Has neoliberalization been the main driving force behind recent urban and regional policy changes and associated political struggles in East Asia? Policy changes derive from many sources, and institutional legacies of the developmental state constrain and channel neoliberal restructuring. Contributors to this book investigate how neoliberal ideology has actually materialized in Asian urban and regional settings and how neoliberal axioms have been used to justify urban and regional projects in contexts where ideologies, politics, and regulatory practices derive from state-led developmentalism.

NOTES

- 1 Thanks to Tim Bunnell at the National University of Singapore for suggesting this multifaceted title to us.
- 2 The general model or ideal type serves a useful analytical purpose: it helps one identify and think about the “actually existing” approximation in a given time and place. For example, the concept of “actually existing neoliberalism,” developed in a seminal paper by Brenner and Theodore (2002), presumes such an ideal type or general model, otherwise the qualifying phrase, “actually existing,” wouldn’t be necessary.
- 3 This varies, of course, depending upon whether the Western nation in question is a unitary or a federal state; but in either case, the central government plays a much stronger “urban role” in the managerial than in the entrepreneurial city model.

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