

DEVELOPMENTAL STATE

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1. CONCEPTUAL FOUNDATIONS OF THE DEVELOPMENTAL STATE

Definition:

A developmental state is a state whose principal economic objective is national development and which uses active intervention — including planning, regulation, and coordination of industrial policy — to achieve that goal. This approach goes beyond general regulation and views the state as a leading actor of development.



CORE ELEMENTS OF THE DEVELOPMENTAL STATE

1. The state is motivated by economic advancement and proactively intervenes in industrial affairs
2. The concept is grounded in the East Asian experience (Japan, South Korea) but compared with other regions
3. Development is shaped by political, bureaucratic, and financial influences interacting within society.



MARKET-LED VS STATE-LED DEVELOPMENT

a. Market-Led Development

- Growth primarily guided by market forces and private initiative
- State play is limited to rule-setting (e.g., legal framework, basic regulation).

b. State-Led Development

- The state takes on a central role in directing development: structuring markets, prioritizing sectors, coordinating resources, and guiding investment
- Developmental states use industrial policy, strategic planning, and targeted support to shape economic outcomes.



EMBEDDED AUTONOMY

(PETER EVANS)

A developmental state must have a bureaucracy that is both autonomous and socially embedded: independent from narrow private interests yet connected with economic actors to guide policy effectively.

This balance enables strategic coordination without capture by vested interests.

Institutional Characteristics

1. Meritocratic Bureaucracy: Skilled and professional civil servants driving policy continuity over electoral cycles.
2. Pilot Agencies: Specialized bodies that coordinate sectoral development and implement strategy.
3. Planning & Coordination: Long-term national plans and cross-sector coordination to align economic actors with development goals.

2.INDUSTRIAL POLICIES

Developmental states actively use industrial policies to reshape the productive structure of the economy. Policies are selective and strategic, not neutral.

Instruments:

- Sectoral targeting:
 - Priority given to strategic industries (e.g. steel, shipbuilding, electronics).
 - Emphasis on industries with high learning potential and spillovers (Amsden; Wade).
- Technology_policy:
 - State support for technology acquisition, adaptation, and upgrading.
 - Learning-by-doing rather than reliance on comparative advantage.
- Subsidies and incentives (SIDs):
 - Conditional support tied to performance (exports, productivity).

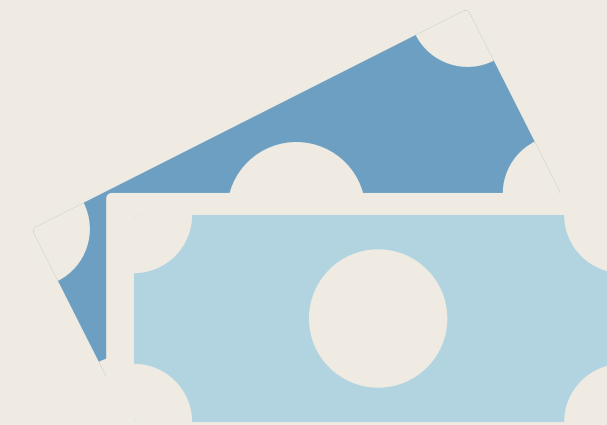
Goal: accelerate industrial upgrading and catch-up with advanced economies.



COMMERCIAL AND FINANCIAL POLICIES

Commercial Policies

- Protection of infant/nascent industries:
 - Temporary tariffs, quotas, and non-tariff barriers.
 - Protection is conditional and time-bound, not permanent (Johnson; Wade).
- Export promotion:
 - Incentives linked to export performance.
 - Exposure to international competition to discipline firms.

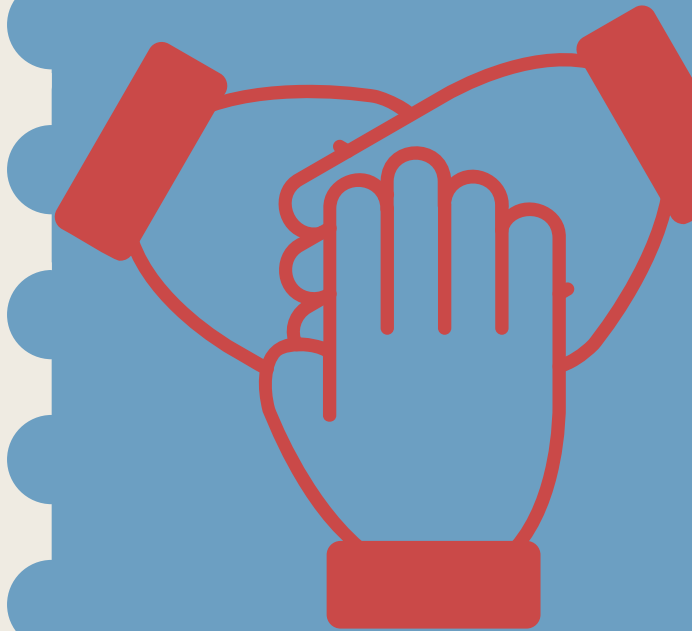


Financial Policies

- Public and development banks:
 - Provide long-term finance where private markets fail.
- Directed credit:
 - Preferential loans to targeted sectors and firms.
 - Allocation based on developmental priorities, not short-term profitability.

STATE-ENTERPRISE COORDINATION

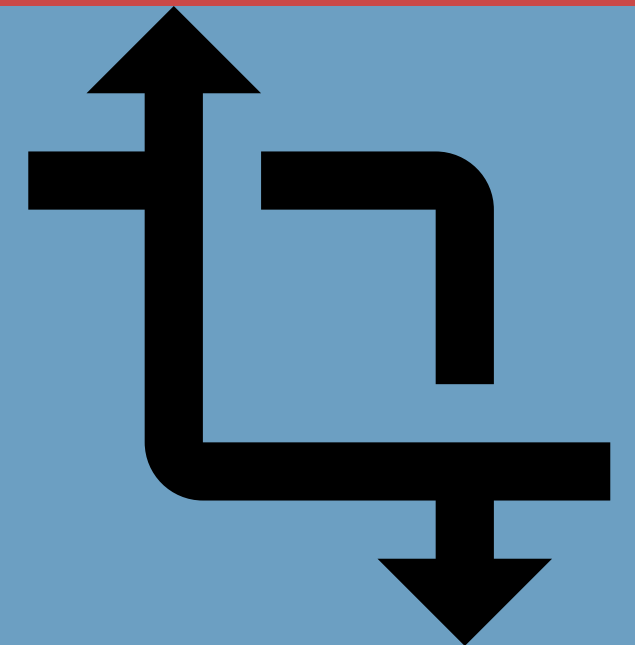
- Core mechanism through which developmental states implement economic strategy.
- The state actively coordinates actors, sectors, and policies, rather than relying solely on market signals.
- Coordination occurs across public institutions (ministries, planning agencies, development banks) to ensure policy coherence.
- Close coordination between the state and private firms reduces uncertainty and supports long-term investment.
- Through embedded autonomy (Evans), bureaucracies remain autonomous from private interests while being embedded in productive networks.
- Coordination allows the state to govern markets (Wade) without replacing them.
 - Effective coordination enhances learning, discipline, and policy effectiveness.



