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Institutions under pressure: East Asian states, global markets and national firms

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ABSTRACT

Institutions across East Asia are in flux as a result of market pressures and political shifts. Some changes have been adaptive while others appear to erode institutional capacity. This framework article introduces the Special Issue, developing an analytic synthesis of scholarship on institutional capacity and change. We focus on the role of markets and firms in bringing about different types of institutional change, and the reconfiguration of state roles to meet new challenges. Accounts of institutional change increasingly focus on incremental institutional change and specify different endogenous processes through which it occurs. We show that changes in the way markets are structured, or market shifts, are important sources of institutional change in East Asia. Such market shifts operate in different ways and geographical scales. They can alter actor preferences with regard to institutional form, produce a shift in the relative political influence of different actors, and prompt institutional 'drift' – change in the functionality of institutions due to changed circumstances. Both states and firms play a role in these changes. As the case studies in the collection show, states and firms in the region have both reacted to contextual shifts in markets and proactively led institutional change.

KEYWORDS

Institutions; markets; East Asia; institutional change; developmental state; political economy; national firms

1. Introduction

The economies of East Asia have become more complex and the institutions that underpin economic performance in the region are in flux. Political systems and state organizations that previously enjoyed reputations for being able to produce the conditions for successful economic transformation are now under pressure, both political and economic. The limits of what states can and should do continue to be debated (Bishop et al., 2018; Haggard, 2018; Weiss, 2003). Even the region's most successful developmental states have found it hard to resolve new challenges associated with the moving frontier of industrial innovation (Breznitz, 2007; Lee,

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2013; Wong, 2011). Recent work calls into doubt the extent to which state stewardship of industrial transformation is necessary or feasible in an era of cross-border production networks governed by global lead firms (Yeung, 2014, 2016). East Asian states and their national political economies are adapting in the face of these pressures, but are not following a single trajectory of change.

The articles in this Special Issue examine different processes of institutional change in East Asia, with a particular focus on understanding the channels of pressure emanating from broader shifts in the international political economy (IPE), firm strategies and national political systems. These three channels of pressure describe different arenas of action where either exogenous developments or endogenous processes alter incentives and capacities to bring about institutional change. The shift in the IPE that we address is one we term 'market shifts', encompassing international integration of markets, changes in relative prices, market structure, and technological change. All these 'market' factors have created pressure on extant institutions, in the form of new developmental tasks or challenges, the emergence of new political actors, or changes in the distribution of political power. A second area of enquiry is the role of capitalist firms, both as creatures of the market and as political agents, in generating institutional change. Thirdly, the Special Issue investigates the states themselves, as both sites of institutional transformation and actors influencing processes of institutional change.

We note at the outset that what counts as an institution can vary across different bodies of scholarship. A widely used definition comes from Douglass North (1990, p. 3), who described institutions as 'the rules of the game in a society or, more formally, [they] are the humanly devised constraints that shape human interaction'. This definition includes formal and informal governance rules of broad constitutional scope, such as the property rights regime, the electoral system or the 'state as institution' (North & Weingast, 1989; also Evans, Rueschemeyer, & Skocpol, 1985). IPE as a discipline has long been interested in national-level institutions of this type (Katzenstein, 1978). In influential Open Economy Politics approaches to IPE, national institutions 'aggregate and transform preferences into policies' (Oatley, 2011, pp. 311–312). Markets themselves are complex institutions (Vogel, 2018). These macro institutions are what Oliver Williamson (1996, p. 5) viewed as constituting the 'institutional environment', which he contrasted with microlevel institutions as 'mechanisms of governance' – the archetypal cases of which in the transaction costs tradition are hierarchies (organizations such as the firm), markets and networks. In some historical institutionalist accounts, institutions come close to being policies, consisting of bundles of rules governing financial markets, labor regulation or social welfare (e.g. Fioretos, Falleti, & Sheingate, 2016; Thelen & Mahoney, 2015). Beyond such 'regulative' functions of institutions, more sociological IPE approaches have explored the ways in which institutions may constitute shared ideas, identities and thus common interests (Abdelal, Blyth, & Parsons, 2015; Blyth, 2002; Katzenstein, 2009).

Institutional analyses of East Asia's growth and industrial transformation have been sensitive to the international context in which national political economies are located, particularly the pressures and opportunities created by geopolitical threats, wars and international markets. These 'outside-in' factors not only condition the success of specific policies, but also alter the domestic power balance and, in some cases, influence the evolution of core domestic institutions (Doner, Ritchie, & Slater, 2005; Glassman, 2018; Stubbs, 1999; Yeung, 2017b; Zhu, 2002). However, scholarship on institutions and economic performance in East Asia has for the most part been developed 'bottom up' in an analytic sense, proceeding along two overlapping but distinct tracks. The first has involved close-range examination of development policies, state organizations and national institutions. Chalmers Johnson's (1982) concept of the 'developmental state' profoundly influenced the field and remains a central touchpoint in analyses of the region's political economies (Chu, 2016; Haggard, 2018). The second approach to the role of institutions in the region's growth story places more empirical and analytic attention on the micro-level study of firms and business systems as institutional complexes, including inter-firm production networks that cross national borders (Hamilton & Kao, 2018; Walter & Zhang, 2012; Witt & Redding, 2014; Yeung, 2000, 2016). These two scholarly tracks have informed the broad IPE field from different directions. Analyses of the role of the state and state institutions in East Asia have been more deeply engaged with debates in comparative rather than IPE. Although some strands of IPE have moved self-consciously away from state-centricism, the state as institution and actor remains a critical bridge between the two fields (Phillips, 2005). Analyses of the region's firms and business systems, with intellectual roots in sociology and geography, have influenced IPE through the boundary-spanning conceptualization of global production networks and global value chains (Gereffi, Humphrey, & Sturgeon, 2005; Henderson, Dicken, Hess, Coe, & Yeung, 2002; Neilson, Pritchard, & Yeung, 2014).

