POPREBEL

Populist rebellion against modernity in 21st-century Eastern Europe: neo-traditionalism and neo-feudalism

Working Paper no. 8

Comparative analysis of the historical statist development models of East Asia and Latin America

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POPREBEL (Populist rebellion against modernity in 21st-century Eastern Europe: neo-traditionalism and neo-feudalism) is a large Horizon 2020-funded research project on the rise of populism in Central and Eastern Europe. The aim of the project is to describe the phenomenon, create a typology of its various manifestations, reconstruct trajectories of its growth and decline, investigate its causes, interpret its meanings, diagnose its consequences and propose policy solutions.

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The POPREBEL consortium comprises six universities – UCL (co-ordinating institution), University of Belgrade, Charles University, Corvinus University of Budapest, Jagiellonian University and University of Tartu – and Edgeryders, a social enterprise.

1. Introduction

In the political rhetoric of the populist regimes in CEE (especially in Hungary and Poland), reference to the successful East Asian developmental states as well as to more recent state capitalist experiments is explicit. Therefore, we study the historical development experiences of East Asian developmental states and contrast them with the experience of Latin America.

The recent rise of state involvement in the economy is a worldwide trend. However as long as in more developed countries the recent rise of state interventionism was directly linked to the crisis management afterwards the 2008-9 Global Financial Crisis (GFC), and remained mostly a cyclical phenomenon, in the case of late comer economies (emerging markets and the post-socialist countries) the extensive state involvement in the economy is a more entrenched characteristic (and not a transitional phenomenon) with long historical roots. In most late comer economies the state has traditionally played a more active role, and is historically more embedded in institutional and social memories. Accordingly, its current rise also seems to be less of cyclical characteristic, even though it has also been shaped by the new political-ideological turn globally towards populism, nationalism and patriotism.

In line with these above presented changes the reference to terms such as "state capitalism", "developmental state" (to just name the most outstanding examples) have seen a renaissance recently in the media, as well as in political and academic circles. This has often led to the "misuse" of these terms and "misunderstandings" surrounding these concepts. Thus first some conceptual clarifications are in place.

Turning towards the comparative analysis of historical experiences of East Asia and Latin America, one of the most visible differences lie in line with the Migdal's (1988) model of state-society relations, as it spectacularly contrasts the strong state – weak society constellation of the East Asian countries, with the weak state – strong society combination of their Latin American counterparts. In this paper however we argue, that in order to reveal the underlying reasons beyond the fundamentally different development models and trajectories of the East Asian and Latin American cases one has to focus on the origins and evolutions of its developmentalist institutions, and their qualities and capacities.

Accordingly, the classic model of the East Asian developmental states is presented via the institutionalist perspective, while its emergence is embedded into the very specific and unique (time-, and space-related) global and regional context of the post-war period. This contextual embeddedness made the East Asian model non-repeatable, non-replicable for other countries in different time period or geographical setting. It is argued, that in order to better understand economic success throughout East Asia we have to focus on the underlying institutional factors. Thus beyond the state's long term commitment to the development-oriented model, we have to look at developmentalist institutions, state capacities and autonomy to identify and implement appropriate economic (public) policies.

Turning towards the Latin American experiences we aim to show how a fundamentally different social and political context has led to the emergence of a rather different institutional setting, combined with populist policies in Latin America, culminating in the devastating developmental results of macroeconomic populism. In institutional term the activist, but populist Latin American state has much weaker state capacities and lower levels of state autonomy, and thus it can best be characterized as a non-developmental (or with Evans' (1995) word "intermediate") state.

By contrasting the East Asian classical developmental states with the Latin American variety of old developmentalism, we argue that the East Asian story is not only one of a weak society confronting a strong state, but a highly institutionalized developmental state model, which under the auspices of the international market forces has led to increasing export competitiveness, high economic growth rates and increasing wellbeing for the society.

2. From state capitalism to developmental states

Over the last few years in line with the changes in economic, political and ideological spheres a broad popular debate has started (in political rhetoric and academic literature) around the steady and rising state involvement in the economy affecting all economies over the world, but especially outstanding in emerging economies. These current tendencies have received extensive media coverage. The list of examples is long, but mostly referred articles were published in leading Western media, such as The Economist (special report, 2012) but successive articles also in Time, Businessweek and Reuters have followed suit. Academic interest has been also sparked, and different authors applying different definitions and interpretations started to analyse *contemporary state capitalist* tendencies from different

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angles (Bremmer, 2009; Kurlantzick, 2016; Musacchio – Lazzarini, 2014; Naughton – Tsai, 2015; Nölke, 2014; Nölke et al, 2019).

State capitalism has become somewhat of a *buzzword*, thus it is probably not the best term to describe recent tendencies of rising state involvement, however we decided to swim along the "global tide" and stick to it, if referring in general terms to state-led development models.

State intervention into the economic development is not unprecedented in history, as all economies have intervened into their economies to certain degrees. Without going into detailed historical analysis into the emergence of modern nation states and their interventions, which at latest started with seventeenth and eighteenth century's mercantilism, we rather refer to three waves of *modern state capitalism*. This shortcut is justified not only by the time and space limitations of this paper, but also in our special interest in the catching up efforts of latecomer (emerging and developing) economies.

The argument on the crucial role of the state in economic development of latecomer economies goes back to Gerschenkron (1962) – with some precedents going back to List (1841) works – and his argumentation on the "*advantages of backwardness*" (based mainly on the comparison of the British, German and Russian cases), claiming that the later a country steps on the path of modernization, the larger is the role the states has to play in that process. This pro-state stance is already present in the first generation of development economic theories[1], but also in the practical experiences of successful latecomer economies, such as in Germany, Japan and other East Asian economies, or more recently in China.

