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Development's Last Giant? Remembering Alice Amsden

Kevin P. Gallagher

Development economics, and development thought in general, is in the midst of a revival. Some of this is due in part to the legacy of Alice Amsden. This new wave of work would do well to learn lessons from Amsden's work going forward.

On October 19th, scholars, students, family, and friends gathered at the Massachusetts Institute of Technology (MIT) [to pay homage](#) to Alice Amsden. Participants discussed her work, her legacy and our responsibility to carry on her tradition.

The two hottest waves in development at the moment are "[growth diagnostics](#)" and [behavioral approaches](#) to evaluating development programs. Both have elements of Alice Amsden in their work.

The growth diagnostics approach, developed by Ricardo Hausmann and Dani Rodrik, recognizes the need to diversify the product and export base of an economy in order to achieve broad-based growth. Such an approach of course owes much to Amsden, who defined development as a process to diversify an economy from peasant-based assets to one based on knowledge-based assets. Rather than the state directing the development process however, growth diagnostics sees the state's role as to put in place a process of "self-discovery" where the state works with the private sector to identify an economy's "binding constraints" to see where the most appropriate government interventions might be needed in order to help an economy take off.

The other approach to development gaining the most momentum draws little if anything from Amsden in terms of theory. By drawing from behavioral psychology, economists such as Esther Duflo and Abhijit Banerjee conduct [randomized experiments](#) to examine which types of development projects work and which do not.

This work is not very conducive to evaluating prospects for long-term structural change because, as [Pranab Bardhan has pointed out](#), it is close to impossible to set up experiments on such things as industrial policy. Thus, most if not all experiments engage micro-level anti-poverty programs or programs to build human capital. However, what Duflo and Banerjee have found is that programs that include *disciplinary* components tend to do better. For example, having a camera in a school seems to be associated with making teachers show up to teach in Africa.

Discipline is one of the cornerstones of Amsden's thinking. To Amsden, "recipricol control mechanisms" in East Asia only allowed actors to receive government support if they heeded to certain performance requirements. Where Duflo and Banerjee's work should be credited for recognizing discipline, it can be criticized for ignoring the need for structural change. Where growth diagnostics

rightly sees structural change as a key to development, very little attention has been focused on the political economy of disciplining capital in that literature to date. Both of these pioneering approaches will do well to re-read Amsden's classics [Asia's Next Giant](#) and [The Rise of the Rest](#). It should be noted that both of these new approaches have brought field work back to development—which had drifted off into cross-country regression analysis that seldom stood up to the case study evidence.



Lance Taylor and Ajit Singh at the Alice Amsden Conference.

Though the field may see her as partly vindicated then, Amsden was less sure. She was concerned that only conducting industrial policy close to areas where a nation had a comparative advantage was too narrow. Indeed in her last published paper, she was even more [critical](#) about the “grass-roots” micro-level approach of Duflo and others. There she noted that there was no substitute for employment generation in a developing economy, and micro-interventions could only go so far.

These and other themes came up during the homage to Amsden. Andres Solimano and Ben Ross Schneider added that to truly understand the development process one needs to understand elite politics and big business politics, as Amsden did. Wan-Wem Chu reminded us that Amsden's work actually started in Taiwan, which Amsden circled back to in her book in her book with Chu [Beyond Late Development: Taiwan's Upgrading Policies](#).

Eun Mee Kim helped illuminate how Amsden was received in South Korea. Interestingly, she noted how *Asia's Next Giant* was not simply a reporting of what South Korea was already aware of for a Western audience. Indeed, the book helped South Korean's understand that what was happening there was significant. Amsden saw it first.



Wan-wen Chu, Carter Eckert and Eun Mee Kim

Eun Mee Kim also noted that Amsden's work drew some criticism in South Korea because it seemed to downplay the fact that the world's premier 'developmental state' also stood in the way of democratic rights and free elections. Ajit Singh, emeritus professor from Cambridge University added that "today one can agree with Alice that the South Korean people can not only take pride in their huge technological and economic advances but also in their democratic regime. It is arguable (he said) that without this fast industrialization and the creation of a working class, that democracy may have taken much longer to evolve in Korea."

Development thinking, after years of dormancy under the Washington Consensus, is on the upswing. Amsden helped sow the seeds of the new work that recognizes the need for diversification and industrialization. Amsden's emphasis on the need for the state to put discipline at the center of development planning is proving to be right in randomized experiments that evaluate the effectiveness of development projects. Each of these developments is a step in the right direction.

However, development thinking needs a deeper dose of Alice Amsden to recognize that development is a process of diversifying from peasant-based agriculture to economies based on knowledge-based assets—and that governments should play a key role in this process by subsidizing learning. All of these efforts may be doomed to fail however, unless they have performance requirements that discipline capital along the way.