To date, scholarship on institutions and economic performance in East Asia has to grapple with a number of key puzzles and paradoxes. The first concerns the developmental role of the state as markets have matured, internationalized and extended their reach in all of the region's economies, with consequent increases in the size and capacity of national firms. The region's quintessential developmental states of Japan, South Korea, Taiwan and Singapore were envisaged, in the developmental state tradition inspired by Chalmers Johnson, to be proactive orchestrators of industrialization. As famously put in Alice Amsden's (1989) analysis of South Korea, the state intervened to 'get prices wrong'. Or, in the case of Taiwan, the state 'governed the market' (Wade, 1990). The very success of these states in 'picking the winners' and facilitating the rise of national firms, along with the increasing interdependence of global markets, meant that by the 1990s they had already lost much of their former ability to discipline firms (Yeung, 2017a).

Economic openness and greater freedom for firms has not meant, however, any wholesale retreat of the state. As noted in a recent survey of China, 'If anything, the vagaries of the international market have necessitated the enhanced role of the state in promoting national competitiveness' (Zhang & Zhu, 2018, p. 23). The state's role varies across East Asian economies, but includes a substantial presence in the form of state-owned enterprises in almost all of East Asia, significant expenditure on sector-specific industrial policy and an array of government-industry partnerships (Carney, 2015; Rethel and Thurbon, 2019; Weiss, 2014). The state's economic presence also varies within national economies. Different regions and industrial sectors in China, for example, have experienced divergent trajectories of change in areas such as market governance and state intervention in business activity (Zhang & Zhu, 2018). Finally, the state presence registered in much of East Asia is qualitatively different from either market-supporting regulation or redistribution for the purposes of social legitimacy, although reforms aimed at these goals have been pursued in countries as diverse as Indonesia, Thailand and South Korea. The state's presence in East Asian economies is, in most cases, something more than a residual remnant of earlier statist tendencies. Rather, as explored further in the contributions to this Special Issue, state interventions and roles have been actively refashioned, as supporting coalitions rise and fall and external shocks prompt both policy and institutional change (Kim, 2019; Stubbs, 2011).

There are conflicting accounts of change in underlying state structures and the formal and informal institutions that govern the interactions between governments and firms across East Asia. State capture, corruption and rent-seeking have long been features in many regional political economies, and may have increased as more assertive business actors seek above-market gains and political actors seek to acquire business support, often to fund political campaigns in newly competitive elections (Aspinall, 2013; Kang, 2002). On the other hand, several accounts, including the contributions to this Special Issue, find many examples of apparently productive close partnerships between business and government in the 2000s, suggesting that 'embedded autonomy' or 'governed interdependence' remains an institutional precondition for developmental success (Evans, 1995; Weiss, 1995). How this institutional capacity is developed and sustained in the face of pressures from the global market, firm growth and democratization is thus a critical issue for current scholarship and papers in this Special Issue. Interventions pursued by governments that lacked institutional capacity have imposed high costs in many Southeast Asian states with more porous, less disciplined state institutions than those typical of the Northeast Asian developmental states (Carroll & Jarvis, 2017a; Haggard, 2018; Moore, 2018). As discussed in the next section, failures arising from a mismatch between institutional capacity and policy intent can be a factor in processes of institutional change. Further, different challenges call upon different institutional capacities (Doner & Schneider, 2016). The current era of flux and pressure confronting East Asian economies is a marker of both changes to institutions and changes in the 'fit' between institutions and their dynamic economic and political contexts.

The rest of this position paper shows that scholarship investigating institutional change has moved along four interrelated lines of enquiry. We focus more on theoretical expositions and, where relevant, signpost the empirical exemplification to relevant papers in this Special Issue. The first set of studies has developed and refined generalizable models of institutional change and typologies of change. A second set has focused on a particular impetus for institutional change, one we term here *market shifts*: changes to the global economic context in which firms and states operate, including changing production processes and technological change, as well as market structure, internationalization and shifts in demand. A third set of studies has looked at a particular set of actors generating institutional change: capitalist firms. Firm strategies, however produced, emerge as significant determinants of institutional pressure and change. A fourth focus for scholarship on institutional change has been on states themselves, partly as agents for change but also as sites of institutional change. The concluding section will draw together these threads to develop a common agenda on East Asian institutions and institutional change.

2. Institutional change

To examine how shifts in the IPE may shape institutions in East Asian economies, we need a deeper understanding of institutional change. Scholarship on institutions has always been interested in understanding institutional change. A major part of North's (1990) defining statement for the New Institutional Economics (NIE) consists of specifying mechanisms for path-dependent institutional change. The historical institutionalist tradition in political science has been more overtly influenced, especially in the 1980s and 1990s, by sociological approaches (e.g. Krasner, 1988). Writing in the early 1990s, for example, Thelen and Steinmo (1992) claimed that institutional change was under-studied in institutionalist scholarship. Nearly two decades later, Mahoney and Thelen (2010, p. 4) introduce their own reprise of theorized mechanisms and types of institutional change with an observation of the continuing bias in the field towards viewing institutions as mostly unchanging. Clearly this is no longer the case, as major contributions in the last decade have developed more nuanced and tightly specified models of change.[1] It is fair to say that, 'In today's pursuit of institutional theory, the study of change is where the action is' (Moe, 2015, p. 297).