Without going into detail with the different definitions related to state capitalism in economic literature (for this see Baltowski et al, 2020; Ricz, 2018) we shall refer to a narrow and a broader interpretation, and stick to the latter in this paper. The *narrow approach* focuses on the extended government ownership (and other indirect channels of government impacts on the corporate sector), mainly on the microeconomic level and looks at the efficiency of industrial policies and the performance of the so called "national champions" (Musacchio-Lazzarini, 2014; Nölke et al, 2014; Estrin et al, 2019).

In the *broader interpretation* of state capitalism it is understood as a special type of economic system, where the state plays a leading role in the economy with the explicit aim to actively influence the long term development path of the country. With the words of Baltowski et al (2020:3): "*state capitalism is an economic system where both the government's functions and the scale of its intervention in the economy are incomparably larger than in developed market economies, and economic state functions significantly go beyond addressing areas of market failures. In state capitalism, admittedly, there still exists a significant private sector and core market economy institutions such as a commodity market, a capital market and convertible currency, but their role is, to a significant extent, set in an arbitrary, often ad hoc manner by the government.*" This tradition is in line with Kornai János's system paradigm (2016), expands however his argumentation, by claiming that state capitalism might be conceptualized as a real type, a hybrid category contrasted to the two great ideal types of economic systems (capitalism and socialism) (see also Hay's (2020) differentiation of ideal types and real types).

Thus in our broad understanding state capitalism refers to an overarching and growing state influence (both in direct and indirect forms) in the economy, with the aim to guide the decisions of the corporate sector in order to contribute to the national developmentalist project. This systemic approach is often used in political science publications, while maybe less widespread in mainstream economic thinking.

With all this said, it might still be puzzling how state capitalism and developmental states relate to each other. To clarify this a short historical overview is in place roughly following Nölke's (2014:3-4) periodization. Looking back at modern economic history different waves of statist and more liberal periods can be distinguished, and depending on different definitions and interpretations at least three waves of state capitalism can be highlighted.

[1] Development economics as a special sub-discipline aimed at focusing on the "special cases" of less developed economies and their specific development challenges was born in the post-world war era, and rejected the universal applicability of mainstream (neoclassical) economics (Todaro – Smith, 2012; Szentes, 2011).

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The *first wave* of modern state capitalism dates back to the mid- to late nineteenth century and was mainly characterized by trade protectionism. The United States, Germany, some Scandinavian economies and later Japan aimed at developing their domestic industries by using tariffs and the establishment of various state infrastructures.

In the early twentieth century decades of liberalism followed and it was only after the Great Depression, when in the United States, Europe and the Soviet Union the role of state in the economy has been strongly increased and the *second wave* of statism started. The rise of the East Asian developmental states started somewhat later, after the Second World War (though with important historical antecedents, especially in the case of Japan). State intervention at this stage was much more comprehensive compared to the first wave. Even though trade protectionism was replaced by incremental liberalization, a much broader set of (new) instruments emerged to protect domestic industries and steer industrial development towards strategic sectors. State capitalism 2.0 (as called by Nölke, 2014 and referring to national variations such as the New Deal in the US, the Swedish model, the Soviet variant or the East Asian developmental states making for 2.1, 2.2 etc.) has always included a certain degree of central economic planning and for several decades state interventions have led/guided the industrialization efforts of the latecomers.

At the latest by the 80s and 90s the winds of ideological changes have turned towards prioritizing market forces and the rise of neoliberalism became the dominant tendency, mainly driven by the Reagan and Thatcher governments, and the decline of the East Asian developmental states[2]. Finally, the *third wave* of state capitalism started around the late 90s and early 2000s in emerging economies (such as China, Brazil and India), and reveals significant differences from its earlier versions. First it is a much more multifaceted institutional construct based "on a variety of formal and informal cooperative relationships between various public authorities and individual companies" (ten Brink –Nölke, 2013:26 cited in Nölke, 2014:3), thus a different pattern of business-government relations emerges. Second, it is integrated into an intensively globalized world economic system, and thus the strategic and selective use of inward and outward foreign direct investment became an important instrument to foster national economic development. As a third distinctive aspect we can mention some specific public policies and more general structural issues that closely interlink the state and multinationals in emerging markets. These include changing forms of state ownership and exerted (indirect) state influence, financial support provided by development banks or other state-owned or parastatal institutions (such as pension funds or sovereign wealth funds – SWFs) or some regulatory measures. More structural issues emerge for example from the rising significance of (formal or informal) interpersonal networks between state officials and private firms, or the meddling with prices (of strategic inputs, such as energy or even labour), but also monetary policy issues or international trade and foreign direct investment (FDI) agreements might be mentioned here.

Along this stylized historical overview on statist cycles in modern economic development, we have referred to many varieties of state capitalist models. It can easily be seen that the East Asian and Latin American historical variants are but two of these, which could be referred to as state capitalism 2.1 and 2.2 respectively, as both belong to the second wave in this categorization. In the next sections we will elaborate on the East Asian and Latin American experiences, and demonstrate, why the East Asian cases are of special relevance in development economics. Nevertheless, in the following parts of this paper we will use the term state capitalism in the above presented broad interpretation, while with the term developmental states we explicitly refer to the East Asian classic state-led development models (which will be defined in the next section).

