

## BOOK REVIEWS

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***Dictators, Democrats and Development in Southeast Asia: Implications for the Rest*, by Michael T. Rock.** New York: Oxford University Press, 2017. Pp. 368.

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Michael Rock's latest book wrestles with a crucial question that baffles economists, historians, political scientists and social scientists alike: given that growth is often difficult and rare, what is the relationship between politics and economics that produces sustained economic growth over long periods of time?

Rock selects three Southeast Asian countries, namely Indonesia, Malaysia and Thailand (or IMT for short) as cases of countries that have performed very well economically from the 1960s to 2010 to look into what their development journey can teach the rest of the developing world.<sup>1</sup> Much like many developing countries, IMT are resource rich, ethnically diverse, and have weak governments characterized by corruption and rent-seeking. Conventional wisdom states that these phenomena are bottlenecks to economic growth while democracies are best for economic development. Yet the cases of IMT belie these claims.

In the ten-chapter book, Rock presents a thorough, well-organized fact-base to offer a middle ground to the debate between neoliberals who argue for a minimalist state that adopts free trade policies and academics arguing for an interventionist developmental state. He makes a case for the need to “bring back into consideration the agency of political leaders” (p. 3) and “their pragmatic, experimental and muddling through development approach” (p. 18) that have produced sustained growth. His argument is simple but rooted in historical facts: dictators and democrats alike in IMT pursued pro-growth policies because they saw their own political survival as linked to national economic development. To achieve this, they built and sustained pro-growth coalitions that shared the same goal of developing their national economies. Rock argues that political elites of IMT were pragmatic rather than ideological in their pursuit of development goals, relying equally on state intervention or markets when necessary to achieve growth. When either failed to achieve desired results, they used other alternatives. The results included: economic growth; structural change from agriculture towards industrial development; and impressive reduction in poverty. Governments in IMT did not shy away from controlling, repressing, or appeasing social groups such as farmers or students, leveraging the powers of the state when needed. IMT political leaders saw growth as crucial to their political agenda but at the same time understood that coalition building involves rent-seeking, side payments, and providing rewards to supporters. Rock contends that mainstream academic theories have, so far, missed how political elites in IMT selectively used state intervention, corruption and rent-seeking to grow their economies while enriching themselves and those in their patronage networks.

Rock explains counterintuitively that corruption in IMT was “good for growth” due to a few reasons. First, the political elites came to see development as aligned with their long-term interest. Because of this, they were willing to provide the public goods and policies to get growth going. However, the same political elites needed funding to finance their patronage networks, win elections, and enrich themselves. They saw

that a domestic capitalist class was needed to grow the economy and that via government promotional privileges (tax breaks, subsidized credit, or preferential access to foreign exchange), a domestic capitalist class could be developed. This group, in turn, provided kickbacks that sustained patronage networks. The delicate balance in IMT is that neither political elites nor the crony capitalists take too much which could lead to economic failure, as was the case with Marcos and the Philippines.

In a chapter setting up the historical context of IMT, Rock points out that the completion of nation-building project in IMT where clear winners have emerged was a prerequisite to sustained economic growth. The winners (typically centre-right coalitions of bureaucratic, military and business elites) tended to be politically and socially conservative, pro-capitalist, and pro-private property but pragmatic and non-ideological. They saw capitalism as necessary to economic growth but were not dogmatic *laissez faire* believers. Their pragmatic approach to development carried over into the democratization process, too. This included old and new political elites capturing the political process so that they could engineer the creation of centripetal democracies that would, in turn, sustain pro-growth political coalitions and pro-growth economic and industrial policies. So far, this interventionist political strategy has worked, evident from the high growth that has been sustained following democratization.

In the final chapter of the book, Rock enumerates key lessons from IMT that other emerging markets can learn. The highlights are worth restating. First, growth and development did not happen until a country completed its nation-building project that produced clear winners and losers. Second, the winning political elites used their control over the state to pursue a pragmatic strategy that can be characterized as capitalist (but not free market), industrial and open economy (but not free trade) approach to growth and development. Third, the political elites built and sustained a centre-right pro-growth political coalition and institutions to support this strategy. Fourth, they put in place mechanisms to end bad investments and poor policy choices. Fifth, even though popular social groups such as farmers, workers and students were locked out of politics, they were not totally ignored. IMT governments sometimes adopted a variety of second-best economic policies trading off economic efficiency with political sustainability to placate or co-opt popular groups. Sixth, IMT's growth strategy created a privileged capitalist class schooled in a corrupt exchange with political elites for government privileges in return for kickbacks and political contributions to win elections.