STRUCTURAL TRANSFORMATION

- The ultimate objective of the developmental state.
- It involves a shift from low-productivity to high-productivity activities.
- Emphasis on moving from primary sectors to manufacturing and technology-intensive industries.
- Markets alone often fail to generate this shift in late-developing economies (Amsden; Wade).
- The state reallocates resources through industrial, trade, and financial policies.
- Structural transformation requires technological upgrading and learning.

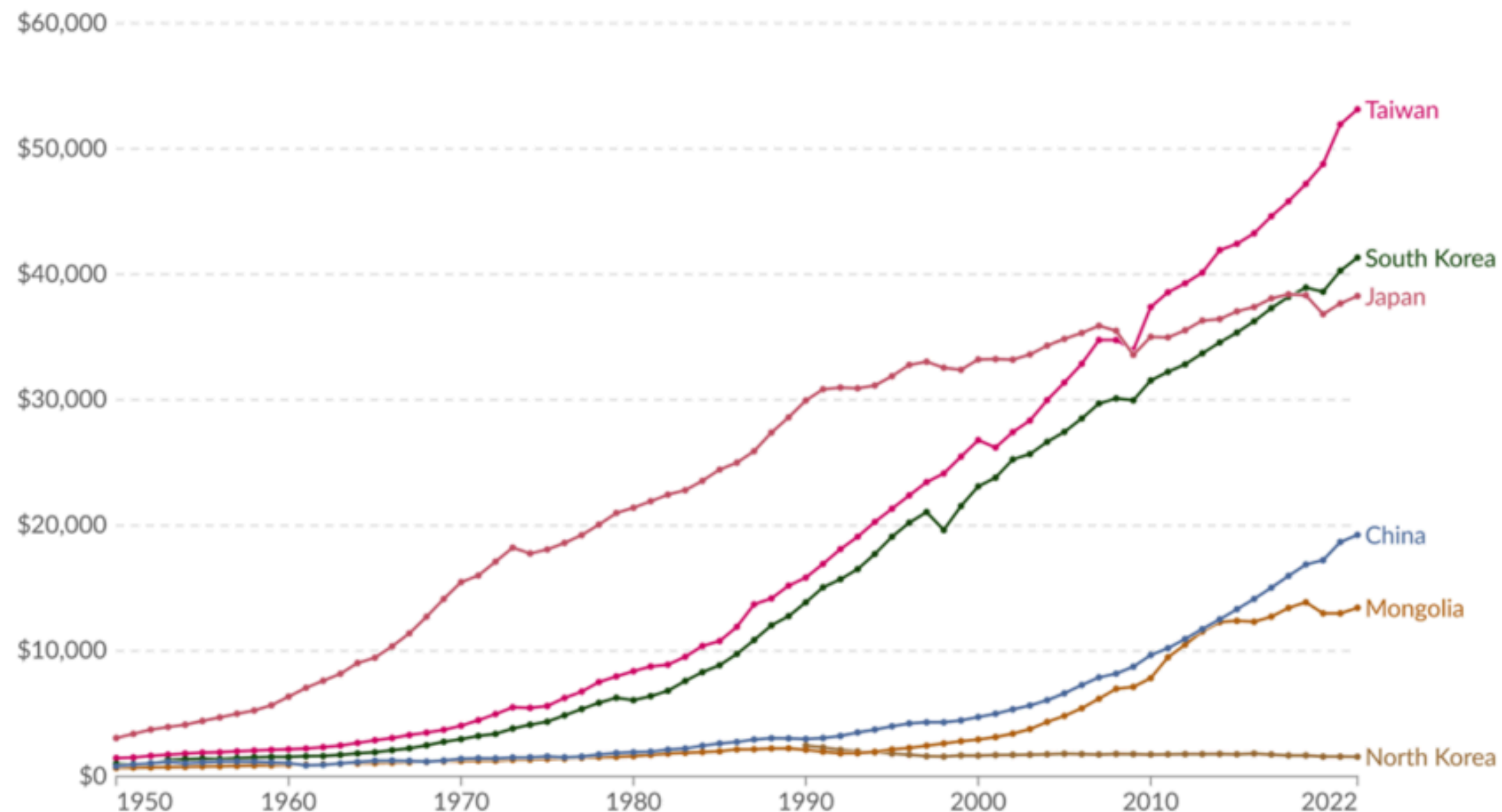
→ It leads to long-term growth, employment change,
and improved economic resilience



3.EAST ASIAN DEVELOPMENTAL STATE MODEL

GDP per capita, 1950 to 2022

GDP per capita is a country's gross domestic product¹ divided by its population. This data is adjusted for inflation and differences in living costs between countries.



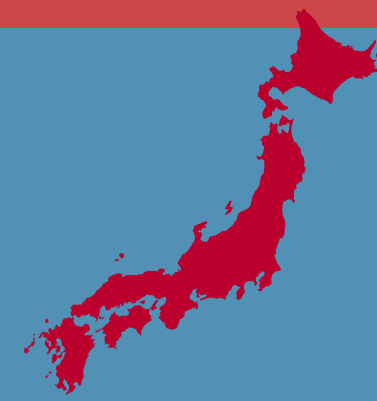
Data source: Bolt and van Zanden – Maddison Project Database 2023

Note: This data is expressed in international-\$² at 2011 prices.

OurWorldinData.org/economic-growth | CC BY

- State leading role
- Close alliance State-Business
- Institutional Foundations in Japan And South Korea
- Export-driven strategy
- Improvements in Human Development indicators
- Industrial diversification and social transformations

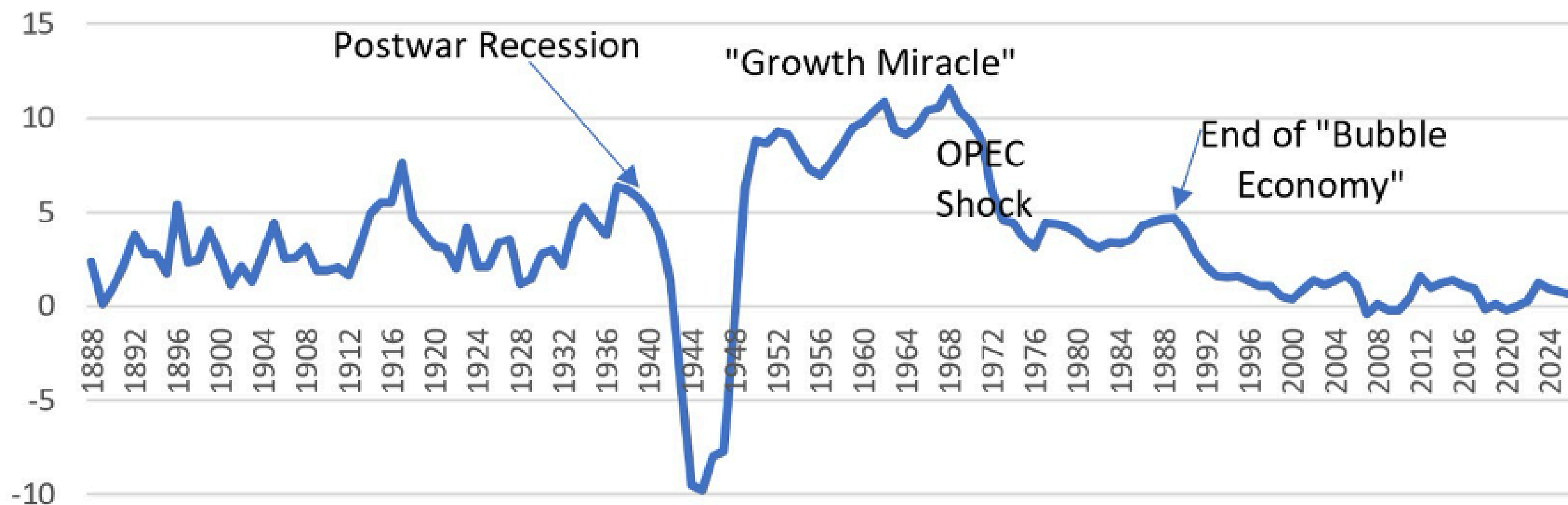
JAPAN



- M.I.T.I 1949
- Export oriented boom
- Japan Development Bank
- Industries in stages
- Structural transformation
- +10% GDP growth rate expansion
- 1968 world's second largest economy
- Industrial Giants (Toyota, Sony)

