

## 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.

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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.

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