

Preface

Since the mid-1980s, ideology and reality have diverged in the fastest-growing latecomer countries. Global ideology for economic development has become one of open markets, increased foreign investment, a greater role for the small-scale firm, and sharply diminished market interventions by the state. The reality, however, is otherwise. In Taiwan, a stellar performer among latecomers in the last four decades, the share of foreign firms in the output of the electronics industry, the engine of growth of the 1990s, has become insignificant. Large nationally owned “second movers” rather than foreign enterprises or small, “networked” firms have pioneered high-tech industry. The dinosaurs of the traditional economy-diversified business groups have taken the lead in building a modern service sector. Although the role of foreign firms in services has increased, even here their contribution has been minor measured by market share. Together with new groups based in electronics, conglomerates have substantially raised their share of total national income. Arguably, government intervention has been greater and more systematic in promoting high-tech industry and modern services than in promoting mid-tech industry, but the promotional policy tools have been different. Markets have become more competitive, and interventions have become more selective.

This book is dedicated to distinguishing ideology from reality in terms of theory, institutions, and policy, in the hope of improving economic growth and welfare in latecomers throughout the world.