Japan: Growth Rates of Real GDP, 1888-2026

(% per year, centered 5-year moving average)



Sources: Maddison Project Database (<https://www.rug.nl/ggdc/historicaldevelopment/maddison/>)

-15 and IMF Economic Outlook Database

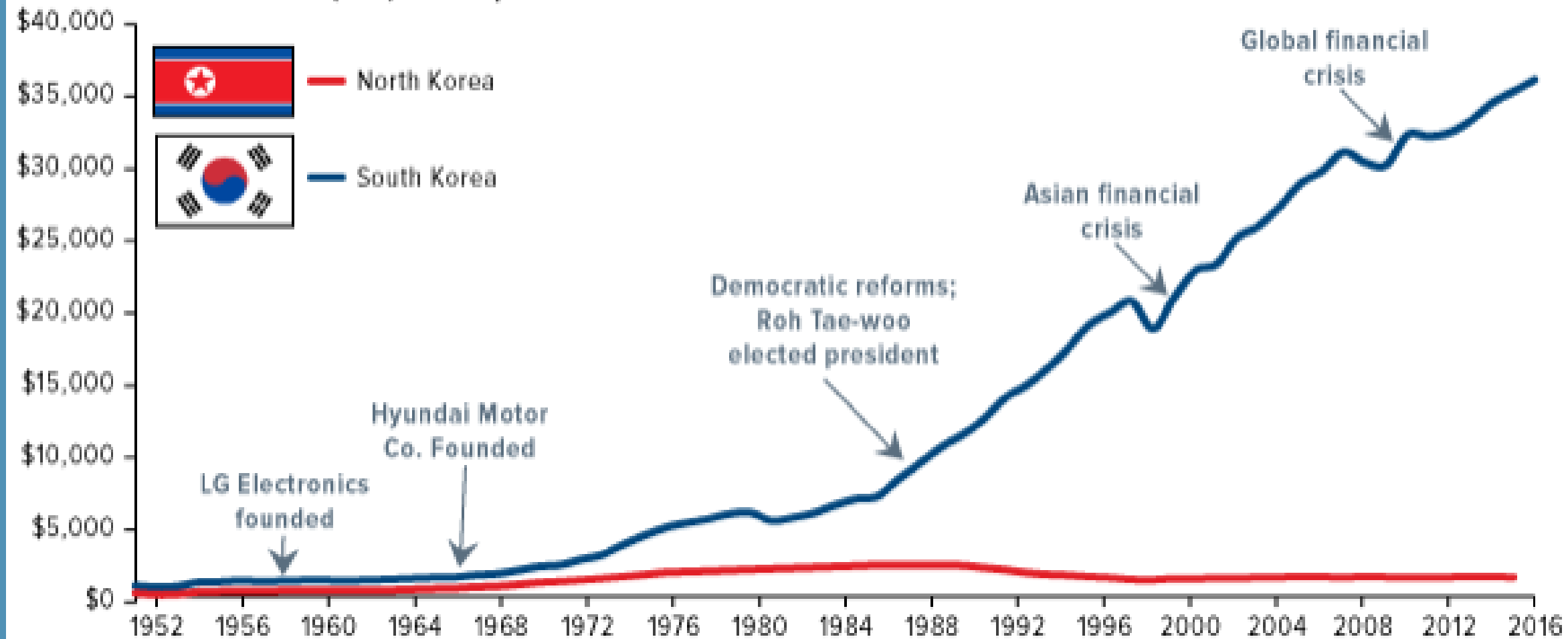
SOUTH KOREA



- Extremely poor country
- Developmental state model
- President Park Chung Hee's authoritarian Regime
- Economic Planning Board 1961
- Export
- Technocratic Bureaucracy
- HCI programme
- Agrarian society to Urban society
- 1995 11th largest economy

Miracle on the Han River, 70 Years Later

Gross National Income (GNI) Per Capita



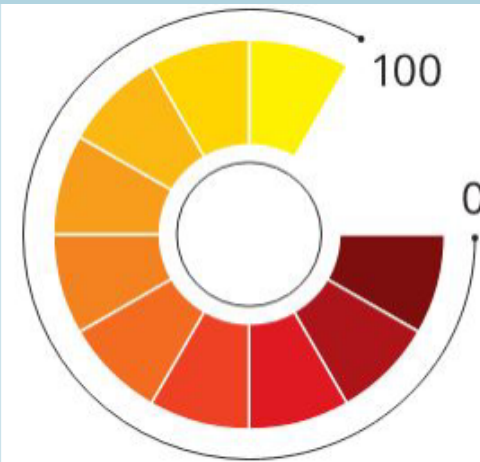
Source: Maddison Historical Statistics Project, U.S. Global Investors

4.DEVELOPMENT IN AFRICA: BAD LUCK OR BAD POLICY?

Several structural and institutional factors have impeded East-Asian style development:

- Weak bureaucracies and governance
- Dependency on commodities
- Limited tax base
- Poor state-business coordination
- Small domestic markets and infrastructure gaps