3. The East Asian developmental states

Looking at modern economic history we can see that there is only a handful of countries that have managed to catch up with the more advanced economies (Agénor-Canuto-Jelenic, 2012). The most striking success stories undoubtedly relate to the so called East Asian developmental states. The high-performing Asian economies[3] have reached outstanding growth performance between 1965 and 1990 with a yearly average of 5,5% growth rates in GDP per capita levels – also dubbed the East Asian Miracle –, outperforming any other region in the world (World Bank, 1993:2). This

[2] In development economics this was the period of the neoclassical counter-revolution, which has ended the „special case" approach, and development economics has been brought back (or at least closer) to the mainstream economic thinking. In the economic policy domain, the Washington consensus and its market-oriented reforms became the „name of the game".

[3] Japan, Hong Kong, the Republic of Korea, Singapore, Taiwan, Indonesia, Malaysia, and Thailand

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relatively high economic growth performance was also accompanied with decreasing levels of poverty, improving income distribution and dramatically improving human welfare levels. This East Asian development trajectory is often referred to as a "growth-with-equity model" (Jomo, 2006) (even though these socio-economic achievements were reached in repressive authoritarian regimes) and became a benchmark, point of reference, when looking at other statist development experiments.

Even though the East Asian developmental states are possibly the most evident examples of a successful economic transformation and catching up in the third world. The explanations, however, differ largely. On the one extreme (which has become the dominant view in the economic literature), scholars put the emphasis on the outward oriented growth strategy along with the relative openness of the countries and the lack or early suspension of protectionist measures (see Balassa 1981). These authors do not deny the fact that Asian countries applied different industrial and trade policies, but the importance of these policies were strongly questioned. On the other side, Johnson (1982), Amsden (1989) or Wade (1990) claimed that trade openness was simply one (although important) part of the success story of these countries. The crucial factor was properly defined state policy which was quite often selective and biased towards certain industries or even companies. The "appropriateness" of policies, however, required such a state elite and administration which were aware of the long term needs of their countries and had a clear vision about their development path. The Asian developmental states were accordingly entrepreneurs which possessed the relevant degree of autonomy and capacity, by which they could define their goals and could implement their policies.

Applying the institutional perspective vast literature emerged to explain development success first in other North- (and later on also in South-)east Asian economies. In the first instance authors mainly concentrated on the experiences of South-Korea, Taiwan, Hong Kong and Singapore. While later the analysis was extended to the development experiences of other Southeast-Asian countries (as Malaysia, Thailand, Philippines and Indonesia) [4]. To present the main institutional features of the classical developmental states we rely on Leftwich (1995), as we are convinced that this provides a good and targeted overview of its basic elements:

1. *Determined developmental elite* – consisting of a strong leader and a small and closed group of intimately linked members of bureaucratic, technocratic (and often military) elite.
2. *Relative autonomy of the developmental state* (its elites and state institutions) – meaning that the state has been relatively independent (and insulated) from the demands of different interest groups and thus could concentrate development resources and efforts to pursue the national development strategy (on "optimization" of resource allocation and not on distributional issues). At the same time this was a relative autonomy, or with Evans's (1995) words "embedded autonomy", as state institutions were embedded into a dense set of social of ties and not insulated from the society (in Weberien sense). At the same time there was a relative power balance and clear competence sharing between the bureaucracy and political elite, as with Johnson's (1982: 244) words politicians "reign" while the bureaucrats "rule".
3. *A powerful, competent and insulated economic bureaucracy* – specific developmental institutions have been acting as primary actors of strategic economic direction and coordination. These pilot agencies (islands of excellence) have been at the heart of classic developmental states, with "real power, authority, technical competence and insulation in shaping development policy" (Leftwich, 1995: 412). Highly skilled and meritocratic bureaucracy has not only professionally implemented developmental policies, but at the same time this technocratic body also mediated between the leading (political) elite and the society (the private sector and civil society).
4. *The weak and subordinated civil society* – the strong East Asian developmental states have been embedded into a rather weak and subordinated (or if necessary repressed) civil society (to use Migdal's concept on state-society relations, see also Benczes, 2009). In the classic Northeast Asian cases the weak civil society was a given initial condition of the post-war era. Initially class conflicts were almost non-existent due to wide-spread poverty, the distributional impacts of the land reform, and with a national capitalist class being dependent on the state's resources and as a result fully aligned with the national development objectives. In later stages emerging interest conflicts were mostly repressed by the authoritarian governments, in order not to compromise national

[4] While many elements of the classic developmental state model are relevant and applicable to the Southeast-Asian economies, in this study we cannot go into detail with the details of this extended model. Main differences of North- and Southeast-Asian countries are highlighted by Booth (1999), while for specificities of Southeast-Asian development models see Raquiza (2012).

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developmental objectives. At the same time the shared and equitable growth of these developmental states have legitimized authoritarian governments at least as long as it provided significant increases of the wellbeing of the masses.

5. *The effective management of non-state economic interests* – in developmental states state power and autonomy was strengthened and institutionalized before other "constituencies", national or foreign capital (or other interest groups) gained significant influence (as landowner aristocracy was eliminated by the land reform, the domestic private sector was weak, and the entrance of foreign capitalists was mostly restricted).
6. *Repression, legitimacy and performance intimately connected* – a shared characteristic of classic developmental state was their highly authoritarian governance style. These developmental dictatorships have mostly brutally suppressed civil rights and society, nonetheless due to their relatively good, sustained and widely shared economic growth performance, these could enjoy considerably high levels of political legitimacy for a relatively long time period.

In line with Migdal (1989) we highlight one important aspect of the above presented institutional construct, namely the combination of *strong states and weak societies* (see also Benczes 2009). It is in this rather rare constellation that the East Asian developmental states achieved their extraordinary development performance and managed to catch up with the more advanced economies. In this interpretation strong states in East Asia confronted weak societies, and as the latter was not able to organize itself and exert significant pressures on the states, the states were able to follow and implement (without compromises) a national growth-maximization strategy.

