



Cornell University Southeast Asia Program

The Political Economy of Development in East Asia and Latin America

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Themes and Goals

This unit uses an inter-regional comparison of East Asian and Latin American economies to illuminate the nexus of politics, economics, and social change as they developed in select countries from both areas. Focusing on Japan, South Korea, and Taiwan from East Asia and Mexico, Brazil, and Argentina from Latin America, the unit illustrates the ways in which different development strategies yielded widely divergent results. Where East Asian economies have often been called “miraculous” or characterized as ferocious “tigers” or “dragons,” Latin American economies have typically been cast in somewhat less flattering terms, producing academic theorizations on “dependency” and “bureaucratic authoritarianism” which aim to understand the origins of the region’s relative lag. Mindful of both similarity and variation, the unit helps students explore the causes and consequences of different approaches to economic development in both regions.

By examining East Asian and Latin American development from a comparative perspective, this unit will explore:

- How international events, such as imperialism and the Cold War, affect economic development.
- How such international events affect class stratification.
- The role of education, technology, and natural resources in economic development (For example, East Asian development focused on education and technology due to a relative lack of natural resources, while resource-rich Latin America focused less on education and technology).

Students might be asked the following questions over the course of the unit:

- How do we measure successful economic development? Is per capita GNP sufficient, or are such factors as political stability and social equity also important?
- How can we account for the stalling of Latin American economies, on the one hand, and the exponential growth of East Asian economies, on the other? Why did Latin American economic development stall?
- Why did analysts fail to predict Latin America's relative stagnation and East Asia's striking growth?
- How might policy planners today go about making better predictions and designing better programs for development?
- What are the reasons for and characteristics of "successful" economic development? Should East Asian development be considered "successful"?

Audiences and Uses

This unit is designed to be useful to a wide variety of undergraduate courses, including but not limited to:

- Political Economy of Development
- Development in East Asian Countries
- Economic Development of Developing Countries
- Development in Latin American Countries
- Politics of East Asia
- Politics of Latin America
- Politics of Developing Countries
- Sociology of Economic Development
- Globalization and East Asia
- Globalization and Latin America
- Introduction to East Asia
- Introduction to Latin America
- Modern History of East Asia
- Modern History of Latin America
- East Asian Social Development

Instructors and students need not have substantial knowledge of Latin America or East Asia. The following textbook provides an excellent general introduction to economic terms and theories:

Handelman, Howard. 2003. *The Challenge of Third World Development*. 3rd. Ed. Prentice Hall. (esp. Ch. 1 "The Causes of Underdevelopment" and Ch. 10 "The Political Economy of Third World Development"). See also the excellent "Glossary" (pp. 299-305) for a cogent treatment of difficult terms.

You may also wish to consult the following textbook for a more programmatic discussion of economic principles:

Taylor, John B., *Principles of Macroeconomics*, Houghton-Mifflin, 3 rd. Ed.

Instructors can adopt the entire unit or select sections based on interest and the amount of time available. The unit is divided into four sections as outlined below. With the exception of the case studies in Section D, most of the readings compare both regions in the same article so that students do not lose comparative perspective. If one wishes to give a broad comparison of the two regions, Section A should suffice. The purpose of the unit is not only to compare the two regions, but also to begin exploring the causes for their relative difference. With this in mind, instructors are encouraged to incorporate some of the issues raised in Section B. Section D is useful for those who would like to know about specific countries or industries. It can also provide the basis for individual student research projects.

- Section A compares economic development in East Asia and Latin America using World Bank statistics.
- In Section B, scholarly arguments are presented to explain the different performances of both regions. This section is fairly technical; a basic understanding of economic theories is strongly encouraged.
- Section C discusses the origins of the 1997 economic crisis in East Asia. This section should elucidate some of the more distinctive features of East Asia's postwar economic boom.
- Section D presents options for case studies of various countries and industries both in East Asia and Latin America.