Exogenous forces that destabilize institutions by undermining their functionality or changing the distribution of political power have been one source of institutional change. Pressures for change must almost by definition be external if one follows early sociological accounts in viewing institutions as embedding particular behavior as taken for granted and constituting notions of interest (Bair, 2008; Hall & Taylor, 1996).[2] Such external forces could be a shift in relative prices, new technologies, environmental change or outside political intervention. In some accounts, such forces bring about sudden change, of the kind captured in 'punctuated equilibrium' or 'critical juncture' models of institutional change (Capoccia, 2015; Krasner, 1988). Scholarship on East Asia has pinpointed a number of external shocks that ushered in significant change to economic policies and institutions, in particular the sharp economic slowdown of the early mid 1980s and the devastating regional financial crisis of the late 1990s. Very broadly, pressures in the 1980s led to changes that saw an increased role for markets, more consultative business–government relations, and the loosening of state controls (Yeung, 2017a). The late 1990s Asian financial crisis, in contrast, led to both market-opening reforms, such reduced restrictions on foreign investors, and increased commitments both to regulate and to promote particular types of business activity. The relative robustness of the region in the face of the global financial crisis centred on Europe and the US in 2008 served to reinforce both tendencies (Pempel & Tsunekawa, 2015). Such external shocks may incentivize, but cannot bring about change, which necessarily rests on the political efforts of reconfigured coalitions of interests, either in favor of, or opposed to, reforms such as market opening, deregulation and withdrawal of state subsidies (Solingen, 2004; Stubbs, 2011).

In contrast to the sudden change of punctuated equilibrium, recent historical institutionalist work has underlined the frequency with which change is incremental and endogenous. In their survey of the historical institutionalist field, Mahoney and Thelen (2010) identify four mechanisms of change: displacement, layering (where new institutional forms are overlaid without the old institution being displaced), drift (where institutional form or functionality changes in practice due to new interpretations of institutional rules or new contextual challenges)[3] and conversion (the same rules are interpreted or applied in different ways).[4] The drivers of such institutional change can be built into the institution itself. Although institutions are by definition 'sticky' due to increasing returns (Krasner, 1988; Moe, 2015), their distributional effects also mean that they are subject to contestation. Particularly in the case of institutions that are the 'unintended outcome of conflict among groups or the result of "ambiguous compromises" among actors who can coordinate on institutional means even if they differ on substantive goals', pressures for change may be baked into an institutional compromise (Mahoney & Thelen, 2010, p. 8). Or, as Moe (2015, p. 284) writes: 'Once major change has occurred, that change becomes the new status quo—and the old vested interests, if they remain its enemies, now become the proponents of change'.

The agents, whose behavior is structured by an institution, can thus drive institutional change. A detailed study of institutional decay in Southeast Asia's resource rich states, for example, shows how political powerholders reinterpreted governing rules and made incremental changes to state agencies and policies in response to increases in potential resource rents in the timber industry (Ross, 2001). Similarly, a theorized account of institutional change in the broad property rights regime governing land rights in Southeast Asia's palm oil industry shows how actors may, under particular circumstances, shift their preferences towards either legal, rule-based property rights institutions or more particularistic ones (Hamilton-Hart, 2017). In such accounts of institutional change in East Asia, the starting context, including the formal and informal rules structuring business–government relations, remains an important factor structuring incentives for change, pointing to both path dependence and agentic action.

If an institution is viewed instrumentally, compliance with its rules is inevitably variable: 'rules can never be precise enough to cover the complexities of all possible real-world situations', opening the door to change as a result of discretion, ambiguity, limits to cognitive capacity and sheer enforcement practicalities (Mahoney & Thelen, 2010, p. 11, 10–14). Opportunism has of course been recognized as a route to institutional decay in rationalist accounts (Solnick, 1998). Or as Popper (1986, p. 66) puts it much earlier, 'You cannot construct foolproof institutions, that is to say, institutions whose functioning does very largely depend upon persons… Institutions are like fortresses. They must be well-designed and properly manned'. The role of potentially opportunistic agents in driving both formal and informal institutional change even while simultaneously being shaped by institutional effects presents an enduring analytic problem. Agent behavior cannot be reduced to the rules of the institution unless these are construed as utterly constitutive. Agents thus surface as material opportunists, seeking distributional gains through manipulating, evading or tweaking institutional rules instrumentally. Or, drawing from alternative theories of actor motivation, actors bring about institutional change as a result of their need to feel 'safe and right' (Bell, 2017). There remains the challenge of an a priori specification of the conditions for compliance (or institutional persistence) and the triggers for evasion and, potentially, institutional change. In the case of informal institutions, the de facto rules of an institution may not only be unwritten, they may also contradict formal rules (Helmke & Levitsky, 2004; Tsai, 2006). Distinguishing opportunistic rule-breaking (agency) from conformity with de facto rules (compliance with institutional rules or incentives) then becomes difficult.

In this Special Issue, Stephen Bell and Hui Feng's (2020) 'Rethinking critical juncture analysis: institutional change in Chinese banking and finance' navigates theoretically between the conflicting demands of institutional constraint and agency in the context of both incremental shifts in formal institutional rules and informal but large-scale shifts in domestic market conditions. Their refinement of a model of 'agents in context' sets out the ways in which actors respond to the possibilities for institutional change created by an external shock or critical juncture. Using change in the governance of China's banking system as an illustrative case, the paper confirms the importance of antecedent conditions and critical junctures or shocks as creating permissive conditions for change. In contrast to 'sticky' versions of historical institutionalism in which external shocks trigger change in ways that limit conceptual scope for agency, Bell and Feng (2020) shows that agents have ongoing roles in fostering, shaping and embedding institutional change. Their level of analysis is particularly suited to exploring this type of change process: the banking and finance reforms in China they describe come closer in some respects to the micro-level of institutions as 'mechanisms of governance' that are more amenable to voluntaristic changes than the macro-level 'institutional environment' writ large (Williamson, 1996, p. 5). This paper's contribution also signals the importance of at least partially exogenous shifts in the market environment that put pressure on extant institutional arrangements. This pathway of institutional change is taken up more explicitly in other Special Issue papers, and is explored more systematically in the next section.