Already Chalmers Johnson (1982) highlighted, that commitment to development does not guarantee success, it is merely a prerequisite. In his interpretation Japan's economic miracle was first of all embedded in its history (of war and poverty) that established and legitimized Japan's development priorities. He argued that these priorities were the results of rational assessment of the country's *situational imperatives* (and not from culture) – such as late development, lack of natural resources, large population, the need to trade, constraints of international balance of payments – and *situational nationalism* – building upon the historical legacy of poverty and underdevelopment in the post-world war era, the challenges of nation-building and the permanent external threat (of war).

It was not only the Japanese plan-rational state, but also the other classic developmental states emerged out of the unique context, which was shaped by the historical interplay of political, economic, ideological, social, regional, and security forces. Some of these were temporal related, while others were geographically determined and region specific.

The main elements of the general (global) environment were the following: 1. The global political context of the post-war period (the national capitalist development concept, economic nationalism). 2. The global economic context of the post-war period (the neo-mercantilist approach, growing protectionism, relatively closed economic systems and models). 3. The context of late-development (national-based Fordist capitalism, the promotion of strategic national industries, and, in the context of underdevelopment, mass poverty and infrastructural deficiencies caused by the destruction of war and economic catching up as the first priority supported by wide social consensus). These permissive global conditions meant that national economic performance depended, to a large degree, on the competitiveness of large national firms, and created the basis for national dirigist state-led development policies.

In addition, some region-specific conditions have also substantially contributed to the unique context of the Northeast Asian developmental experience. First is Japan's outstanding role within the region: 1. as a former colonial ruler (which created the important institutional setting); 2. as an important economic donor, providing development aid, and, later on, capital; 3. in more general terms, as the regional economic leader (providing markets and serving as an economic partner); and 4. as a role model for economic development. Second, the complex role of the United States in security and economic policy, whereby it provide: 1. development and military aid based on geopolitical considerations; 2. foreign direct investments; 3. preferential market access; and 4. in more general terms, the commitment of the U.S. to ensure the stability of the region by all means (to stop the spread of socialism-communism, and to secure the border between the two poles in the Cold War). All of these have produced substantial implicit and explicit benefits for the development of the Northeast Asian region. As a third special condition, we highlight historical and cultural factors: most countries in this region have relatively homogenous societies (with small ethnic, religious, racial, linguistic, or other differences); have inherited extensive and high quality institutional systems from the colonial period (for example strong and well-performing core administrative systems, extensive, high quality educational systems). Asian

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cultural values have also played pivotal role by placing the community and its priorities above individual interests, which has had wide ranging economic consequences. Two examples of this are: the very strong individual commitment and maximizing efforts to contribute to the implementation of community priorities (resulting, for example, in extremely long working hours compared to European standards); and second, the provision of social security and welfare primarily through the family, community, and business enterprises has freed up important state resources.

Nevertheless, it cannot be overemphasized, that although state influence was present and has been a dominant feature of classic development states, their economies were mainly dominated by private companies, and state influence was exerted often via indirect means (not by ownership, but in terms of close state and big business relations, or via financial repression). The power of the state to discipline big businesses was strong (at least initially) in all classic DS, and in exchange for generous state support, international competitiveness was expected as "each regime has operated with an eye toward world market" (Pempel 1999, 173). Thus state interventions have reinforced market principles, at least in their international dimensions (the domestic marketplace was dominated by entry barriers and oligopolistic structures). Thus we stress that the developmentalist bias of public policies were institutionalized with the main aim to promote (maximize) economic growth via raising export competitiveness. State-intervention has aimed at guiding the market (with the words of Wade, 1990), and the resulting institutional changes have supported the reliance on market forces and shown towards increasing international competitiveness.

It was rather an unintended by-effect (at least initially) that the achieved economic growth went hand in hand with increasing wellbeing of the masses, leading to a growth-with-equity approach. This shared-growth component has however played a prominent role in legitimising the strong interventionist state (even when it has deliberately weakened the civil society, by repressing, eliminating any bottom up forces, which might have compromised the implementation of its hegemonic national development project).

To sum up it has to be stressed the in the classic East Asian cases the state interventions were mainly aimed at promoting such a resource allocation which can add up to the ultimate aim of growth maximization (this is in stark contrast with the Latin American cases, as we will argue in the next section that the main focus in the Latin American interventionist models was on redistribution and not on aligning with international market mechanisms).

Finally, by presenting most important characteristics of the Northeast Asian developmental states, the main emphasis shall be on developmentalist institutions and their main logic of operation. Nevertheless the emergence of this unique institutional construct was driven by its very specific context contingent upon timely and geographically related factors. During 1990s (with some processes starting even well before) this unique interplay of specific conditions has substantially changed and disintegrated the internal and external coherence of the model (Benczes 2000, 2002; Beeson 2004; Low 2004; Ricz 2019), leading to the decline of the classic model of developmental state, and a divergent reform process throughout the East Asian countries has started (Carrol – Jarvis 2017; Hundt – Uttam, 2017; Nem Singh – Ovadia, 2019).

4. Old developmentalism in Latin America

To set the stage for Latin American experiences with the (old) developmentalist approach, it might be worth to contrast their achievements to the extraordinary success stories of East Asian developmental states. The following table illustrates, that between 1950 and 1980 some convergence of major Latin American economies with the more advanced countries (as exemplified by the US averages) can be detected, these achievements were destroyed during the following decades' crises and the neoliberal restructuring period. To put it short during the second half of the last century a reversal in the relative position of the two regions – East Asia and Latin America – has taken place compared to the United States.