Instructor's Introduction

Inter-regional comparison is one of the most effective ways to gain a balanced view of economic development and the nexus of politics, economics, and social change. This unit takes East Asia and Latin America as the cases for such a comparison. The comparison of these two regions is valuable because the selected countries from each region can be roughly classified as "middle income," (except for Japan, which is high-income) and yet each set of countries took different development approaches resulting in different results. The origin of these differences can be attributed to historical and social factors as well as to contrasting governmental strategies. At one point in history, some Latin American countries seemed on the verge of becoming fully developed economies, but this period of growth came to a close in the 1980s, when the economic model adopted by these governments reached its limit. Over much the same time period, East Asian economies, guided by a different approach to development, emerged as perhaps the most successful case of economic development of the post-World War II era.

In this unit, we focus on a few selected countries from both regions. The definition of such diverse regions as East Asia and Latin America is itself open to debate. East Asia, for example, might include North Korea (the Democratic People's Republic of Korea), whose development path is too unique to be useful in this context. In Latin America there are many small states, such as El Salvador and Honduras, whose comparison with larger economies such as Brazil may not be helpful for students. In response to this diversity, we limit our comparison to a few selected countries from both regions. Those countries are: Japan, South Korea, and Taiwan from East Asia; Mexico, Brazil, and Argentina from Latin America.

The selected countries have the following similarities. First, the population of each economy is greater than twenty million people. Second, all of them have at one point or another exhibited the type of economic growth that pundits have labeled “miraculous,” and two of the countries, Japan and Argentina, continue to rank among the richest in the world. Third, all of the economies under consideration have achieved a certain level of industrialization (manufacturing) — they are able to produce heavy and chemical industrial products such as steel, ships, and automobiles.

Some may wonder why the People’s Republic of China (PRC, henceforth referred to as China) is not included in this unit in spite of its rapid economic growth in recent decades. China has been excluded because of the difficulties involved in determining its level of economic and industrial development. It is still too early to clearly understand China’s development path, particularly in terms of technological catch up.

All of the selected Latin American economies were far more economically advanced than their East Asian counterparts (with the exception of Japan, whose per capita GDP was higher than that of all other countries under consideration by 1960) prior to the 1960s and 1970s. Be that as it may, Argentina (the second largest economy under consideration in terms of per capita GDP) was one of the richest economies in the *world* at the turn of the 19th century. The East Asian economies (including Japan) were far behind at that time. And in fact, Japanese engineers visited Buenos Aires in the early 20th century to learn how to make a subway system. Even more recently, the category of NIC (Newly Industrialized Countries) has included such Latin American countries as Mexico and Brazil. Brazil had its own economic “miracle” in the mid-1960s. It was only in the late 1960s that South Korean per capita GNP surpassed that of the Latin American economies under consideration. According to the World Bank’s World Development Indicators database, South Korea surpassed Mexico in 1969, Brazil in 1978, and Argentina in 1988. Similarly, the strategic choices made by Latin American and East Asian leaders illustrate a remarkable degree of contrast.

As recently as the 1950s, countries in both regions adopted similar development strategies. Most obviously, Taiwan, South Korea, Mexico, and Brazil all focused their efforts on the domestic manufacture of basic labor-intensive commodities (what theorists call “Primary Import Substituting Industrialization,” henceforth referred to as primary ISI). By the 1960s, however, approaches to development began to diverge.

East Asian economies moved to primary Export Oriented Industrialization, or EOI, immediately after mastering the technologies needed for primary ISI and Latin American countries moved to *secondary* ISI hoping that their relatively large domestic markets would be able to sustain economies of scale. As time passed, East Asian countries proceeded to *secondary* ISI and then, again, moved into *secondary* EOI. This is where significant differences emerged between East Asian and Latin American countries. Latin American countries incurred massive debt while East Asian economies benefited from significant trade surpluses.

Import Substituting Industrialization (ISI) — To nurture infant industries that lack international competitiveness, the government protects the market and helps develop a domestic industry.

Export Oriented Industrialization (EOI) — Once a domestic industry acquires enough skills to produce goods, the government encourages export for larger markets.

At the level of theory, the comparison of East Asian and Latin American economic development is significant because many theories of economic and political development, most notably dependency theory and bureaucratic authoritarianism theory, were originally based on Latin American cases. East Asia provides us with an excellent opportunity to “test” these theories.