3. Market shifts

While endogenous factors might push for incremental institutional change from within particular systems of political economy, often in a path-dependent manner, external pressures are more likely to generate substantial transformation such that new pathways for institutional change might be created (i.e. path breaking). Our analytical thinking starts with the underlying generative rules, similar to Fligstein's (2001) conceptions of control, in the broader environment in which the state interacts with economic agents such as individuals and firms (e.g. Nelson & Winter, 1982). While this state–agent interaction produces a certain path (e.g. state-led industrialization in East Asia before the 1990s) under a favorable set of generative rules (e.g. colonial antecedents and geopolitical imperatives), the change over time in these rules will initiate an evolutionary pathway in this state–agent interaction that may break from the earlier path taken in what Fligstein and McAdam (2012) term 'fields'. In East Asia, the integration of domestic firms and institutions with international industries and markets since the 1990s have generated new rules of interdependence, cooperation and conflict between the state and other economic agents in their home economies (Yeung, 2014). These economic agents demanded for less state intervention or a different form of state developmentalism. To Kohli (2004), such demand on the state from capitalist firms was not apparent yet by the end of the historical period covered in his work (i.e. the late 1970s). He therefore concludes that 'There was no evidence in the case materials above to suggest that capitalists use their growing power to demand less state intervention in the economy. At some future date when capitalism becomes hegemonic and capable on its own of removing numerous bottlenecks to sustained profitability in these countries, such may be capital's demands' (Kohli, 2004, pp. 416–417).

By the late 1980s, however, the changing domestic and international dynamics of state developmentalism made it much harder for the developmental state to impose its will and policy on national firms and other economic actors. As O'Riain (2004, p. 223) concludes in his analysis of the developmental network state in the global economy, 'the international and domestic politics of capitalism shapes patterns of state developmentalism profoundly, but the regimes that emerge contain important "recombinant" institutional and political innovations that cannot be simply read off from their founding conditions. Furthermore, the accumulation of such innovations can transform the world system. The rise of East Asian firms in global capitalism and the intensification of global competition have been crucial features of contemporary global capitalism'. The state and its institutions became more diverse such that political power and control was more diffuse and less cohesive. In South Korea, for example, inter-agency conflicts and rivalries began to reduce the internal cohesiveness of the developmental state and political freedom led to reduced insulation of state bureaucrats from private interests. In the automobile sector, Ravenhill (2003) shows the state's failure to rationalize different *chaebol* in the nascent industry between 1962 and the 1990s. In Taiwan, similar factionalism and intrastate rivalry could be observed in the leading state bureaucracy in charge of industrial planning and economic development during the 1980s (Greene, 2008).

By the 1990s, the state itself had evolved from the earlier type of a strong developmental state to a post-developmental state (Yeung, 2014, 2017a). Such evolution in state power and capacity was accompanied by the development of firm-specific dynamic capabilities as these national firms had accumulated organizational and technological resources through decades of export-oriented production for the global market (see next section). New national firms also developed to take advantage of different windows of opportunity arising from the greater integration of these national economies into the global economy. Put differently, the very market that had been governed by the developmental state was no longer confined to national boundaries. Instead, these domestic markets were incorporated into cross-border production networks coordinated by global lead firms and spanning different national and regional economies with drastically different institutional regimes. Capitalist firms from the three East Asian economies began to disembed strategically from their home states in search of markets, technologies and ultimately profits outside their domestic economies. As the global economy no longer represented, in Kohli's (2004, p. 417) words, 'bottlenecks to sustained profitability', these national firms evolved to become more economically powerful and politically potent in the face of a post-developmental state that were increasingly compelled by new external pressures such as market shifts.

Market shifts not only serve as a source of institutional change through either triggering leading actors to push for change (change of interests in the new market circumstances) or producing a shift in the ability of actors to bring about change (rise or decline in political influence due to economic size or importance), but also prompt a form of institutional drift in relation to changing functionality of institutions due to changed market circumstances. Starting in the late 1980s, some important new market dynamics began to unravel the dominant form of state-led industrialization in East Asia. To begin, successful East Asian economies witnessed the much greater integration of their domestic industries into global markets. At the same time, many of these industries, such as apparels and footwear, computers and information and communications technology (ICT), and even automobiles, experienced vertical disintegration and production fragmentation on a global scale due to rapid technological change and changing business strategies and organizational processes (Dicken, 2015; Piore & Sabel, 1984). This changing organization of international production represented an important global shift through which national markets were increasingly integrated into global production networks (Coe & Yeung, 2015, 2019). Domestic institutions became much more exposed to the competitive dynamics of global market shifts (e.g. cost, speed and flexibility) and new institutional requirements (e.g. economic openness). Interestingly, this point about shifting power from states to global production networks was well recognized by Waldner (1999, p. 239) in concluding his historical-institutional analysis of state formation:

> commodity chains, in other words, are the institutionalized express of past solutions to collective dilemmas. In this sense, state intervention to resolve collective dilemmas is less critical, and for many development countries, becoming integrated into global production networks offers the best opportunity for achieving future international competitiveness.

This changing selection environment for evolutionary institutional change requires further elaboration. During the first three decades of post-War industrialization in East Asia, the international economy was indeed overshadowed by geopolitical imperatives under America's 'First Empire' (1950–1980) characterized by unfettered access to export markets and technological licensing for these latecomers to play their catching-up games. This stable selection environment allowed the developmental state and its institutions to work out appropriate policy interventions without much international pressure and domestic resistance (Amsden, 2007; Yeung, 2017b). Internationally, East Asian economies such as South Korea, Singapore, and Taiwan were favorably supported by the foreign policy imperatives of the United States and its allies in Western Europe. Domestically, the developmental state was well insulated from social and other interest groups and enjoyed the kind of embedded autonomy well-argued by Evans, (1995) and others. Up to the early 1980s, the developmental state in East Asia had been able to conceive and implement highly successful industrial policies that were openly acknowledged in World Bank's (1993) report.