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Table 1: Changes in GDP per capita levels in relation to the US (1950-2010)

	Latin America (8)*	Latin America	East Asia (8)**	East Asia (w/o Japan)
1950	0,282	0,262	0,178	0,175
1980	0,317	0,293	0,364	0,313
2000	0,222	0,205	0,510	0,481
2010	0,255	0,222	0,642	0,631

* Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, Venezuela

** Japan, Hong Kong, Korea, Singapore, Taiwan, Malaysia, the Philippines, Thailand

Data: Maddison-project, 2013

The statist, development-oriented approach, often also called old developmentalism, has long historical roots in Latin America. It has not only been shaping economic strategies and policies over centuries in the Southern American continent, but also related academic debates on dependent development emerged relatively early on. The activist, developmentalist state took a particular form in Latin America, and was often called *desarrollista or desenvolvimentista* state[5] in the economic and political discourse of the continent. In development theories several precedents of desarrollista state model could be mentioned, and the analysis of developmentalism and especially national developmental strategies was intense already in the 1950-60s (see structuralist school, dependency or modernization theories[6]). Our focus is however much narrower here: we concentrate on the Latin American model of state-led development during the 1930s and 1980s period with the aim to contrast its unique features to the classic cases of East Asia.

As in the classic East Asian developmental state model, the most obvious or visible component of Latin American old developmentalism in the post-war era was *industrial policy* and those responsible for it were *bureaucrats,* the so called *state technocrats*. Sikkink (1991) contrasted the Latin American developmentalism to other consumption-oriented populist models in the Southern region, and highlighted the central role of the strong industrial elite. The three basic elements in this approach were: 1. import-substituting industrialization (ISI) focusing on the promotion of capital goods production; 2. capital accumulation depending in most cases on foreign capital; and 3. wide ranging state intervention in the economy. Most typical examples for such developmental models, were the policies of the Kubitschek (1956–61) in Brazil and the Frondizi era (1958–62) in Argentina, but that state has played an active role in the economy already well before these periods. We could mention Getúlio Vargas and his developmental efforts favouring nationalism and populism, industrialization and centralization, but in many instances the roots of the modern “activist” state go back to even earlier periods.

To describe more explicitly the Latin American model of state-led development in its classic period (also called the ISI developmental model) mainly from 1930s to 1980s we highlight its four most essential characteristic (Schneider 1999:280-293):

1. *Political capitalism*, where profits and investment are not driven by market mechanisms but depend on decisions made by the state, thus the state has pervasive and discretionary control over resource allocation.
2. *Developmental discourse* was dominated by the ideology of developmentalism, with consensus on the dominant role of industrialization and the leading role of the state to promote it.

[5] According to Schneider (1999:277) Fernando Henrique Cardoso and Enzo Faletto (1979:143-148) made the first explicit reference to “developmentalist states” in Latin America. Although Schneider (1999:278) also mentions Glaúcio Ary Dillon Soares (1975) using the term “desenvolvimentista state” to describe many Latin American states in the postwar period (and to distinguish them from other, classic minimal and welfare states).

[6] On the history of developmentalism in Latin America see Hirschman (1971) or Schneider (1999).

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3. *Political exclusion* of the majority of the society, also called limited pluralism, when the majority of adults are denied to make free and meaningful choices in regular elections (free from direct coercion and with meaningful chance for the opposition to come to power)[7].
4. *Appointive bureaucracy*: a fluid and weakly institutionalized bureaucracy in which power and representation is structured by appointments. With some exceptions (as Brazilian National Bank for Economic and Social Development – BNDES), these huge bureaucracies were overcentralized, fragmented, with low professional ethics, low salaries and poor training, typically high corruption rates, and unsurprisingly little public esteem.

This conceptualization describes the Latin American statist model by highlighting the motivation and commitment of the state elites to state-led developmentalism, but also sheds light on the structure of power within the state (appointive bureaucracy), and the predominant forms of state interaction with the economy (resulting in political capitalism), and with the society (leading to political exclusion). Schneider (1999) goes even further when emphasizing that the *systemic interaction* of these four components of the Latin American state have often affected and reinforced each other.

The Latin American experiment with developmentalism not only dated somewhat earlier than its East Asian counterpart also many aspects of the specific context were different. While the three elements of the general environment, the global political and global economic context as well as the context of the late-development are vaguely valid for both cases, the regional context and endowments were rather different in Latin America, and seem to play a crucial role. First and foremost we have to mention the role of colonialism, as both the Spanish and Portuguese colonialists have left a very different institutional imprint on the regions, as the Japanese rule in East Asian countries. For the colonial powers from the Iberian Peninsula extractivism was the name of the game, and has led to the formation of very different societies and institutions throughout Latin America, if compared to the Japanese impact (and the role of Confucianism) on the institutions in East Asia. In Latin America "*These institutions, by basing the society on the exploitation of indigenous people and the creation of monopolies, blocked the economic incentives and initiatives of the great mass of the population.*" (Acemoglu – Robinson, 2012:32). The long lasting impacts of this early period are still present in the everyday life in the Southern American continent, one of the most unequal region of the world. Extractive (economic and political) institutions have evolved throughout the countries of the continent with a strong feedback loops (synergies), which can though support some limited economic growth (mainly during its extensive phase), but ultimately on the longer term inhibit the move towards a more inclusive and sustainable development trajectory based on higher productivity activities.

We highlight two more features as the legacy of colonialism in Latin America: 1. the weak and appointive bureaucracy and in more general terms the weak power of the central government vis-à-vis powerful oligarchs, landowners and industrialists and 2. the elitist formation of the education (and health) system (as it was presumed that more educated masses would provide a threat to the political power). Both of these institutions have played a pivotal role in reproducing high inequalities, with roots going back to the early phases of development history.

