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Economic Policy as Market Coordination in Japan and China

The state seldom remains as developmental, anti-statist, or corporatist in the policymaking and implementation process over time, not only because of the dynamic state-society relations but also because of the bureaucratic politics within the state that greatly affects the actions of the state which exercises some transformative power over the “rules of the game” operating as coordination within the society and the market. The institutions of the industrial structure, the strategies adopted by major producers, the coordination provided and the people involved in sectoral politics are not necessarily the same through time (see for example, Friedman 1988 pp.1-134) so that the state in one sector may play radically different roles in other sectors (see for example, Krasner 1978 pp.34-127). To make things more complex, changes in international political economy may provoke a radical shift in the role of the state in industrial adjustment (Haggard and Kaufman 1992 pp.1-22), especially in the economies that are heavily dependent upon international trade such as Taiwan and Japan. But the adjustment strategies are not necessarily the same due in part to the different domestic political economic structures represented as the rules of the game. (see for example, Stallings 1992 pp.41-86 and Kahler 1992 pp.89-138). Just like the liberal economic regime during the 1950s and 1960s provided good chances to East Asian late developers, the neo-protectionist tendency of the advanced industrial countries after the 1970s has imposed significant constraints upon the same group of countries.

The existing literature on East Asian development provides unique sets of explanations about the role of the state in the process of development and the ways that industrial policies are shaped. They argue that industrial policies are the direct outcomes of the structures and actions of the state (the statist approach), of free market competition and utility maximization among interest groups and/or various market factors (the anti-statist approach), of concentration of interests between the state and capitalists without the participation of labor unions (developmental corporatism), of embedded autonomy of the state-society relations (embedded autonomy argument), of distinctive sectoral politics and production strategies as in Friedman (1988 pp.1-98), or of global division of labor and production networks.

Some studies, mostly the neo-classical economic literature, tend to freeze in time, as being

fixed or static, state and state-society or state-business relations in development, and thereby fallaciously see them as historically and/or structurally invariable through time. Thus when a committed anti-statist studies East Asian development, he/she tends to view the state as anti-statist and to look for the ways in which a plurality of interest groups have inputs into the policy-making process.