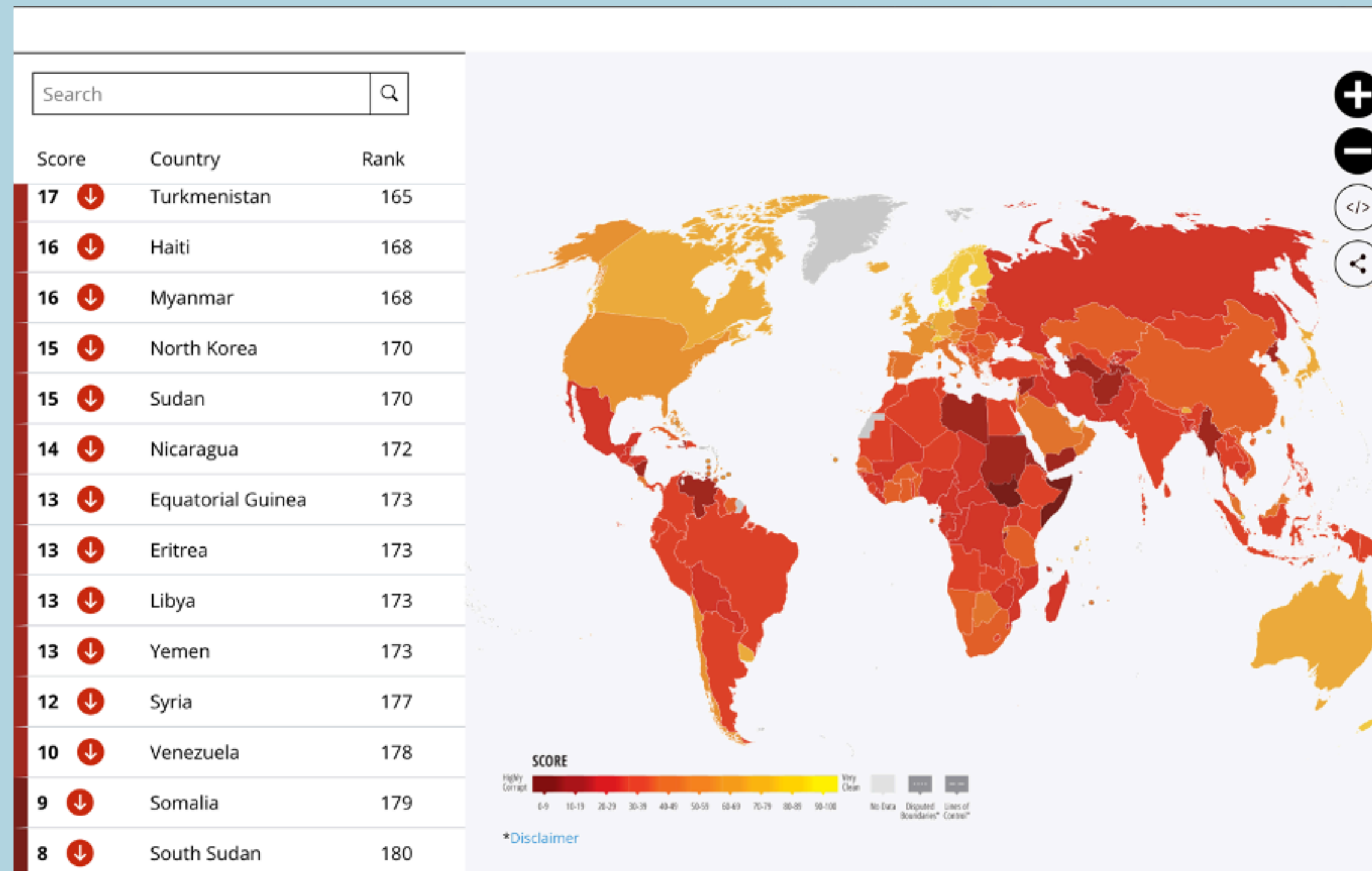




THE CPI USES A SCALE FROM 0 TO 100

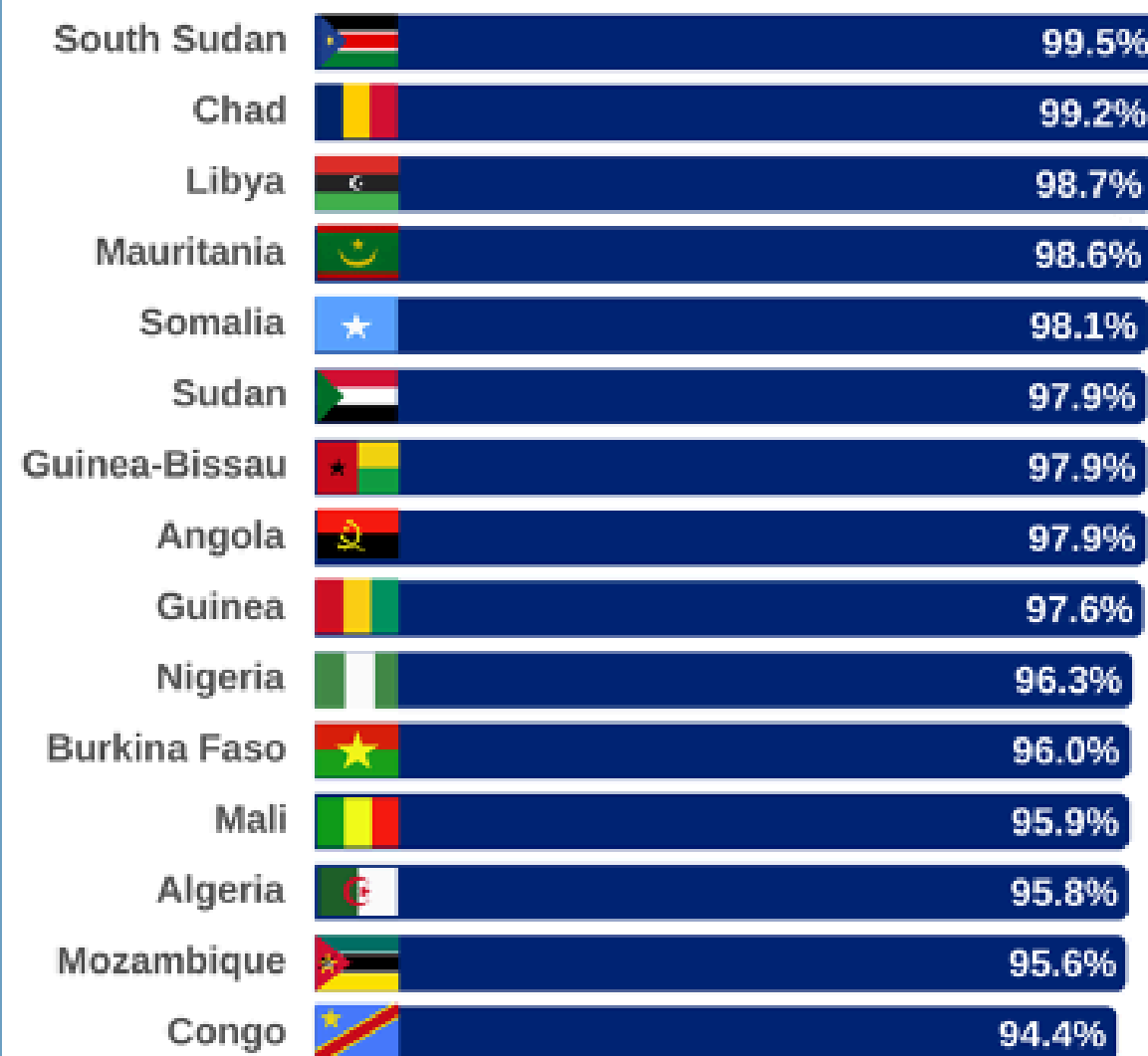
100 is **very clean** and
0 is **highly corrupt**

Sub-Saharan Africa has the world's lowest average score on Transparency International's Corruption Perceptions Index (33/100 in 2024, with 90% of countries scoring below 50).



Africa's commodity dependence

46 African countries get more than 60% of their export earnings from raw goods, with South Sudan leading with 99.5%



Note: The 31 other countries that recorded more than 60% commodity dependence range from Botswana's 94.3% to South Africa's 63.9%

Commodity dependence measures the share of a country's exports made up of raw goods — agriculture, fuels, and minerals — in total merchandise exports.

