Charles Gore. 1996. Methodological nationalism and the misunderstanding of East Asian industrialisation. UNCTAD discussion paper 111 (January).

Definitions

Methodological nationalism – rational nations, with a rational state and with the aim of maximising the national welfare, pursuing national policies based upon a set of rational and national institutions and goals, that operate in an international environment taken for granted, that is un-structured and affects all countries, sectors and firms in the same way and degree. Individual nations collapse into rational and independent individual agents, irrespectively of their history, resource-base, capacities, etc. All adjustment refers to individuals (or rational nations) adjusting themselves to changing marking conditions by becoming more flexibly integrated into such market. Thus, the methodological individualism is the framework under which liberalisation is imposed into national objectives. This is markedly incoherent since more liberalisation, which is based upon the notion of methodological individualism, leads to more globalisation and, therefore, less national individualism.

Flying geese – the notion that refers to the process of development of specific industries and firms, from import of the goods, through import substitution to become exporters of the goods. This is not seen as an automatic process, but rather as a process that involves capital and knowledge accumulation, different forms of organizations and institutions, different skills and capabilities, and implicitly incorporate significant lags between production, competitive advantages and exports.

Outward-looking – constant and deliberate attention to industrial and trade happenings outside the country: remain in touch, absorb the latest technology, acquire experience, catch-up and become competitive. This involves selective policy, including protection, subsidies, etc, for this end. Implicitly, it acknowledges the existence of significant gaps between starting production, acquire competitive advantages and initiate exports. It also acknowledges that exports are not a necessary nor sufficient condition for being outward-looking, as the meaning of this notion is “deliberately keeping in touch”, which may or may not mean exporting.

Problems with the analysis of policy

Artificial separation of policies: example, the separation between “credit” and “export-oriented” policies can be very misleading, as the former is part of the latter, and the latter cannot be restricted to “trade” policies. Continuous, accelerated and sustained export grow require that competitive advantages are created in new industries, technologies and markets. This may well require subsidised credit for working and fixed capital, at least in initial stages of development, particularly if the country does not benefit from the advantage of being a technology leader;

Averages obscure the analysis of selective policy, and policy does not mean much if it is not selective. Thus, the fact that in EA on average real interest rates are positive and close to market rates and import tariffs are low obscures the fact that there was a huge variation across industries and firms with respect to access to subsidised credit and protection, and over time.

Sector transitions differ from, and should not be confused with economic transitions. The fact that a sector, industry or firm is no longer supported by active industrial policy does not mean that the entire economy has been liberalised. In EA, it is normal practice to use policy to develop ability to compete internationally, such that active and dynamic support is focused on sunrise industries, whereas mature and sunset industries are either set free or only benefit from the static (coordination) component of policy.

Development processes are more important to the understanding of policy than the final result. The fact that EA upgraded from labour to capital intensive economies as neo-liberals predict it would happen under free markets, does not mean that the *process* through which such transition took place corresponds to free markets, nor that the free market approach is vindicated. If the process was strongly influenced and shaped by all sorts of policies, the burden of proof is still on the free-market supporters.

Assumptions and analytical frames shape policy analysis through definitions, emphasis, manipulation and interpretation. For example, it does not make much sense that "The East Asian Miracle" shows that 60% of the "miracle" is due to capital accumulation, and then concludes that the essential lesson from East Asia is the allocation of capital.

Lessons from East Asia

Capital accumulation, rather than resource allocation, was the focus of the strategy. The first two questions faced by late industrialising countries are: how to acquire enough capital to invest; and at a low enough cost to compensate for the fact that they do not have competitive advantages as technological leaders.

Global market (incorporating domestic and external demand) was a notion more important than export-orientation. Firms had to expand into new, more demanding and larger markets, and both domestic and external demand formed part of this process.

Strategic relationship between domestic and external factors that influence development was more important than openness *per se*. EA countries were particularly concerned in combining and exploiting domestic and international conditions alike for the achievement of national development goals.

Industrial policy played a crucial role articulating the relationship between domestic and international factors in promoting development.

Regional economic relations, particularly trade and investment relations with less developed economies of the region, as well as complementing and competing supply to extra-regional markets, were part of national development policies.