

2025-03 In memory of Alice Amsden

Research methods for late industrialization

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I learned a great deal from Alice Amsden and co-authored work with her on Taiwan. To explain how our collaboration began, let me trace how my intellectual journey drew me to her work. During my undergraduate studies in economics, I grew skeptical of mainstream neoclassical theories yet remained uncertain about viable alternatives. Despite these doubts, I pursued graduate studies in the U.S. and eventually earned a Ph.D. in economics. Yet my initial unease persisted. I observed neoclassical economics increasingly aligning with neoliberalism, its research becoming more specialized and disconnected from real-world issues. Meanwhile, non-mainstream approaches were marginalized in American academia. Many

Western leftist scholars, opposed to capitalism, were often reluctant to engage with or affirm East Asia's developmental success. Consequently, at the time, there were few theoretical frameworks for studying latecomer economic development.

After returning to Taiwan in the late 1980's, I came across the work of Alice H. Amsden. Her research approach resonated deeply with me. Her methods and problem awareness aligned perfectly with what I sought to learn. Coincidentally, an American friend sent me a manuscript of Amsden's then-forthcoming book on South Korean economic development (Amsden, 1989). This work clearly outlined a distinct path for studying East Asian economic development, one that diverged from mainstream approaches. I later discovered that her intellectual journey mirrored my own in many ways: she identified with the left, was dissatisfied with mainstream economics, and believed that existing left-wing economic theories were insufficient. Her focus on late development studies was particularly compelling. Unlike some Western leftist scholars, Amsden was not confined by leftist dogma. As a rebel against Western imperialism, she understood that only through economic development could backward countries challenge Western hegemony and achieve dignity. She also argued that left-wing economics needed to evolve by incorporating the study of late development experiences. Her academic mission was to help backward countries develop their economies, drawing lessons from the successful development experiences of East Asia. Her pragmatic stance and research approach were precisely what I sought to emulate.

In essence, Amsden was a theoretical inheritor of the broadly defined structural school, distinct from both neoclassical economics and Western left-wing economics. Her research methodology diverged from mainstream mathematical models and quantitative methods, emphasizing instead an inductive approach. She began with micro-level research, gradually expanding to macro-level analysis, and used real-world development experiences of latecomer countries to build her theories. This approach was pragmatic, as the institutional and behavioral assumptions underlying mainstream theories were derived from the mature market economies of the West, making their applicability to backward economies highly questionable. Amsden's inductive approach, though non-mainstream, was more grounded in reality and

productive. Consequently, upon returning to Taiwan, I began to follow her research path to study Taiwan's economic development.

In the mid-1990s, I had the opportunity to collaborate with Amsden. Together, we studied Taiwan's industrial upgrading and co-authored a book titled *Beyond Late Development: Taiwan's Upgrading Policies*. The book explored how Taiwan achieved industrial upgrading, treating late development as a theoretical subject. We found that the characteristics of second-mover manufacturers in latecomer economies differed significantly from those of first-movers in advanced countries, leading us to propose a latecomer theory. This study demonstrated that economic development theories must continuously evolve and that so-called universal theories should be continuously revised and expanded. While studying specific subjects, it is necessary to utilize existing theories, but the findings from these studies can also contribute to the broader universal theories. This process allows the experiences of late development to enrich economic theory.

To understand Amsden's work, I find it best to trace the path of her intellectual pursuits along several dimensions. That is, geographically from East Asia, to Latin America, and to "the Rest", and analytically from micro- to macro-level perspectives. It is important to recognize the path she took and the way her thinking evolved, because it demonstrates how her use of the inductive method rather than the prevalent deductive one helped her to develop her theory of late development and contribute to this field. The use of the deductive approach usually implies adopting a static angle and focusing on efficiency. The use of the inductive method instead allowed Amsden to adopt a development perspective and consider issues beyond static efficiency. Her contributions lie in both her demonstration of using a different research method, and the results she obtained using that method from a development perspective.

Amsden developed her unique research approach because she sought to defy orthodox economic theory. She wanted to find out how the world really functions, so she started from concrete experiences of different developing countries and from the micro level. She was defiant of the empire as well. She hoped all the latecomers could "escape from the empire" and develop quickly to eventually become equals of

the Western countries. Therefore, she began to study the economic experiences of latecomers, starting from the micro level. The challenge is one of inductive reasoning, or beginning with the facts of successful countries' industrialization, then moving to a sufficiently abstract comparative level for would-be industrializers to learn from, and then moving back again to hard facts of the emulating countries' own conditions in order to modify what is being borrowed. Her choice of research subject and method was related to her motivation, that is, she wanted to defy the orthodox economics and to help "the Rest" to develop.

Summarizing the Korean chaebol experiences, Amsden (1989) succeeded in setting up a learning paradigm for analyzing latecomer development with rich details at the organizational level. Moreover, she put forward a provocative argument against laissez-faire. She argued that the state must intervene, not to conform with the market, but to provide subsidies to "get the prices wrong", because latecomers enjoy few advantages and would face discouragingly high prices without subsidies. Therefore, the state must play the disciplinarian role to foster local industrial capital using performance standards. Her studies on Korea allowed her to have a comprehensive theory with detailed analysis of industrial policy, industrial structure and organization. By then Amsden had her own theory of East Asian late development. In addition, notably, China's recent growth experience provides ample evidence in support of Amsden's theory.

So essentially, Amsden pursued a two-pronged strategy in building up a theory of late development. On the one hand, she studied the internal workings of successful learners like Taiwan and Korea. On the other hand, she was always trying to induce lessons from those micro-level studies, setting up country models of successful latecomers, and pursuing a theory of government intervention and a strategic choice approach to government development policies. Later on, she broadened the geographical coverage of her studies, and it led to her all-encompassing work, *The Rise of "the Rest"* (Amsden 2001). It was an ambitious project and broadly summed up her take on late development, inducing a general story from various latecomer country experiences all over the world.

Lastly, it should be noted that Amsden really understood that, for latecomers,

only economic development is the real thing. She showed great empathy with the latecomers. Moreover, she demonstrated a sensible, fruitful and pioneering way to study the development experiences of latecomer countries, by setting up a research framework, different from the orthodox, for all concerned to learn from, follow, and adapt.