Top 15 African countries with the highest share of commodity exports in total merchandise exports (2021-2023)

Source: UNCTAD

Dependency on Commodities: a majority of African economies rely heavily on a narrow range of primary commodities (oil, minerals, cash crops) for export earnings. UNCTAD reports that 83% of African countries are “highly-dependent” on commodities, with 46 of 54 countries getting over 60% of export earnings from raw goods . This lack of diversification exposes nations to volatile global prices and the “resource curse”, hindering manufacturing growth.



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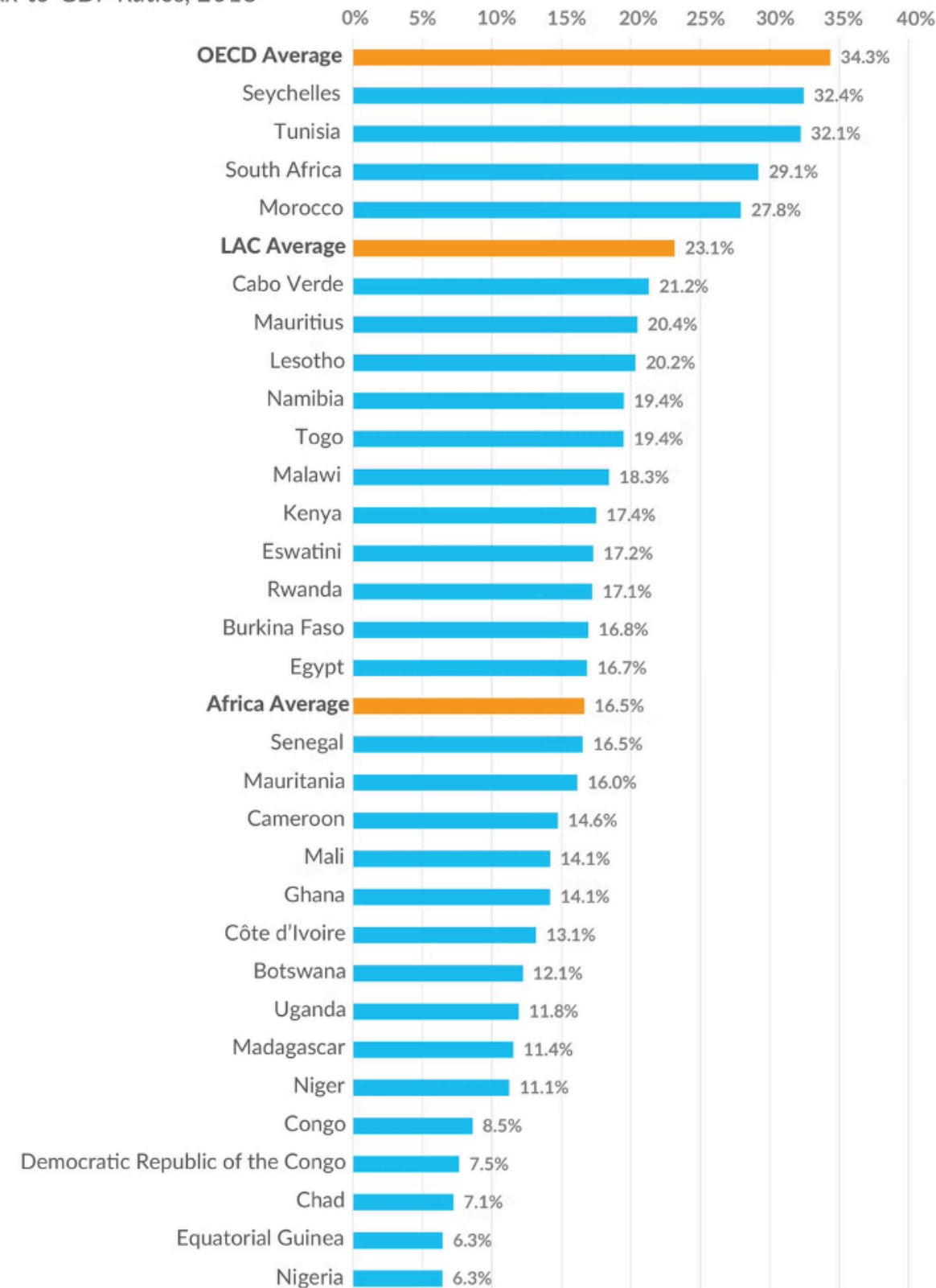


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Limited Tax Base: the formal economic base in many African countries is small, constraining government revenues. Tax collection is typically low – averaging only about 15–16% of GDP in Africa, significantly below Asia, Latin America or OECD levels .

Tax-to-GDP Ratios Vary Significantly across African Countries

Tax-to-GDP Ratios, 2018



Note: The tax-to-GDP ratio for South Africa includes payments made by South Africa to the Southern African Customs Union (SACU) pool.
Source: OECD/AUC/ATAF, Revenue Statistics in Africa 2020: 1990-2018 (OECD Publishing: Paris, 2020), <https://doi.org/10.1787/14e1edb1-en-fr>.

Arokoyo, tax consultant:
“Many people and businesses that are supposed to be in the tax base are not there. The reason is that we don’t have data on the businesses.”

Wainaina, Nairobi University’s School of Business:

“People, wherever they live, including Africa, want to pay taxes.”