The subsequent two decades since the mid-1980s, however, witness a changing selection environment, as globalization tendencies have produced a much more complex and interdependent global economy. This new selection environment is characterized by several market shifts that are much less favorable to the continual policy interventions and associated institutions of the developmental state. First, global financial integration has taken place in an unprecedented pace such that credit control such as grants and policy loans becomes a less effective policy instrument to entice the cooperation and support of domestic firms. The ease with which these firms can access global financial markets, coupled with the drive towards financial liberalization endorsed by some East Asian states, has enabled domestic banks and industrial firms to become much less dependent financially on their home states. Second, international production has become much more fragmented and spatially dispersed due to technological change (e.g. product modularization and common standards) and market imperatives (e.g. proximity to new markets and local adaptation of products and services). New production and design technologies have created a great deal of opportunities for the modularization of products and even services such that international production and outsourcing becomes both possible and necessary from a firm-specific competitiveness perspective. These in turn created immense opportunities for cross-border investments by global lead firms that confronted existing regulatory and institutional regimes in East Asia.

Third, the re-regulation of global trade under the auspices of the World Trade Organization (WTO) since 1995 has led to the establishment of new trade rules that make illegitimate countervailing practices such as export subsidies and local content requirements. These practices were critical policy tools of the developmental state during its earlier phase of industrialization. In a World Bank's reassessment of the East Asian miracle, Yusuf (2001, p. 8) observes that 'the advantages of an activist and pragmatic industrial policy, which used directed credit and subsidies to build new subsectors, are far from clear. "Getting the prices wrong" and subsidizing industry for lengthy periods in an attempt to create viable exporters have entailed high costs, and they seem increasingly inappropriate in an integrated world subject to World Trade Organization (WTO) disciplines'. To him, the decade of the 1990s saw the continuing retreat of industrial policy in East Asian economies that came to recognize the advantages of openness and accepted the disciplines of the WTO.

In this Special Issue, Yin-wah Chu's (2020) 'Democratization, globalization, and institutional adaptation: The developmental states of South Korea and Taiwan' and 'Economic statecraft at the frontier: Korea's drive for intelligent robotics' by Elizabeth Thurbon and Linda Weiss (2020) demonstrate empirically that the developmental state in South Korea and Taiwan have adapted and responded well to pressures for institutional change arising from the above market shifts. Taking advantage of differential socio-political cleavages and developmental alliances in the two economies, state elites have been engaging with the global market through reconfiguring their institutional capacity and policy tools in order to coordinate better the emergence of new frontier industries (e.g. green energy, digital communications and intelligent robotics) and to promote small and medium enterprises. These elites have also taken up what Chu (2020) terms 'defensive globalization' to sustain the long term competitiveness of their domestic economies by encouraging outward foreign direct investments (FDI) of national firms in Southeast Asia. Elsewhere in China, these changing institutional environments and pressures have prompted new sets of mechanisms for effecting an outward flow of industrial capital. Officially launching its National Programme of 'Going Abroad' in 2000, China has combined outward investment by domestic firms during the 2000s with institutional mechanisms and arrangements of overseas development assistance in its major bilateral infrastructure projects abroad since the 2010s under its Belt and Road Initiative (Flint & Zhu, 2019; Liu & Dunford, 2016).

Taken together, the above market shifts since the 1990s have been undermining extant institutions or producing pressures for institutional change in East Asian economies in terms of reconfiguring state capacity and policy tools, promoting outwards investments and enhancing regulatory coordination in regional trade agreements. These processes resonate well with an evolutionary view of institutional change in which the selection environment (e.g. the market context) changes. This in turn reshapes the developmental tasks involved, the capacities of existing (state) institutions, and the development outcomes. In their work on the middle-income trap, Doner and Schneider (2016) have argued for this need to specify different tasks in national upgrading and their specific challenges for domestic institutions. While global lead firms can serve as partners in 'upgrading coalitions' in middle-income (MI) countries, they believe that those 'operating in global production networks (GPNs) might have stronger interests in joining an upgrading coalition, but they also have other options: solving skills needs internally, relying on affiliated foreign suppliers, or simply moving higher value-added production to a country that already has the desired skills and infrastructure' (Doner & Schneider, 2016, p. 627). These heightened market power and flexibilities for 'spatial switch' enjoyed by global lead firms and their network partners have put enormous pressures on domestic institutions to respond effectively through changing strategies and policies. They further argue that the shifting development requirements of the twenty-first century requires a fuller analysis that 'would also need to examine in greater depth a range of issues, from microlevel dynamics in GPNs to shifting international trade regimes (for example, the limits WTO membership places on industrial policy), to the overall opportunities for expanding high value-added exports. However, the international factors that were crucial in earlier industrializers – especially geostrategic threats and economic integration – are less relevant for large MI countries' (p. 636). These changing international contexts and market shifts bring us to the growing role of firm strategies and capacities as another new source of pressures for institutional change.

4. Firms

What do national firms do in this context of global market shifts and changing international selection environment? We can view them as either passive respondents to contextual shifts in markets and/or state policies, or as leading actors prompting institutional change (or shifts in institutional functions) due to various processes of managerial evolution, firm structure, technological innovation and political opportunity. They do so through developing new firm-specific capabilities and strategies. Since the late 1980s, leading East Asian firms have graduated from their initial role as the 'chosen winners' to become globalizing firms; they have grown up from adolescence and become less dependent on their home developmental states. Best known examples of such East Asian lead firms in manufacturing and services industries are Hyundai, LG and Samsung from South Korea, Hon Hai/Foxconn, ASUS and TSMC from Taiwan, and Venture Corp, UOB Bank and City Development Limited from Singapore. Other new firms have also emerged in sectors and industries previously not on the state's favored list. A much more diverse group of East Asian firms have taken a lead in the developmental space in East Asian economies. Understanding this evolutionary process of domestic firms disembedding from changing domestic states requires an analysis of two sides of the same coin – their emerging dynamic capabilities and their new strategies of coupling with lead firms in global production networks or GPNs (Hamilton & Kao, 2018; Yeung, 2016).

