Review of "The Rise of 'the Rest': Challenges to the West from Late-Industrializing Economies"

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alliances. Tilly wants a more historical and political accounting about what is new here, while Bryce and Singh want to locate the dynamics more firmly in population ecology. Gibbons shows how economics can provide a theoretical rationale for relational contracting, one of the main features of the network firm. DiMaggio’s last chapter considers the main theoretical and empirical difficulties that the “network firm” research agenda confronts. If scholars assert the existence of a new organizational form, they must (1) decide what exactly they mean by an organizational logic or form; (2) measure the strategies that make up the organizational logic; (3) demonstrate that networked firms grow and prosper and their hierarchical opponents flounder; and (4) show that these tactics have spread across markets and countries.

The evidence for the network firm as a rising conception of control has not been gathered. The evidence that does exist shows that corporations across societies and markets have varying product mixes, patterns of hierarchy, and ownership structures. Corporations also vary in the types of social relationships they have with suppliers, customers, competitors, and governments. But the existence of varying organizational structures and social relationships or “networks” across firms and markets should not be confused with the claim that a new network form of organization has come to dominate firms around the world. Scholars interested in proving this would have to show that the shareholder-value conception of the firm in the United States; the bank-centered, diversified corporation and family-owned, midsized firms in Germany; the quasi-dirigiste large corporations in France; the family-owned conglomerates in Brazil and Mexico; the state-firm hybrid organizations in China; and the chaebol in Korea (to mention a few) have disappeared to be replaced by flat, networked firms that use teams, projects, and alliances to do business.


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This is an important book. Alice H. Amsden is a truly original social scientist, and her new monograph deals with a core issue of international political economy—the strategies that brought the most advanced of the less-developed countries to their present status.

Amsden is well known as one of the central figures in the intellectual contest over the explanation of East Asia’s economic growth in the last two generations. One side held that it was the strategy of export-led growth—exposing companies to the discipline of international markets—that was the decisive factor; this reinforced the conventional neo-
classical view of the primacy of the market for determining economic success. The other side acknowledged the disciplining effects of exposure to international markets but pointed to the critical role the developmental state played through subsidies that were made contingent on performance, including eventual success in exports. This contest had significant political as well as intellectual implications—for assessing the value of a politically steered industrial policy in advanced as well as less developed political economies and for the utility of two modes of analysis that are still separated by a deep division in spite of some cross-boundary traffic: institutionalism in its various incarnations versus neoclassical equilibrium analysis based on rational choice and exchange.

The Rise of “the Rest” radically expands the scope of Amsden’s earlier work. It not only analyzes the growth experience of Korea and Taiwan but also examines China, Malaysia, Indonesia, Thailand, and India in Asia; Turkey in the Middle East; and Argentina, Brazil, Chile, and Mexico in Latin America. It also extends the time horizon by looking at the century preceding the Second World War as the significant prehistory of the economic transformations the early latecomers achieved after 1950. This is a major work of comparative historical analysis on central questions of economic development.

The explananda of this inquiry are developments that are dramatic, though they are uneven across countries: “Between 1960 and 1980, ‘the rest’s’ real annual growth rate of manufacturing averaged 9 percent. . . . Exports in most countries grew annually in the two-digit range for nearly fifty years. . . . Between 1950 and 1973 per capita incomes doubled in some countries and quadrupled in others. In Asia, including India, they again either almost doubled or rose by an even larger factor between 1973 and 1995. . . . Increases in per capita income were especially striking in light of rapid population growth” (p. 12; emphasis in original).

The late industrializers (“the rest”) are distinguished from the less successful “remainder” by the depth of their prewar manufacturing experience. But while this manufacturing experience was critical, it did not simply continue into—and thus largely explain—the postwar developments in these countries. In fact, Amsden gives her discussion of this period the title “Sinking Behind, 1850–circa 1950.” What is her explanation for the postwar surge?

The argument takes off by making knowledge and technology acquisition the central problem. Knowledge-based assets for production, project execution, and innovation cannot easily be bought, copied, or recreated ad hoc, because a good many of such assets are firm-specific, based on tacit and implicit ideas. This emphasis on knowledge and technology acquisition separates her analysis from conventional economic ideas: “Given imperfect knowledge, productivity and quality tend to vary sharply across firms in the same industry—a fortiori across firms in the same industry in different countries. The price of land, labor, and capital no longer uniquely determines competitiveness. The market mechanism
loses status as its sole arbiter, deferring instead to institutions that nurture productivity” (p. 5). With the exception of Argentina, all countries in the set she calls “the rest” developed systems of conditional subsidies and careful performance monitoring. These “reciprocal control mechanisms” are the critical innovation that, Amsden claims, underlies the success of these countries. They allow substantial government intervention, even interventions that distort the working of the market (intentionally “getting prices wrong” instead of following the mainstream advice of, first of all, “getting prices right”), without reaping the harvest of rent seeking and corruption. This quite visible hand of the state does not displace the discipline of the market, but it is in Amsden’s analysis the decisive factor in the rise of “the rest.”

Combining cross-national statistical evidence and case analysis with theoretical argument, this is a rich work that goes far beyond just examining the core thesis sketched above. For example, it offers interesting discussions of how economic inequality relates to growth. Amsden has the eye for patterns that marks the successful comparative historian. She notes, for instance, that “countries that invested heavily in national firms and national skills—China, India, Korea, and Taiwan—all had colonial manufacturing experience. Countries that were magnets for foreign direct investment and slow to invest in advanced skills (or inept at doing so)—Argentina, Brazil, Chile, Mexico, and Turkey—all had North Atlantic émigré experience [in the prewar period]” (p. 16). The wealth of evidence that is integrated in this work is indicated by the apparatus of notes and bibliographic references; these compose 40 and 50 pages, respectively.

The book focuses on policies and their consequences. It has less to say about the character of the state and of state-society relations that makes the reciprocal control mechanism possible and successful. It offers only sparse discussions of corruption and reveals little about the conditions that encourage the kind of developmental state action that is at the heart of the argument. The book thus represents a challenge to the advanced but still not conclusive institutionalist research on the state in sociology and political science. Another feature comparative-historical analysts may miss in this volume is a greater emphasis on tracing causal sequences in a country over longer periods of time. This could have added significantly to the confidence of readers in Amsden’s conclusions.

While this volume may not end the debate on the role of the developmental state (the gulf separating economic history as well as sociology and political science from mainstream economics is probably too wide for that), The Rise of “the Rest” is a landmark publication. It is indispensable reading for anybody interested in economic development.