Rock concludes that while IMT has successfully used this model for growth in the past five decades, its effectiveness has reached its peak. Going forward, IMT's growth will require technological upgrading and total factor productivity growth (TFPG), which can only be possible through improvements in their educational institutions, creation of national innovation systems, and introduction of incentives for domestic firms to borrow, adapt and improve upon foreign technologies. IMT's natural resource rich status has provided cushion to the slowdown in growth but it will not be sufficient to sustain growth. More worryingly, systemic and endemic corruption has become too prevalent and unless reduced could stunt growth and undermine political legitimacy.

Overall, Michael Rock's book is a fine addition to the literature on the political economy of economic development. There are three key reasons to read this book. First, it offers a very good synthesis of the academic literature on the debates related to politics and economics of development. Rock skillfully combines the gems in the statist and neoliberal arguments in the economic development debate, making this book a great resource and introduction to the literature. Second, while he is an economist by training, the author brings together literature from various disciplines — economics, history, and political science, to name the most obvious — as the basis of his analysis, resulting in a rich, cross fertilized perspective. His argument about bringing politics back in, rooting countries in their historical contexts, recognizing the role of coalitions, and most importantly, the real eclecticism and muddling through of political elites when pursuing policy option is a welcome and much-needed perspective. Finally, with empirically rooted case studies, Professor Rock offers a way to move forward from the impasse on the "*laissez faire* vs

interventionist state” debate though a historically informed, political economy analysis of IMT supported by econometric techniques.

However, at times, the book feels like it is providing conclusions that are too sweeping and broad. For instance, statements like “IMT has done so well for so long” (p. 129); or Malaysia has a “robust policy and institutional environment to support science and technology that accounts for its comparatively higher TFPG” (p. 173) would require time-specific references to be truly accurate as there are certain situations during the time period under study where one can argue that the conclusion does not stand true.

Also, despite its argument to bring back politics, it is sometimes odd that the book does not discuss political, bureaucratic or economic actors beyond a perfunctory mentioning of Suharto, Mahathir or Sarit. This leaves the reader with the feeling that real people and what they actually did are missing from the account. Given that leaders and their muddling through strategies are the focus of the book, this is a problem.

Finally, as Rock points out, IMT’s era of high growth is nearing its end without real TFPG, innovations and further human capital development. While corruption has not hindered growth in the past, it has now become so endemic that it can hinder future growth. In fact, one can argue that strong men, corruption and rent-seeking have weakened the state’s oversight capacity and mechanisms, sowing the seeds of their own demise. One clear example is the 1MDB scandal in Malaysia.

The task of chronicling and analysing this, however, is outside the book’s scope and is a story in progress, whether it be: in Indonesia where Jokowi, a former local government official who does not come from the traditional political elite background, won the national popular vote to be elected president; in Malaysia where Mahathir has been voted back to power as prime minister, leading the opposition in its challenge to UMNO; or in Thailand where the military has been intervening for the past two decades to stop the democratically elected government of Thaksin and his alter egos from running the government. The next chapter of the story has unfolded and those who intend to carry the analysis forward would benefit from reading Rock’s book as a starting point.

#### NOTE

1. According to World Bank Research (2014), there are only nine countries worldwide that have experienced sustained economic growth from 1960 to 2010, namely: China, Japan, Korea and Taiwan in North Asia; small states Oman in the Middle East and Botswana in Africa; and Indonesia, Malaysia and Thailand in Southeast Asia.

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***Understanding China: Chinese Global Production Networks in ASEAN*, edited by Young-Chan Kim.**  
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China’s success in globalization with its heavy interventionist strategy, including its current “Made in China 2025” programme, has attracted wide attention from policymakers and scholars. In fact, this topic has gained additional academic interest due to the recent U.S.–China trade war. The book *Understanding China* is a compilation of articles on China’s trade and investment policies and the respective implications

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