First, domestic firms must acquire new capabilities to compete in the changing global market characterized by major financial and technological shifts. To do so, some of them can learn the existing production and management know-how from 'first movers' in advanced industrialized economies. This learning requires the acquisition and development of many different kinds of firm-specific capabilities, such as capabilities to access complementary assets, absorptive capabilities and innovation capabilities (Malerba & Nelson, 2011). Once acquired, these initial 'foreign' capabilities can be further developed, enhanced or recombined to become a new form of capability peculiar to these East Asian firms. Coupled with changing competitive domestic and international contexts, this evolutionary and creative process involves indigenous learning-by-doing, adaptation and modifications, and incremental or new innovative activity. The resultant new products, technologies and organizational processes are generally embedded in emerging *dynamic capabilities*, defined as 'the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments' (Teece, Pisano, & Shuen, 1997, p. 516). While resource endowments such as capital, technology and labor can be readily borrowed, acquired, or developed, organizational processes of coordinating and managing different activities are much harder to develop because norms, values, and routines in firms take much more time and costs to evolve. The developmental state literature tends to overemphasize the acquisition of such resource endowments as capital and technology, particularly through state-directed interventions and instrumental policy preferences. But it often underestimates the competitive significance of superior organizational and managerial processes that can only be developed through learning and knowledge accumulation *within* firms.

For example, Amsden (2001, p. 2; original italics) argues that 'The rise of "the rest" was one of the phenomenal changes in the last half of the twentieth century. For the first time in history, backward countries industrialized *without proprietary innovations*. They caught up in industries requiring large amounts of technological capabilities without initially having advanced technological capabilities of their own. Late industrialization was a case of *pure learning*, meaning a total initial dependence on other countries' commercialized technology to establish modern industries. This dependence lent catching up its distinctive norms'. But such a learning perspective tends to focus narrowly on resource endowments, such as technological capabilities. Whittaker, Zhu, Sturgeon, Tsai, and Okita (2010, ff. 444) thus critiques the dependency on learning through licensing and reverse engineering in Amsden's (1989) work by arguing that the rapid pace of technological change in global markets makes such borrowed technologies obsolete quickly (see Breznitz, 2007; Lee, 2013; Wong, 2011). Even the argument for 'up-scaling' of production capacity and capital investment in Amsden and Chu (2003) *Beyond Late Development* does not address fundamentally how East Asian firms can take on a new pathway to success in global competition through endogenous innovations in organizational and technological processes (e.g. Samsung and ASUS in the ICT industry).

Once developed though, these firm-specific processes can serve as one of the most important platforms for firm competitiveness and industrial upgrading. The changing selection environment in the East Asian latecomer economies since the late 1980s has facilitated or expedited the development of these organizational and technological capabilities of national firms. East Asian firms have benefited enormously from five major evolutionary changes that allow them to accumulate and develop firm-specific assets and organizational processes: (1) learning from production for exports; (2) acquiring technologies in the international markets; (3) building firm-specific capabilities through reverse 'brain drain'; (4) intensifying in-house

R&D activity and (5) leveraging on global finance (see empirical details in Hamilton & Kao, 2018; Yeung, 2016). By the turn of the new millennium, three decades of successful policy interventions by the developmental state had produced a whole army of leading national firms that could compete on their own feet in the global economy. Graduating from their earlier dependence on the developmental state for capital and technologies, these East Asian firms have since taken on a more direct role in steering the development of their respective industries and sectors, a role previously occupied by the developmental state. This evolutionary change in 'role play' between leading national firms and the developmental state does not take place naturally or in an institutional vacuum. More importantly, it is firmly grounded in a process of *new* path creation that entails a decisive shift of strategic partnership in the state-firm-GPN assemblage, from state-firm to inter-firm dynamics in the globalizing world economy.

This observation brings us to the second key phenomenon in which East Asian firms have deployed different mechanisms to engage with global lead firms through a broader process known as *strategic coupling*. By the late 1990s, East Asian firms were no longer 'junior partners' of a declining state that possessed neither the political will and legitimacy, nor the necessary financial resources to steer industrial transformation. Since then, these firms have been strategically disembedded from their home states; they have become strategic partners and/or lead firms in the global economy. Their successful articulation into global production networks has also rendered state planning in such areas as developing industrial policies and picking national champions increasingly difficult and ineffective. In this sense, Beeson (2006, p. 451) is quite right that 'once the development state has effectively done its job and "caught up" with established industrial economies at the leading edge of production and knowledge, it is far from clear that state planners are any wiser about the course of future technological development than the private sector. In other words, there are limits to what states can do, specific circumstances in which planning development seems to be effective, and a danger of entrenching a counterproductive institutional inertia where the relationships between political and economic elites are inadequately monitored and transparent, or where they linger on past their expiry dates'. When such 'institutional inertia' had become less effective in governing the market and such embedded state-firm relationships had begun to expire by the early 1990s, what came to the rescue of East Asian firms was a new 'window of opportunity' for continual growth through their participation in a novel form of organizing the global economy – the emergence of global production networks (Coe & Yeung, 2015; 2019). In short, while the domestic political economy approach might explain the initial preconditions for state-selected national firms to grow and prosper in their home economies, it is insufficient in elucidating why these existing national firms can break away from their structural dependence on the developmental state and articulate gradually into global production networks over time. Nor it is dynamic enough to account for the rapid rise of *new* domestic firms originating from the post-developmental state era of industrial transformation in these East Asian economies.

Instead, the successful articulation of capitalist firms from latecomer economies into global production networks is critically dependent on the necessary process of strategic coupling through which these latecomer firms' dynamic capabilities and organizational choices must match with the evolving strategies and intents of global lead firms in their coordination and orchestration of production networks across different territorial ensembles (Coe & Yeung, 2015, 2019; see also Lee & Malerba, 2017). Strategic coupling can therefore be defined as a mutually dependent and constitutive process involving shared interests and cooperation between two or more groups of actors who otherwise might not act in tandem to achieve a common strategic objective. In the context of East Asian economies, strategic coupling refers to the dynamic process through which economic actors in these economies coordinate, mediate and arbitrage strategic interests with their lead customers and partners in the global economy. These trans-local and trans-national processes involve both material flows in transactional terms (e.g. components, modules and finished products) and non-material flows (e.g. capital, information, intelligence, services and practices).