To contrast with the East Asian specificities, we cannot overstress the role of social stratification. The above mentioned extractive institutions have contributed to the emergence of a highly fragmented society, with huge inequalities not only in terms of income and wealth, but also regarding access to public services (health, education), housing and many other essential factors of economic life (Banerjee-Duflo, 2007). Public policies and above all the timing of the agrarian reforms (after industrialisation - at least after its first phase of exhaustion) and the often missing land reform have led not only to inferior economic performance, but also to very different political and social outcomes (mainly due to the missing rural equity factor) (Kay, 2002).

Coming back to Migdal's approach, we see that most Latin American economies fall into the category characterized by weak states and strong societies, and this combination has historically proved to be less conducive to economic growth and long term sustainable development. We have to clearly differentiate the weak states of Latin America from the failed states of Sub Saharan Africa. As the former tend to be fragmented and unstable in many instances, but still able to fulfil basic tasks, and pursue public policies, and can rather be described as intermediate cases (Evans, 1995). The instability can be mostly captured in their constant oscillation from democracy to authoritarianism in the

[7] This is not necessarily limited to authoritarian regimes, as for example during the democratic period 1945-64 in Brazil literacy requirements excluded a majority of adults from political participation.

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political realm, and the statist/populist and market-led economic cycles in terms of economic policies. Latin American states can be characterized (with a few exceptions) by weak and fluid bureaucracies, and are subject to struggles with societal forces, some of which historically strong and able to influence (often even capture) decision- and policy-making towards their own interests.

All this have resulted in "recurring" populist tendencies, which constitutes to be a major difference to the East Asian experiences, where macroeconomic stability and the focus on "growth-maximizing" resource allocation were at the heart of the successful DS models. In contrast Latin America became known for populist macroeconomic policies, where the governments had to respond to redistributive pressures when implementing their growth strategies, and while doing so they tended to disregard the "*risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies*" (Dornbusch and Edwards 1991: 10). Thus populist economic policies implemented by major Latin American economies during their developmentalist period (from the 1950s to the 1980s), were clearly unsustainable in economic (and financial) terms, and have on the medium and longer term compromised the development trajectories of these countries. This is the reason why we can call the Latin American statist experiments of the twentieth century mainly as populist and "non-developmental" (see also Kingstone, 2018; Wylde, 2012).

5. Comparative analysis of the historical statist experiments in East Asia and Latin America

After having presented main characteristics of the East Asian and Latin American historical state-led models, in the following we aim to draw attention to some main differences and similarities, by summarizing these in the table below, which based upon the two previous sections and especially draws on the classic works of Gereffi (1992) and Kay (2002).

Table 2: Comparing main characteristics of East Asian and Latin American state-led models

	East Asian DS	Latin American DS
Institutional legacy	high quality institutions (strong, meritocratic core administration, good educational system), improvements in agricultural productivity	extreme unequal distribution of wealth and land, economic activity based primarily on natural resource extraction and plantation agriculture
Social norms and values	based on norms of rigorous hierarchical order associated with many Asian religions (Asian values)	'Ibero-Catholic' or Hispanic heritage
Top socio-economic priority	very strong, single-minded emphasis on economic growth (as a result of systemic vulnerability conditions - Doner et al., 2005)	strong emphasis on economic growth (but less driven by external constraints) and accompanied by strong domestic redistributory pressures
Main driving forces of statism	situational imperatives (of resource scarcity, small size, and military threats) and situational nationalism (Johnson, 1982)	strong developmentalist ideology leading to nationalism and even to (economic) populism, whereas geopolitical considerations less relevant
Agricultural production	main driver of structural transformation, central role of land reform	neglected, sub-ordinated to ISI, and missing or incomplete land reform
Dynamic interplay of different phases of industrialization	primary ISI – primary EOI – secondary ISI – secondary EOI; with a quick switch to EO	primary ISI – secondary ISI – debt-led secondary ISI – export promotion; a longer period of IS
Priority given to external trade	Strong	weak and mainly primary products

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Other aspects of inward and outward orientation	strong disciplinary power of international competition	international competition excluded, filtered or distorted
State structures and social coalitions	'bureaucratic-authoritarian industrializing regimes' (Cumings, 1984) characterized by strong, centralized and authoritarian state and a weak society; significant state autonomy from local social groups and no confrontation with the activated popular sector; international capital rather a minor role; labour excluded and repressed	'bureaucratic-authoritarian' regimes (O'Donnell, 1988) characterized with weak, decentralized and authoritarian state and a strong society; repressive towards previously mobilized popular sector organizations; central role of international capital; labour mostly excluded, but still a more influential actor
Interventionism and central role of industrial policy	selective and discretionary measures, the strategy of picking winners; dominance of market-conform/-friendly measures	selective and discretionary measures, the strategy of picking winners; dominance of market-distorting interventions
Role of "big business"	large diversified domestic business groups playing wide-ranging social, economic and political roles	special role of TNCs and SOEs; TNCs constraining the formulation of national industrial policies; widespread clientelism and patronage
Core administration, bureaucracy	meritocratic bureaucracies with long historic tradition; competent and autonomous state agencies but embedded into dense social ties	appointive bureaucracies, often underperforming and dysfunctional; captured by interest groups (such as industrial and landowner elites)
Financing development	high domestic savings; significant amount of foreign assistance; primary focus on external trade	low domestic savings; heavy reliance on FDI and foreign loans
Financial system	implicit and explicit state guarantees, bail-out policies; weak financial regulation; closed and subordinated role of capital markets	implicit and explicit state guarantees, bail-out policies; weak financial regulation; closed and subordinated role of capital markets
Role of foreign capital	mainly limited, or filtered (until 1980s)	substantial role of FDI from beginning (infrastructural investments)
Macroeconomic stability	good macroeconomic management	financial vulnerability, hyperinflation, indebtedness
Distributional aspects	shared, inclusive growth	highly unequal growth, distributional shortcomings

Source: own construction

One of the first striking differences that stands out if comparing East Asian experiences to Latin American ones, relates to the early historical factors, namely the role of colonialization and the consequential institutional heritage, which was much more favourable and conducive to development in the former case than in the latter.