The different strategies and performances of East Asian and Latin American economies spawned academic and political debates. Mainstream economists and international financial institutions (e.g. the World Bank and International Monetary Fund) claimed that East Asian economic success was attributable to the development of free market economies while the Latin American failure was the result of excessive government interventions in the economy. Against this neoliberal claim, some economists, sociologists, and industrial economists argue that governmental involvement was, in fact, an essential component of the East Asian economic “miracle.” (This position has been labeled the developmental state argument). This unit allows students to experience this debate at first hand as they examine readings and reports from the 1980s and 1990s.

East Asian Economic Development

- The economic development of certain East Asian economies over the last three to four decades has been dubbed the “East Asian Miracle.” This remarkable regional economic growth started in Japan in the 1960s and was followed by the rise of South Korea and Taiwan in the 1970s and 1980s.
- Each of the East Asian economies covered here began their economic rise from an agricultural base. This rise started in the 19th century in the case of Japan and the 1950s for South Korea and Taiwan. These economies expanded relatively rapidly into such light industries as textiles and clothing, and even more rapidly into heavy industries such as steel, shipbuilding, and automobile manufacture. The move to electronics was especially rapid. In each of these cases, the state took an active role in nurturing and guiding the process of industrialization.
- Both students and pundits alike tend to attribute recent East Asian economic success to such vague cultural explanations as “Confucianism.” It is important to remind students that economic development is contingent on particular historical, political, and international factors. Modern East Asian economic development was neither natural nor predetermined. Students are in good company when they resort to insufficiently precise cultural arguments. Both Max Weber and Karl Marx predicted that China would never

successfully enter into the capitalistic mode of production, each of them claiming that the country's "culture" would impede the onset of capitalism.

Latin American Economic Development

- Certain Latin American countries achieved limited economic prosperity as early as the beginning of the 19th century. In fact, Argentina was thought to be more prosperous than the United States during the early decades of the century. For the most part, this early economic development was based on the region's wealth of natural resources. It was only after the Great Depression of the 1930s that industrialization began in earnest in Latin America.
- Argentina, Brazil and Mexico have all achieved a significant degree of industrialization. Although all three countries relied heavily on exports of minerals and agricultural products, each of them also acquired technology to build steel, ships, and automobiles. This industrial development was primarily funded by European and North American capital, however, and those corporations that were domestically owned tended to be state-run rather than private.

General Reference for Instructors and Students

The following textbook is recommended to those interested in the basic theoretical issues discussed in this unit:

Handelman, Howard. 2003. *The Challenge of Third World Development*. 3rd Ed. Prentice Hall. (esp. Ch. 1 "The Causes of Underdevelopment" and Ch. 10 "The Political Economy of Third World Development").

Chapter 1 is a lucid summary of development theory. The chapter discusses the definition of "underdevelopment," competing theories of underdevelopment, and possible solutions to the problem of underdevelopment. A student with no background in economics should be able to understand this chapter. Terms are always defined when they are used, and graphs are explicated in detail when they are referred to in the text.

Chapter 10 treats a broad range of issues including competing theories of economic development, different paths of economic development, and sustainable development. The chapter ties these issues together, using historical case studies when appropriate. Handelman explains complicated economic phenomena in an easy-to-understand manner. Also recommended for students.

Student Readings

Readings are marked according to the star* system:

*** Most Important

** Recommended

* Optional

SECTION A: *Economic Performance in East Asian Economies*

The purpose of this section is to introduce the achievements of East Asian economies in comparison to other regions. The first reading provides a good overview.

*** The World Bank. 1993. "Overview: The Making of a Miracle" In *The East Asian Miracle: Economic Growth and Public Policy*. Oxford UP. (pp.1-26)

This essay provides instructors and students with a basic overview of economic performance in both East Asia and Latin America. The article explains how eight high-performing Asian economies (HPAEs) out-performed other developing countries during the period between 1960 and 1990. This introduction, which includes several helpful tables, covers issues such as rapid growth with equity, public policy, macroeconomic stability, institutional development, and human capital development (such as education).

** The World Bank. 1993. Chapter 1 "Growth, Equity, and Economic Change." In *The East Asian Miracle: Economic Growth and Public Policy*. Oxford UP.

Chapter 1 provides a more detailed explanation of the material discussed in the "Overview." If you have the time and a background in economics, this chapter is highly recommended.