PAST STRATEGIES AND WHY THEY FAILED

Import Substitution Industrialization



Government Subsidization
of Vital Industries



Protectionism

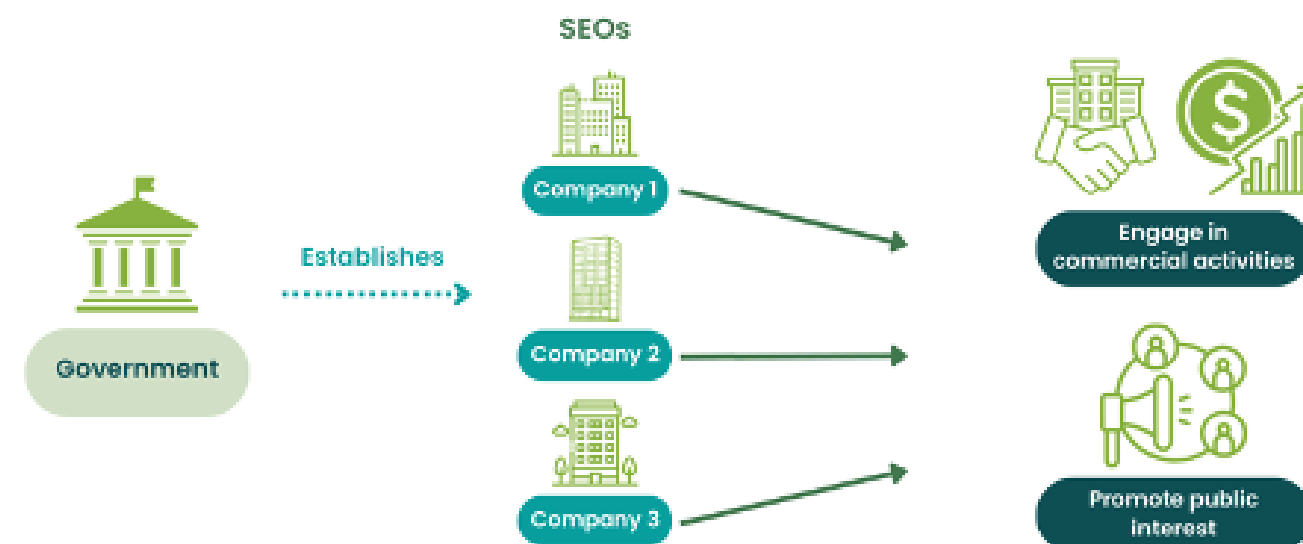


Nationalization



Increased Taxation

State-Owned Enterprise



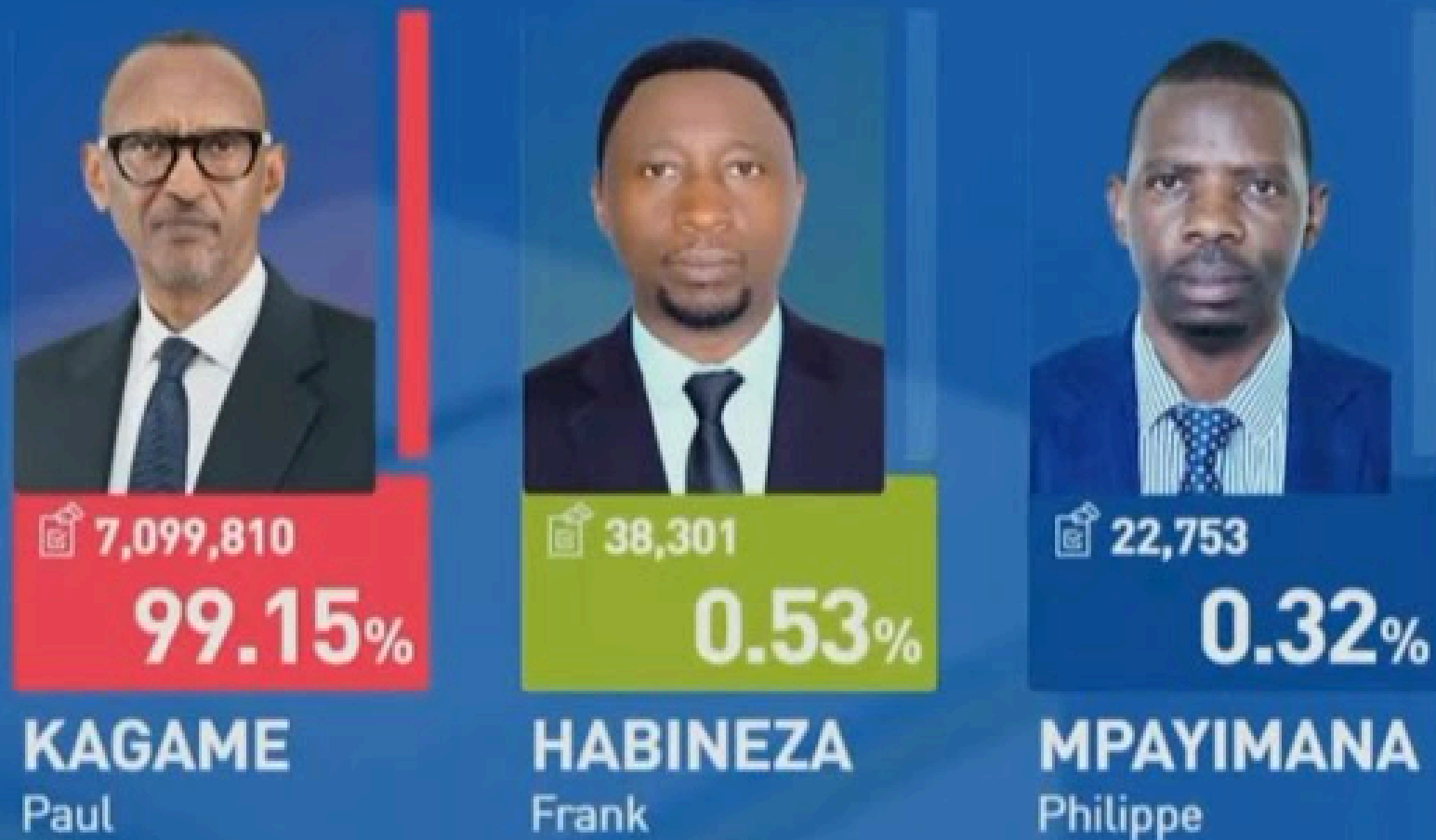
PUBLIC EXPENDITURE

Countries in Africa spending more public resources on net interest than on education, investment or health (2019-2021)

Public expenditure		Countries
Education	7	
Health	25	
Investment	5	

Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database.

