

PREFACE

This book revisits the puzzle of whether government intervention in industrial development in East Asia led to welfare improvement. For this purpose, four well-studied East Asian countries, Japan, Korea, Singapore, and Taiwan, are taken. The specific features of these late-industrializing countries make up a heterogeneous group. Among the four, Singapore deserves special attention as its government has maintained interventions in product and factor markets to date whereas the other three have reduced government activism largely during the last one and a half decades. A common characteristic of these economies is that all of them exercised industrial policies of some sort during the course of industrialization. The book reassesses the impact and consequences of such activist policies of the governments.

One of the most important conclusions of this book with regards to industrial policies in Singapore is that industrial policy in Singapore has contributed to positive growth and productivity increases especially after 1990. This finding clearly contrasts earlier findings in the literature. I have always been suspicious and critical of the validity of the findings of some highly influential studies for Singapore which found zero productivity growth. It seems quite unlikely for such a rapidly growing economy. Several recent studies also found similar results for improved TFP growth after 1985. The argument of this book is such that pragmatic attitude of the government and its industrial policies had a positive role in this. Another striking finding is that interventions of the governments in Japan, Korea, and Singapore did not result in welfare losses.

The reader may find that the book is heavy on quantitative analyses and their detailed discussions. The techniques used in the analyses are standard ones. However, it was necessary to provide the details about productivity analysis as it is highly data-intensive and data construction process closely follows the technical details. The methodology is based on a detailed

and very careful process of data construction. There is no doubt that data accuracy is highly important in productivity analysis. These data are also presented in the appendix at the end of the book.

With regard to contribution of the book to the literature, it can be used as a resource material for economists interested in East Asian industrial policies and for those in similar professions. It provides a case study in quantitative policy analysis using standard techniques. One of the anonymous reviewers of the earliest draft of this book recommended to use the book as a teaching material at graduate level if provided with the database and the model in an attachment. Following this recommendation, the database and the model are provided in a CD-ROM for the readers. However, the reader should be reminded that the model has been built using General Algebraic Modeling System (GAMS) software, distributed by GAMS Development Corporation based in Washington, D.C. The demo (beta) version of this software does not allow the running of long models. Therefore, the licensed version of the software is needed. The programming code of the model can also be viewed with a standard text editor.

Part of this book is based on my doctoral dissertation submitted to Nagoya University, Graduate School of International Development in Japan. I am grateful to a number of people who encouraged me during my research. First and foremost, I wish to express deepest gratitude to Prof. Hiroshi Osada, Prof. Mitsuo Ezaki, and Prof. Shigeru Otsubo at Nagoya University for their guidance and encouragement during my research. I benefited a lot from Prof. Osada's suggestions and long discussions with him as well as thought-provoking questions by students at his seminar class. I benefited from fruitful discussions with Prof. Ezaki and Prof. Otsubo, especially on modeling part. The general equilibrium model in this book is different from the one I used in the dissertation. The current model includes more sectors and is different in equation specifications and special features regarding the behavior of economic agents. I am grateful to the Ministry of Education, Culture, Sports, Science, and Technology (*Monbukagakusho*) in Japan for the generous financial support during my graduate study.

Sincere thanks and deep appreciation are extended to Delfin Go at the World Bank for sending me the programming code for his model, to Assoc. Prof. Mahinda Siriwardana at the University of New England in Armidale (Australia) for sending me his papers, and to Dr Paul Norman at

the University of Manchester for his support in iterative proportional fitting technique. Last, but not the least, further thanks go to the staff of Singapore Department of Statistics for their timely response to my data inquiries.

Parts of this research were presented in academic conferences held in Middle East Technical University (Turkey) and Nihon Fukushi University (Japan). Comments, in particular, by Professors Shoichi Itoh and Toru Yanagihara are greatly acknowledged. Finally, I would like to thank four reviewers of the *Economic Development and Growth Series* and the series editor, Dr Linda Yueh, for their insightful comments and critiques. Dr Yueh of Oxford University made very important suggestions on the earlier drafts of the book. Comments by four anonymous reviewers helped me add new perspectives. Special thanks and praise are due to Juliet Lee of World Scientific for her great effort during the editing stage of the book. I am fortunate to have worked with such a nice editor. She made me fully enjoy my first experience in writing a book. The editing team checked every word and corrected even the smallest mistakes. They did an excellent work and I feel indebted to them.

On a different note, I would like to thank fellow researchers and friends at GSID. Further gratitude goes to Prof. Aysit Tansel at METU and Prof. Mete Tuncoku at Canakkale Onsekiz Mart University, my teachers during my undergraduate years at METU, for their support and encouragement before and during my studies in Japan. I have accumulated many debts to a long list of friends for their intellectual and personal support. David Gregory, Noriko Kanazawa, Poh Wei-Leong (for his assistance during my field work in Singapore), Dr Emre Saraoglu, and Semih Sunkar deserve special recognition. I am especially indebted to my “two families” for their encouragement and forbearance during my six-year-long study in Japan. My parents in Turkey always gave me the courage I needed especially during times when I was in distress living in a foreign country. I received great spiritual support from my two sisters, Esen and Latife. Many thanks are due to my in-laws, the Nakanishis, in Hachioji, Tokyo, who always encouraged me during my study, hosted me in their home, and treated me like their own son. Delicious dishes of my mother-in-law, Emiko (*okasan*), have been the most important fuel of my research. Grandma Yukiko (*obachan*) and my sister-in-law (Miho) provided me personal encouragement and made my life in Japan more enjoyable. I learned a lot from them, especially from my father-in-law (*otosan*), Osamu.

My wife, Tomomi, has always been there when I desperately needed support. I started my doctoral study soon after we got married. She has been a great wife to me and a wonderful mother to our son, Mert Shouei. She deserves more than half of the credits for this book. Mert was born six months before I received my doctoral degree. During the stressful final months of my research where everything surely goes wrong and it takes a lot time to fix the errors, watching his smiling cute face was enough for me to forget about all the trouble and gave me an extra power in completing my research.

In the development economics discipline, there are many theories but not enough facts. This book is intended to deal with a special topic for which theories are contentious. I hope that this book meets the expectations of people in the field and those who have supported and encouraged me.

Ankara, September 2008