* The World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. Oxford UP.

The rest of the book covers in detail the issues raised in the "Overview."

* Wade, Robert. 1996. "Japan, the World Bank, and the art of paradigm maintenance: The East Asian Miracle in political perspective." *New Left Review* (217), June 1996, pp.3-36

This is an interesting article about the politics involved in producing the World Bank's *The East Asian Miracle* (assigned above). It may help students read the other assignments with a more critical eye.

SECTION B: *The Issues of Economic Development*

The readings in Section B are divided into four sub-sections (industrialization strategies, historical conditions and international environment, cultural explanations, and developmental state arguments). Instructors should select the readings based on their own interest and expertise. Most of the readings here explicitly compare Asia and Latin America. More specific case studies that do not specifically compare the two regions can be found in Section D below.

Industrialization Strategies

*** Gereffi, Gary. 1990. "Paths of Industrialization: An Overview." In Gary Gereffi and Donald L. Wyman, Eds. *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*. Princeton UP.

More than ten years after publication, this book is still the most comprehensive comparison between East Asia and Latin America. Although this introduction might be a bit difficult for those who have little background in economics, it is essential to understanding the differences between two regions. The Handelman textbook cited above in Section 4 (General Reference for Instructors and Students) should provide sufficient preparation for this reading. This chapter offers a concise comparison of developmental strategies in Latin America and East Asia using the concepts of Import Substituting Industrialization (ISI) and Export Oriented Industrialization (EOI.) Gereffi explains that while Latin America and East Asia pursued a similar strategy at one point in history, there was a critical juncture where they chose different strategies that resulted in vastly different economic performance.

Historical Conditions and International Environment

*** Evans, Peter. 1987. "Class, State, and Dependence in East Asia: Lessons for Latin Americanists." In Frederic C. Deyo, Ed. *The Political Economy of New Asian Industrialism*. Cornell UP.

This chapter discusses East Asian and Latin American development from a historical and international perspective. Evans argues that the difference in economic performance between these two regions can be explained by differences in class structure, national histories, and international relations. Instructors may want to introduce the basic ideas of dependency theory prior to assigning this reading.

Cultural Factors

*** Dore, Ronald. 1990. "Reflections on Culture and Social Change" In Gary Gereffi and Donald L. Wyman, Eds. *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*. Princeton UP

Examines differences in economic performance between Latin America and Asia from a cultural perspective. Dore's article is another "must read." Instructors may wish to caution students against making overly stark cultural arguments when assigning this reading. Dore manages to maintain a healthy regard for specificity but students may be tempted to venture into stereotypes of "Asians" and "Latins" with this sort of reading.

The Developmental State

The "developmental state argument" has been a heated issue in the discussion of East Asian economic development since the early 1980s. The publication of Chalmers Johnson's seminal work on the Japanese Ministry of International Trade and Industry (MITI) in 1982 marks the highpoint of this debate. Understanding this debate, which is both controversial and complex, is essential to understanding economic development in Latin America and East Asia. Arguing

against neoliberal theories that traced East Asia's economic development to the emergence of a free market in the region, Johnson asserted that, in Japan at least, the state played a crucial role in sponsoring economic growth.

*** Evans, Peter. 1989. "Predatory, Developmental and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State." *Sociological Forum*. Vol. 4. No. 4 1989

Evans argues that successful development owes much to governmental action. He characterizes states as "predatory" (if they do not contribute to national economic development), "developmental" (if they contribute to general economic development), and "in-between" (if they share aspects of both types). The African nation of Zaire is, for example, raised as one example of a "predatory" state. Japan, South Korea, and Taiwan are characterized as "developmental" states. India and Brazil are labeled "in-between". Evans argues that "embedded autonomy," by which he means the high degree of separation between state interests and those of powerful businesses, is a key factor in economic development. Such autonomy allows the state to foster a balanced approach to development. The "embedded" aspect of this formulation indicates Evans's belief that autonomy must be balanced with a certain degree of state connection with the wider business community so that it can acquire up-to-date information from the private sector. Evans argues that it is precisely because this balance between "embeddedness" and "autonomy" is so delicate that so few economies have managed to successfully modernize along the lines of Japan, South Korea, and Taiwan.