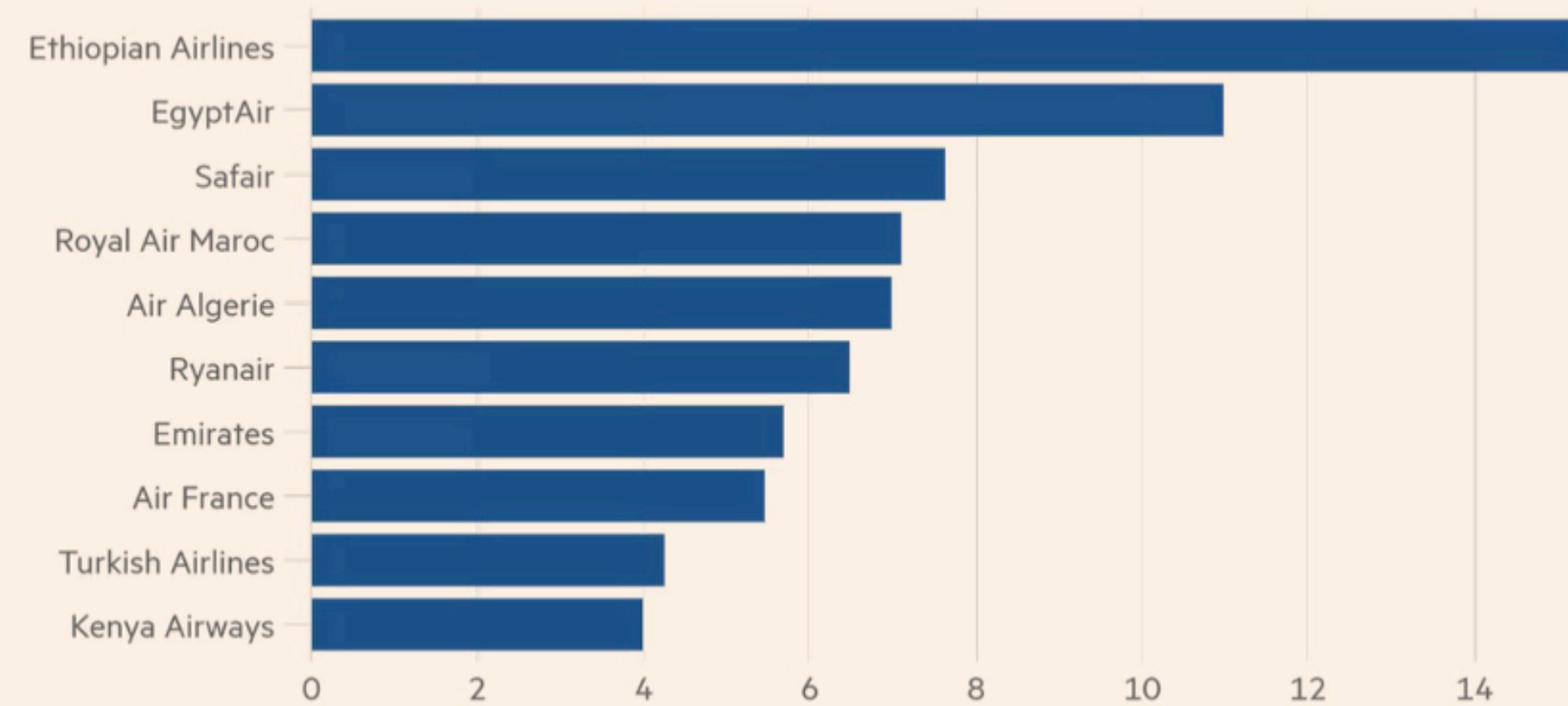
RWANDA: SUCCESSFUL CASE



- After 1994 genocide, Paul Kagame's government
- Highly interventionist model
- 7.8 % GDP growth 2000–2019
- Effective Bureaucracy
- Low Corruption
- Strong grip on power
- Increase in gender equality
- New Technology
- Authoritarian Regime

Ethiopian Airlines leads in Africa

Passenger numbers (mn)



Passengers on scheduled flights for routes originating in Africa for both directions (January to November 2023)

Source: Cirium

© FT

ETHIOPIA

- Ambitious experiment 2000–2010
- Government invested heavily in infrastructure (roads, railways)
- Promoted Manufacturing
- State-owned enterprises **Ethiopian Airlines**

MAURITIUS

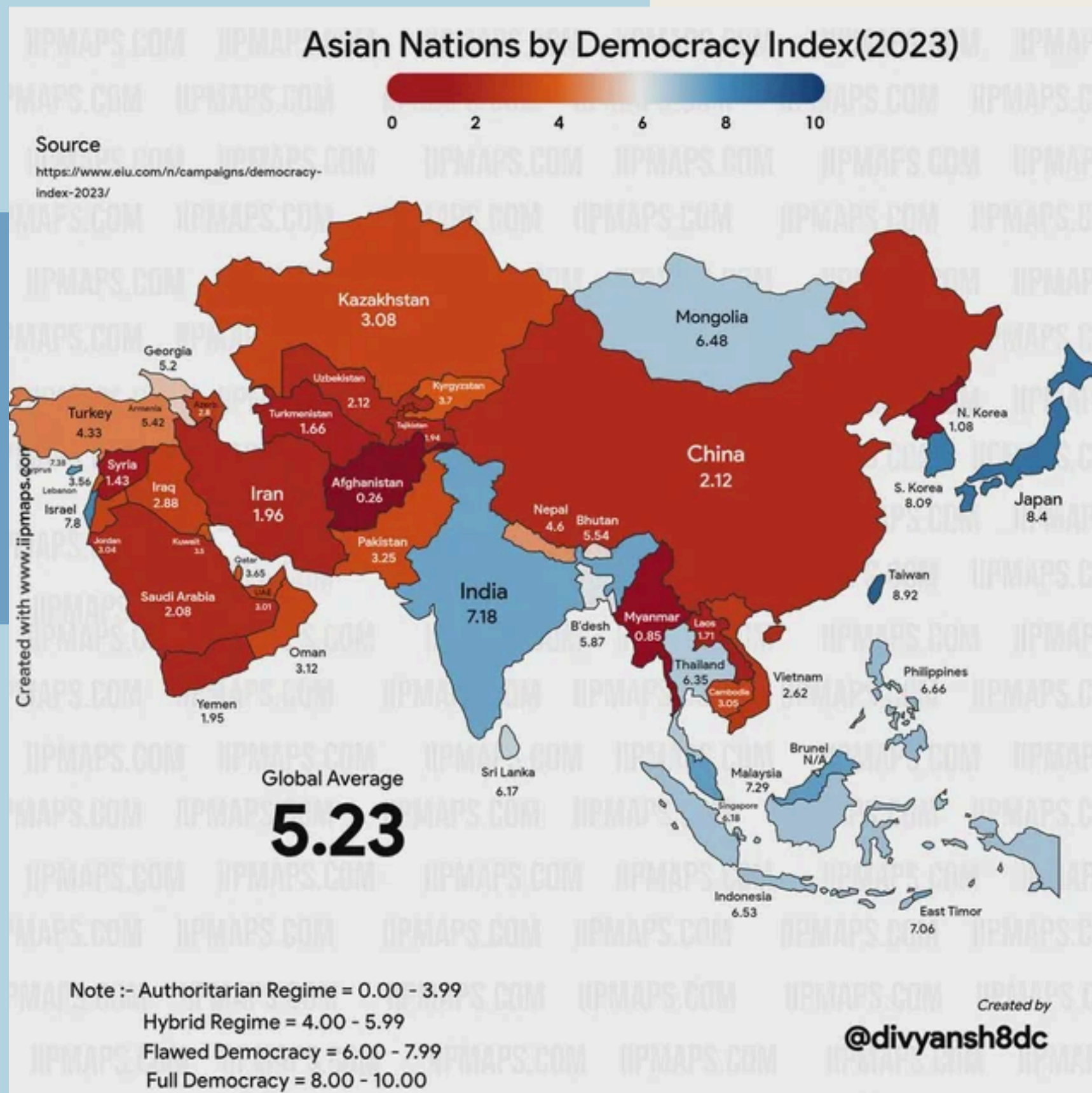
- Over the decades Mauritius steadily diversified pillars of its economy into tourism, financial services, ICT, and high-value agriculture. This was achieved through consistent policies, strong institutions (a meritocratic civil service, independent judiciary), and social investments in education.
- The result is a remarkably stable democracy with low poverty and unemployment. 2023→ Full democracy, top 21 countries in the world.