What then would be the sort of institutional pressures associated with this strategic coupling of East Asian firms with global production networks? Here, we can speculate on at least three of them. First, emerging East Asian firms are now less constrained by the financial, technological and other incentives from their home institutions ranging from state agencies to R&D institutes and private associations. Through their customers and partners in global production networks, these East Asian firms can source for better access to capital, knowhow, and market outside their home countries.[5] This substitution effect has in turn prompted home state and non-state institutions to seek new mandates for their role in domestic economic governance (e.g. coordinating upgrading and sectoral shift policies). In South Korea, Thurbon's (2011) study shows that the *chaebol* were unwilling to follow the state's 'requests' to invest in service robotics that was designated as a strategic industry in 2003. Wong's (2011) study also demonstrates that the state's industrial policy in biotech cannot be implemented without the explicit consent and participation of leading *chaebol* groups. In Taiwan, Yeung's (2014) paper points to the rise of Hon Hai Precision (parent company of Foxconn) by the early 2000s without direct state-led role such as subsidies and policy loans. Moreover, economic planning agencies in some East Asian economies have been restructured and absorbed into other institutional entities. More policy think tanks and advisory providers have been commissioned or developed to look into new forms of institutional engagement with different economic actors in global production networks (see articles by Chu, 2020; Thurbon & Weiss, 2020 on South Korea and Taiwan in this Special Issue; also Kim, 2012, 2019).

Second, the politics of economic governance has become more complicated in this interdependent world economy. Domestically, state institutions traditionally responsible for promoting national development (e.g. industry, energy, labor, trade and so on) have to address not just the pressing needs of domestic economic actors (e.g. SMEs and emerging firms), but increasingly also international investors who are directly engaged with national firms in specific global production networks. The demands of these global lead firms can impact significantly on the existing institutional regime built on previously techno-nationalist sentiments. These pressures entail the push for a more international outlook or mindset in domestic developmentalist institutions. Internationally, domestic institutions must now respond to new challenges of global economic integration arising from all forms of cross-border production networks and promoted by major international organizations (e.g. the IMF, WTO, APEC and so on). These challenges range from trade and investment facilitation to harmonization of standards/technical requirements and sector-specific promotion and regulations. All these pressures require new institutions, functional shifts, or the retooling of the existing institutions in East Asian economies, as shown by the contributions of Chu (2020) and Thurbon and Weiss (2020) and Davidson (2020) in this Special Issue.

Third, (re)building institutional capacity can be even more difficult in light of complex production networks and their underlying financial and technological arrangements among a large number of different economic actors. As the value-added processes in each production network are much more geographically dispersed, often outside the domestic economy, state and non-state institutions might find it daunting to understand fully the potential of coupling with production networks and the advantages and pitfalls of such participation. This challenge adds to the crucial tasks of governing economic development. Continuous institutional learning and adaptation is often necessary for the developmental state and domestic institutions to cope with these new pressures associated with changing firm structures and industrial organization in global production networks. We now turn to some of these institutional responses by state organizations in East Asia.

5. States

States as actors and institutional complexes that condition the possibilities for policy choice have been central to seminal works in both comparative and IPE (Breznitz, 2007; Evans, 1995; Evans et al., 1985; Haggard, 1990; Katzenstein, 1978; Tilly, 1990). Different analyses emphasize different state attributes that provide for 'institutional capacity', but some distinct factors emerge across different accounts: a degree of autonomy evidenced by the high-growth states of East Asia (Haggard,1990); a core of bureaucratic rationality construed in broadly Weberian rational-legal terms, present in the East Asian developmental states but not in the more personalized state systems of the Philippines and Indonesia (Evans & Rauch, 1999; Hamilton-Hart, 2002; Hutchcroft, 1998; Kuhonta, 2011; Slater, 2005); and a relatively insulated state pilot agency to steer economic policy, along with 'embedded' links between state and business actors in the high-growth developmental states (Evans, 1995; Weiss, 1995). The organization of private sector interests matters to the developmental capacity of such state systems, but this societal factor is itself influenced by state attributes and actions (Doner & Schneider, 2000; Schneider, 2009).

Despite this convergence, it remains easier to specify what productive institutions do (protect property, provide for legal certainty, regulate effectively or some other function) than to distinguish the characteristics that provide for such functionality. For example, institutions that provide for generalized expectations of property rights protection remain central in NIE analyses (Frye, 2017; Markus, 2015; North, 1995). In application, however, both the institutions themselves and their hypothesized antecedents are elastic. 'Secure' property rights cover a wide range of experiences in property protection, including substantial insecurity for some on the road to capitalist transitions (Hamilton-Hart & Palmer, 2017). Similarly, when commonly used proxies for institutions such as 'the rule of law' are disaggregated, much of the explanatory force attached to the rule of law disappears in developing country contexts in favor of more basic protections such as control of crime (Haggard & Tiede, 2011). But, like generalized property rights protection, the capacity to limit crime describes a functional outcome, rather than the attributes of institutions that provide for it.

In terms of specifying developmentally functional attributes, advances in the field have pointed to the importance of devices that allow for credible commitments and inclusive institutions that incentivise investment.[6] Productive areas of scholarship have opened up the question of how such institutions originate or decay, pointing to structural economic factors such as natural resources and their associated rents (Chaudhry, 1997; Markowitz, 2013; Ross, 2001), political pluralism and the need to form political coalitions (Doner et al., 2005) or ethnically demarcated patterns of political inclusion and exclusion (Pepinsky, 2016).

Given the elasticity of institutions and their antecedents, it is likely that there is more than one 'institutional fix' for problems of growth and development (Rodrik, 2000; Vogel, 2018). Any analysis of institutional capacity has to ask, capacity for what (Doner, 2009; Doner & Schneider, 2016)? As economies mature or pursue different modes of integration with international markets and global production networks, the institutions that fostered prior growth strategies will become less functional. In the absence of institutional adaptation, they lose their fit with the developmental tasks at hand.