As a second major difference it can be highlighted, that even though strong emphasis on economic growth was present in both cases, in Latin America it went hand in hand with strong domestic pressures towards redistributions and was at least initially it has less confronted external constraints.

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Third, the main driving force beyond the statist approach in Latin America was very much ideologically determined, as geopolitical and security conditions did not lead to East Asian type systemic vulnerability conditions (Doner et al., 2005).

Fourth, while the modernization of agricultural production and the resulting structural transformation was a main driver of industrialization in East Asia, the agricultural sector was basically neglected and/or sub-ordinated to industrialization in Latin America. The neglected, missing or incomplete land reforms throughout Latin America have not only had important economic consequences, but also shaped the political landscape, by on the one hand preventing the emergence of a new entrepreneurial class, and on the other hand by enabling the big landowners to remain powerful political actors (not only compromising the power of the central government, but also representing a strong opposition force to any modernization and structural reform attempt).

Looking at main characteristics of trade and industrial policies – as a fifth factor – we can highlight that the Latin American economies have been dominated by ISI for a longer time period, and only switched to export-orientation once the ISI has clearly reached its limits. As a further distinctive feature we stress, that Latin American governments have given much less priority to external trade, and their export was mostly dominated by primary products. In stark contrast to the East Asian cases, where international competition has played a strong disciplinary power over the domestic business sector, in Latin America international competition was mostly excluded, filtered or distorted.

As sixth, we highlight the differences regarding state structures and social coalitions. While both cases can be characterized as 'bureaucratic-authoritarian regimes' (Cumings, 1984; O'Donnell, 1988), the underlying institutional setting could not be more different. The strong, centralized and authoritarian state in East Asia has confronted a weak (and/or repressed) society, and has had considerable autonomy from local social groups and from the international capital (which had rather a minor role in most of the East Asian countries – back in the mid of the twentieth century). The Latin American 'bureaucratic-authoritarian' regimes in contrast relied on weak and decentralized states, confronting rather strong societies, and relatively organized and mobilized popular sectors (such as the mostly urban and formal segments of the labour class). Foreign investors have further complicated the domestic arena, which was already fragmented, as deep cleavages existed between urban and rural areas, formal and in formal sectors, and between the domestic private and public, as well as internationally owned firms.

Seventh, even though state interventionism was entrenched in both cases and industrial policies mainly operated via selective and discretionary measures, applying the classic picking the winners strategy, differences also prevail in this regard. In East Asia the state was able to discipline business, and state subsidies were contingent upon strict export performance criteria, thus market-conform/-friendly measures dominated and led to improving export performance and economic upgrading (Amsden, 1989; Wade, 1990). In Latin America, on the contrary the focus was much more on protecting the domestic market than upgrading production for higher value added exports (though we have to add that most Latin American countries were also better endowed with natural resources and abundant land for agricultural production – which has provided these economies with "easy revenues", without deep running structural transformation). With weaker states and stronger interest groups (acting in favour of the status quo) Latin American state interventions were much more protective and market-distorting, than promoting export competitiveness and / or acting towards economic upgrading (though some sectoral success stories also exist – see eg. Schneider, 2015 on Brazil).

As the eight's element we mention the prevailing differences in terms of financing development. The financial system was basically in both cases characterized by implicit and explicit state guarantees, bail-out policies, weak financial regulation, by and rough closed and subordinated role of capital markets. However as long as in the East Asian cases extraordinarily high domestic savings, and significant amounts of foreign assistance (complemented by continuously rising export revenues) have been able to finance the ambitious national development project, in Latin America different domestic and external conditions have led to recurring financial and fiscal problems. Latin American societies have had much lower domestic saving propensity (leading also to lower domestic investment rates) as a historically determined characteristic (paved by consumerism, elitist policy-making, etc.), but could also barely rely on foreign assistance, thus the role of foreign investments and loans was much more decisive (and detrimental in terms of financial sustainability). As long as the East Asian cases were put forward as textbook case like models regarding macroeconomic stability, with good macroeconomic management, solid and sound fiscal and monetary policies, the Latin American cases became the "trademark" for recurring financial and economic instability, with hyperinflation, external vulnerability and high indebtedness.

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Last but not least, looking at the distributional aspects, the differences could not be more visible: starting with rather favourable initial conditions the fruits of the East Asian high growth were shared with wide segments of the society, and resulted in a growth-with-equity approach, where shared and inclusive development has provided strong economic legitimacy (to the otherwise repressive regimes). In contrast in Latin America the growth performance was much more volatile, and even during the high growth periods it has benefitted very unevenly the different social groups. These and many other distributional shortcomings have resulted in maintaining and from time to time even worsening the anyway highly unequal income distribution, and led to social tensions (which have finally undermined the legitimacy of the exclusionary military regimes).

6. Conclusions and insights for contemporary statist regimes

After pointing out similarities and differences of the historical developmental models of the East Asian and Latin American regions, we aim to shed light on some historical lessons, that might still have some relevance if looking at recent statist experiments in the early twenty-first century.