5.THE POLITICAL DILEMMA: DEMOCRACY VS DEVELOPMENT

Authoritarianism

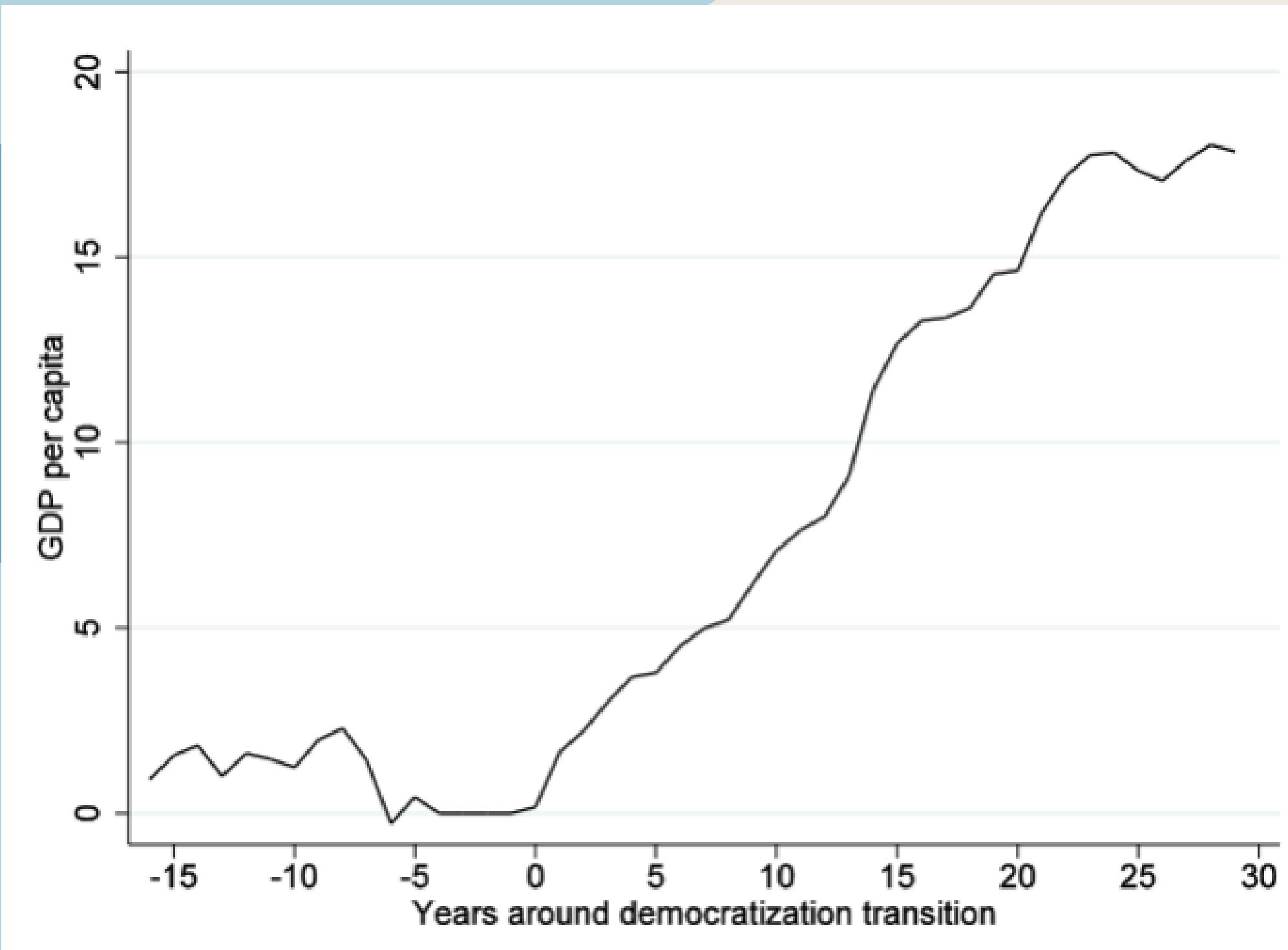
- Origins of developmental states: centralized power, aggressive agendas
- Emergency justifications
- Quick decisions, fewer veto players
- Risks of authoritarianism: repression and lack of feedback , corruption, No accountability
- “Get things done”
- Double-edged sword



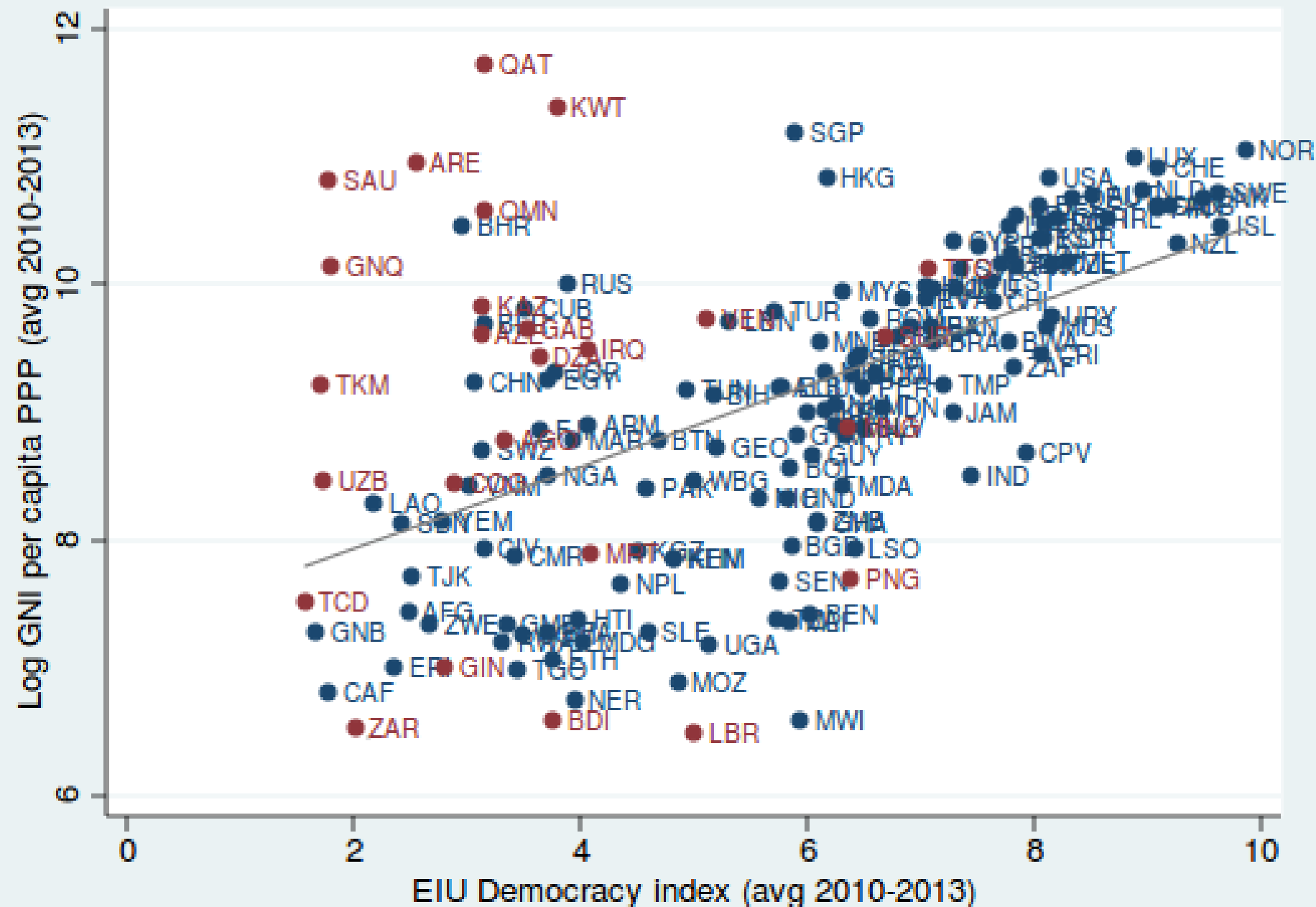
5.THE POLITICAL DILEMMA: DEMOCRACY VS DEVELOPMENT

Democracy.

- Accountability at a slower pace
- Multiple stakeholders
- *"Slow-Luxury"*
- Consensus-driven
- Transparency
- Inclusive development
- Empirical evidences



DEVELOPMENT FIRST OR DEMOCRACY FIRST?



Is there a sequence?

Best of both worlds?

Capable state apparatus is vital for development.

South Korea-Taiwan cases, a formula?

Democracy alone is not a panacea.

Democratic ruote to development.

Short term-Long term.



**THANK
YOU!**

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