** Evans, Peter. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton UP.

This book is an updated treatment of the "embedded autonomy" idea that Evans introduced in the 1989 article above. Here, he tests his theory of embedded autonomy using industries in India, South Korea, and Brazil. If you are interested in the high-tech industries of these countries, this book is a must-read. The instructor could assign Evans's case studies to students or groups and ask the students to report on them.

** Woo-Cumings, Meredith. 1999. "Introduction: Chalmers Johnson and the Politics of Nationalism and Development." In Meredith Woo-Cumings, Ed. *The Developmental State*. Cornell UP.

Woo-Cumings provides an update of the developmental state debate by discussing various issues related to developmental state theory. The article is a "survey" of the debate as it stands. The rest of the essays in this book represent an excellent collection of work on the developmental state question.

** Schneider, Ben Ross. 1999. "The Desarrollista State in Brazil and Mexico." In Meredith Woo-Cumings, Ed. *The Developmental State*. Cornell UP.

A prominent scholar of Brazil discusses the political aspects of economic development, with a focus on the role of bureaucracy. Although this chapter is not a comprehensive comparison of Asia and Latin America, he implicitly compares the two regions.

SECTION C: *The 1997 Asian Financial Crisis*

When some East Asian countries, most notably South Korea, were hit by the 1997 Asian Financial Crisis, which started in Thailand, many neoliberal economists proclaimed the end of the “Asian Miracle.” The once-popular comparison between East Asia and Latin America disappeared from major academic discussions after this crisis. However, the 1997 financial crisis did not lead to the type of crisis that Latin American countries experienced in the 1980s. (This period is commonly known as Latin America’s “lost decade.”) The following works are helpful in understanding the 1997 Asian crisis. This section is not a comparison with Latin America. Some believe that the East Asian miracle ended with the 1997 crisis, and thus believe that the region’s history of development has little to offer other than another cautionary tale. This section provides an answer to these concerns. It is important for us to understand the nature of the 1997 economic crisis. Was it fundamental enough to discredit East Asian economic success in the previous decades? Many authors here do not agree. Indeed, Taiwan was hardly affected by this crisis while one of the hardest-hit countries— South Korea—returned to a growth phase in just two short years.

* Hagar, Stephan. 2000. “Introduction: The Political Economy of the Asian Financial Crisis” In *The Political Economy of the Asian Financial Crisis*. IIE (Institute for International Economics): Washington, D.C.

Hagar argues that industrial policy did not contribute to the Asian Financial crisis. Instead, he argues that the Asian way of economic development needed readjustment and reform to prevent corruption and other non-competitive behaviors produced through rapid economic development. He also points out that international financial institutions such as the IMF failed to adequately intervene during the early phases of the crisis.

* Pempel, T.J. Ed. 1999. *The Politics of Asian Economic Crisis*. Cornell UP.

This edited volume discusses why some countries, such as Taiwan and China, escaped the crisis while others were hit hard. Contributors address the different political reforms pursued by countries after the crisis.

* Weiss, Linda. 1998. *The Myth of the Powerless State*. Cornell UP.

Challenging claims of globalization and those who argue that the end of the nation-state system is upon us, Weiss argues that the state plays an even more important role in a globalized economy. She shows how East Asian states have played an important role in negotiating “globalization.”

SECTION D: *Individual Country/Case Studies*

The following is a list of books that can be used for further study and/or student projects. Please see the student activities section below for suggested projects and activities.

Due to the nature of this section, readings are not ranked according to the star* system. Rather, selections should be made according to specific interest.

Comparative

Dahlman, Carl J. 1992. "Information Technology Strategies: Brazil and the East Asian Newly Industrializing Economies." In Peter Evans, Claudio Frischtak, and Paulo Basos Tigre, Eds. *High Technology and Third World Industrialization: Brazilian Computer Policy in Comparative Perspective*. University of California Press.

This is an explicit comparison of the computer industry in Brazil and South Korea.

Japan

Johnson, Chalmers. 1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford UP.

This is one of the classics in the field of developmental economics. Johnson argues that strong bureaucrats and government-guided industrial policy were key to Japan's post-war industrial development. Johnson also highlights Japan's long tradition of government involvement in economic management during the pre-war period.