First there are two preliminary notes to be made: we have argued that both cases share some common characteristics of state capitalism (both belong to its second wave, though constitute to be different variants of it, thus could be labelled state capitalist variety 2.1 and 2.2 respectively). Both experiments were capitalist state-led development models, with highly interventionist, mainly authoritarian states (or at least restricted democratic regimes), aiming to (pro-)actively stimulate structural transformation (industrialization) and economic growth of their countries. We have also argued that both models were enabled by their unique contexts shaped by global and regional conditions. These were paved by a historical interplay of both external and internal (economic, financial, political, institutional, regulatory and social) factors, with unique geographically and timely limited contextual consequences, and due to changes in these, both models failed in the 80s-90s (and consequently underwent essential changes afterwards).

Without any doubts the East Asian model has outperformed the Latin American region in economic and social terms, due to better internal coherence of the model, and also due to some region-specific and favourable initial conditions. This however also explains, why the classic developmental state paradigm is based upon the East Asian experiences, and why it is considered as a reference for other late comer's statist experiments.

To highlight main generalizable lessons deriving from the more successful East Asian developmental states' cases, we aim to go beyond the role of more favourable initial conditions (such as East Asia's advantage in terms of a more equitable society, more favourable colonial heritage in terms of institutions affecting educational and bureaucratic performance) and the more favourable region-specific context (massive aid and preferential market access from US). The following points sum up the main historical lessons related to institutions, economic policies and policy-making:

1. a more balanced structural view of development: the role of agrarian sector – land reform, and raising agricultural productivity (a more balanced approach to structural transformation and not to overemphasize industrialization);
2. more balanced structure of investments: high emphasis on the role of human capital – investments in health and education and also massive investments in industry supporting (productive) institutions and infrastructure;
3. central role of good macroeconomic management, solid macroeconomic basis;
4. superiority of outward orientation: quick switch from ISI to EOI – shorter ISI period, backed and co-financed by agricultural development, along with better timing of EOI, which has also a role in curbing the potential for rent-seeking and providing the disciplinary power via international competition;
5. sustainability of financing development is crucial: a fragile balance between the reliance on domestic resource mobilization *and* foreign resources (such as foreign aid, loan or investments);
6. human development as ultimate goal: inclusive and shared growth in the East Asian case was rather a by-product of the classic developmental state model (thanks to initial conditions, cultural setting, institutional heritage), as it also focused on economic growth as the top and only economic priority (nonetheless the East Asian model achieved a growth-with-equity trajectory, which is a sine qua non condition for long term sustainability of development);

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7. good quality and integrity of public institutions: performance-based, meritocratic, technocratic core administration with islands (pockets) of excellence (pilot agencies with relatively autonomy and insulated technocratic elite) (Evans, 1995);
8. effective (and balanced) alliance of state and business (building on reciprocity);
9. more balanced and inclusive state – society relations (along the narrow corridor argumentation of Acemoglu and Robinson (2019));
10. more entrepreneurial role of the state (in historical terms it was meant to support capital accumulation at the local level as Evans (1987:221) has put it decades ago) but this lesson is still relevant today, albeit with some modifications along Mazzucato (2013).

In line with Elson (2006) we also draw attention to three important features of the Latin American development (with striking contrast to the East Asian experiences), which also might provide a cautionary tale for any future development strategy: 1. the persistent problem of populism and macroeconomic instability in Latin America; 2. the relatively weak and unfavourable insertion of Latin America into the global economy; 3. the poor quality of its public institutions or to put it differently the poor state capacity and policy performance(Kay, 2002).

In institutional terms, both East Asian and Latin American experiences have shown that institutions and institutional arrangements are context-specific and need to be adapted over time. In East Asia in the absence of a well-developed legal framework after the world war II, alternative solutions have emerged in evolutionary manner (with a problem-driven approach and along the trial and error principle) and worked relatively well during the golden age of the classic developmental state. These have in many regards deviated from the mainstream (neoclassical) economic postulates (World Bank, 2013), however at the same time they worked towards raising international competitiveness of the domestic economy and have contributed to a successful economic (structural) transformation and shared the resulting economic growth with the major parts of the society.

In contrast to the Latin American historical development model was not only less successful in economic and social terms, but its operational logic was also different: it has shielded domestic enterprises from international competition whereas state support was mostly untied from economic performance and policy-making was heavily jeopardized by the strong interest groups (mainly the landowners and traditional industrialists), serving their specific interests and "nationalizing" these if necessary.

Looking at most state capitalist regimes (especially in the CEE region), we can observe an inherent tendency towards rising formal and informal state (political) control over the economy, with primary aims and impacts of distorting, constraining market forces, and opening ways to non-market types of coordination mechanisms. Government practices to own, guide or even micro-manage the economy differ from case to case (Gerőcs - Szanyi, 2019), but among others these might take the following forms: economic and market regulation, industrial and development policies, state-business entanglements, in particular meddling with prices, creating formal or informal entry barriers, applying selective and discretionary measures to provide or constrain competitive advantages of certain actors/sectors, such as building strategic alliances with selected private enterprises (to co-opt them with discretionary tolls via direct support – such as tax exemptions – or via indirect methods – such as public procurement practices, etc.). The reliance on discretionary decisions, centralization of decision-making and the increasing role of relational mechanisms, political and personal ties became dominant. Resulting extensive and embedded corruption and rent-seeking mechanisms as inherent feature of recent state capitalist regimes, that it is more and more considered as a systemic characteristic. Corruption and rent-seeking schemes in these cases relate to political hierarchies and ties, and ensure the loyalty of the insiders (along the conventional populist sentiment, namely "those who are not with us, are actually against us").

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