Samuels, Richard. J. 1994. "*Rich Nation Strong Army*" *National Security and the Technological Transformation of Japan*. Cornell UP.

Samuels argues that the Japanese ideology of "technonationalism," represented by the "Rich Nation, Strong Army" (Fukoku Kyōhei) motto during the Meiji era, is the foundation of the Japanese mastery of technology. This work focuses on the proximity of military technology and civil technology in Japan.

Friedman, David. 1988. *The Misunderstood Miracle: Industrial Development and Political Change in Japan*. Cornell UP.

In contrast to Chalmers Johnson, Friedman claims that Japanese industrial and technological growth was due to the expansion of small and medium-sized enterprises that did not benefit from MITI's industrial policies. Friedman provides a case study of the machine-tool industry.

Tyson, Laura D'Andrea. 1992. *Who's Bashing Whom? Trade Conflict in High-Technology Industries*. Institute of International Economics; Washington, D.C.

Tyson argues that by pursuing a "strategic trade policy", a government can create artificial comparative advantage in trade by setting up various tariffs and non-tariff barriers. In the long-term such policies create market distortion, however. In the short term, particularly in high-tech

industries where initial entry cost is extremely high, this policy can have a “predatory” effect on rival countries. The author argues that strategic trade policy has allowed Japan to catch up with the United States.

Okimoto, Daniel. 1989. *Between MITI and the Market*. Stanford UP.

Through an examination of the information technology (IT) industry, Okimoto argues that Japanese industrial development was the result of a combination of market and MITI industrial policies.

Lorell, Mark A. 1996. *Troubled Partnership: A History of U.S.-Japan Collaboration*. RAND. (Transaction Publishers).

This book examines U.S.-Japanese conflict over the Japanese government’s development of a new fighter jet (the FSX). This is an interesting case because the defense and aircraft industries were among the few industries in which the United States maintained a trade surplus with Japan during the 1980s and early 1990s.

South Korea

Amsden, Alice H. 1989. *Asia’s Next Giant: South Korea and Late Industrialization*. Oxford UP.

A classic work on Korean industrial development. Amsden’s “getting price wrong” argument stirred a major controversy as it challenged the orthodox market economy economic theories. This book contains case studies of the automobile and computer industries, as well as of the Korean steel industry, which the World Bank incorrectly predicted the failure.

Kim, Linsu. 1997. *Imitation to Innovation: The Dynamics of Korea’s Technological Learning*. Harvard Business School Press.

This work provides a detailed account of Korean industrialization and features case studies of a number of industries including car manufacture, electronics, and information technology (IT). Kim also highlights the role of various supporting institutions created by the government.

Kim, Eun Mee. 1997. *Big Business, Strong State: Collusion and Conflict in South Korean Development, 1960-1990*. SUNY Press.

Kim is an authority on South Korean *chaebol*, giant conglomerates akin to Japanese *zaibatsu*. She discusses the impact of these large corporations on Korean economic development and politics.

Taiwan

Gold, Thomas. B. 1986. *State and Society in the Taiwan Miracle*. M.E. Sharpe.

Gold provides an easy-to-read general account of Taiwan's history, political economy and development.

Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton UP.

Wade provides a theoretically sophisticated and authoritative account of Taiwan's economic development. While the book covers South Korea and Taiwan, his main focus is on Taiwan and its importance to developmental state theory.

Brazil/Argentina

Evans, Peter, Claudio Frischtak, and Paulo Basos Tigre, Eds. *High Technology and Third World Industrialization: Brazilian Computer Policy in Comparative Perspective*. University of California Press.

This collection of essays examines why the Brazilian effort to create a computer industry failed to meet initial expectations.

Adler, Emanuel. 1987. *The Power of Ideology: The Quest for Technological Autonomy in Argentina and Brazil*. University of California Press.

Adler takes a rather optimistic view of the "success" of the Brazilian computer industry. He argues that the pursuit of "technological autonomy" played an important role in the success of the Brazilian computer industry. He argues that the difference between Brazil's "success" and Argentina's "failure" is due to differences in "the power of ideology". Although he may be right about the comparison with Argentina, scholars generally do not consider the Brazilian computer industry a "success." Therefore, an instructor's note is advised if this reading is selected.

Schneider, Ben Ross. 1991. *Politics within the State: Elite Bureaucrats & Industrial Policy in Authoritarian Brazil*. U of Pittsburg Press.

Schneider examines the Brazilian bureaucracy and the success of the steel industry in Brazil. Because the two bureaucracies operate so differently, it might be useful to contrast this reading with either Johnson or Okimoto (see the Japan readings above).

Evans, Peter. 1979. *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. Princeton UP.

Cardoso, Fernando Henrique and Enzo Faletto. 1979. *Dependency and Development in Latin America*. University of California Press.

These two books are among the best works on dependency theory, which was very influential in the 1970s. Providing an alternative to modernization theory, these authors seek to explain Latin America's difficult industrialization process. The authors' basic argument is that Latin America, located on the "periphery" of the world economic order, will encounter difficulties because of

the unbalanced relationship between “core” economies and those on the “periphery.” Evans further argues that there is a “triple alliance”—state, multinational firms, and local business elites—that exploits the local people in Brazil. East Asia’s development beginning in the 1960s caused many to re-evaluate the ideas outlined in these texts. “Developmental state” theory was one part of this re-evaluation.

Student Activities

A. Discussion Questions:

What are the determinants of economic development?

What factors most effect economic development?

Resources: Are natural resources fundamental to the development of these economies? How were East Asian countries able to develop considering their relative lack of natural resources? If natural resources include human capital, e.g. educated workers, do you consider East Asian economies resource rich?

Education: To nurture human capital, the government needs to educate the people. Almost all scholars agree on this issue. However, some East Asian governments put special emphasis on certain types of vocational education and special undergraduate and graduate schools focused on technology and engineering. Do you think these education programs helped their economic development? Also, there is a remarkable difference between East Asia and Latin America in terms of the quality of K-12 education. What are the key differences? How does the rate of literacy in a country effect its economic development? Why is K-12 education so important relative to higher education? Is basic education related to income distribution? Is it related to the quality of products produced by a given economy?

Development Strategy: What kind of role do you think government should play in economic development? Do you agree with neoliberal economists who would limit the role of government in order to promote the growth of a market economy? Or do you agree with the development state argument that emphasizes the role of government in selecting, nurturing, and encouraging particular industries? Are you convinced that some governments have displayed an ability to predict which industries will grow? Or do you think it was mere coincidence that East Asian governments seem to have chosen the “right” industries? Another relevant issue here is export. Do you think East Asia’s economic success is related to its focus on export? Was it a strategic choice for East Asian governments or did they have to focus on exports given their relatively small domestic markets? What kind of benefits have exports had? Does the focus on exports help improve the quality of products in foreign markets? How about the relationship between government intervention and export? Do export results provide a dependable gauge by which governments can judge economic performance?

Culture: Can the superior performance of East Asian economies to those of Latin America be solely attributed to the cultural differences? Do you think Confucianism and/or Buddhism are better suited to economic development than Christianity and Catholicism, which are predominant

in Latin America? If so, why did it take East Asian economies centuries to become economic powers in the world?

International Environment: Would rapid economic development have been possible in East Asia without security and development assistance from the United States? Would East Asian governments have been so serious about economic development without the fear of Communism? Alternatively, in spite of the lack of damage caused by World War II, why did Latin American economies fail to continue develop at high rates? Why did the United States funnel its economic support to East Asia rather than Latin America?

Society and Government: What kind of social legacy affected economic development in East Asia and Latin America? Do you think the colonial legacy in Latin America hindered the long-term economic development in the region? In spite of devastating losses of life and property, do you think World War II contributed to post-war economic development in East Asia? How do you explain the relatively egalitarian income distribution in East Asia even under dictatorial regimes? Almost all countries in East Asia and Latin America achieved high-economic growth under authoritarian governments. Do you think it is necessary to have an authoritarian government to achieve rapid economic growth? Why or why not? If yes, why haven't all dictatorships produced economic expansion?

B. Case Study Assignment

Students are expected to conduct a case study of a particular industry to understand the differences between East Asian and Latin American economies. Some of the possible cases are listed above in Student Readings, Section D.