Some institutional complexes may be inherently finely balanced, perhaps none more so than the conditions that constrain individual opportunism and personal interest, whether within state organizations (as, e.g., in the control of corruption) or at the interface between state and private sector interests. Peter Evans, (1995) introduced the necessary condition for industrial transformation, known as 'embedded autonomy', in which the state is autonomous enough to avoid capture, but embedded enough to be well-informed and responsive to business needs. He noted that, in addition to being finely balanced, there is potential for an endogenous dynamic that leads to institutional decay, if the private firms nurtured by the developmental state outgrow the disciplining constraints of the state. Even in their heyday, developmental states such as South Korea were far from clean of corruption and fully autonomous (Kang, 2002). The purposes of corruption matter, however. As shown in the contribution to this Special Issue by Jong-sung You (2020) in 'The Changing Dynamics of State-Business Relations and the Politics of Reform and Capture in South Korea', Korea's leading conglomerate, Samsung, engaged in corrupt dealings with the Korean state from its earliest days. However, You (2020) argues that when the political and economic context shifted in the wake of both democratization and rising inequality, Samsung's political strategies, including corrupt payments to political leaders, became more focused on achieving essentially familial aims around tax and succession. Despite significant levels of corruption in South Korea, Thurbon and Weiss (2020) in this Special Issue show that in the case of the technological frontier industry of intelligent robotics, business–government interactions remain much closer to the developmentally productive balance identified as 'governed interdependence' characteristic of South Korea during its high growth phase (Weiss, 1995). This contribution serves as a reminder that the institutional attributes and capacities of states are not uniform, but can differ by sector (e.g. Kim, 2019) and, particularly in partially decentralized systems such as China and Indonesia, by locality (Hamilton-Hart & Palmer, 2017; Zhang & Zhu, 2018).

Thurbon and Weiss (2020) study of Korea's robotics industry also shows ongoing state activity for developmental purposes that is meaningfully distinguished from the 'market-supporting' interventions of regulatory states. Chu's (2020) comparative account of Korea and Taiwan shows how both policy tools and institutional structures have been restructured and reconstituted in response to new challenges arising from democratization, internationalization and economic change, but these changes do not represent any broad-based retreat from developmental interventions aimed at shaping, coordinating and in some cases leading business activity. In both papers, the independent interests of state actors, often infused with strong security or strategic goals, drive at least elements of state interventions targeting business fields.

In Southeast Asia, 'developmental' outcomes from state intervention are documented in Jamie Davidson's (2020) account of road infrastructure provision in Indonesia, a state generally seen as having low institutional capacity for productive economic interventions. His account of the shifts in state policies governing roads shows that getting roads built required direct state involvement, particularly after the transition from authoritarian rule to democracy. At least in this case, the institutional requirements for more market-oriented provision through privatization and public private partnerships were in fact more demanding than direct state intervention (also Ricks, 2016).

State bureaucracies themselves are institutions that structure the behavior of the individuals who work in them, and the bureaucracy of the Weberian rational-legal state in many ways creates the capacities of the modern state (Silberman, 1993; Tilly, 1985, 1990). The organizational systems and ethos of the rule-based, career bureaucracy are positively associated with economic development (Evans & Rauch, 1999). In Weberian perspective, the New Public Management (NPM) reforms to state organizations over the last two decades may have perverse implications (Pinheiro & Schneider, 2017). Such managerial reforms may improve efficiency on some indicators, but reduce performance because of the 'paradox of control', by which accountability mechanisms can undermine professionalism and the implicit contracts without which organizations are dysfunctional (Miller & Whitford, 2016).

The sequencing of state-building versus state-restraining moves is also important, given political democratization across much of East Asia. A broadly historical institutional analysis by David Waldner (1999) argues that the incorporation of broad-based, cross-class political coalitions *prior to* substantial state-building adversely affected the developmental capacity of state institutions. As put in a recent historical analysis of the emergence of modern states, Leviathan needs to be 'first constructed, then restrained' (Hanson, 2014). This echoes an earlier observation by Benedict Anderson (1998), who traced the relative capacity of the Thai state to the development of its bureaucracy and coercive capacity under monarchical rule, in contrast to the truncated development of the Philippines state under the early-imposition of US-style democracy.

This view of what needs to occur first contradicts the NIE account of the emergence of the modern state, as well as most governance reforms promoted by international organizations such as the World Bank. In the NIE tradition, the critical institutional factor behind the developmental success of the West was the development of self-restraint mechanisms that protected private property from state predation. Secure property rights were attributed to the forced bargains that followed the

1688 revolution that ended absolutist rule (Acemoglu & Robinson, 2012; North & Weingast, 1989). This stylized historical fact is at odds with earlier historical scholarship. In Perry Anderson's history, property rights and legal rules strengthened with the advent of absolutism, not its attenuation more than a century later: 'land ownership tended to become progressively less "conditional" as sovereignty became correspondingly more "absolute"' (1979, p. 20). The revival of Roman law, with its codified notion of legality and property rights that were conducive to commerce, occurred alongside the rise of absolutism (1979, pp. 25–29).

In East Asia's more developed states of Japan, Singapore, Taiwan, and South Korea, substantial state building endowed these countries with state organizations that approximated the features of modern, rational-legal states as per the Weberian ideal-type well before political liberalization (which remains constrained in the case of Singapore, see Chua, 2017). As showcased by contributions in this issue, South Korea and Taiwan have been remarkably resilient and able to pursue adaptive reforms amidst a changing landscape of economic pressure, the political rise of business and democratization. Although Indonesia's state is generally regarded as more patrimonial than rational-legal, Davidson's (2020) account in this Special Issue underlines the role of state officials in influencing the evolution of the country's infrastructure policies, showing both that their independent preferences mattered and that these preferences cannot be reduced to straightforward material interests or rent-seeking motivations.

Corruption scandals and failures in policy delivery in 'high capacity' states such as South Korea and Singapore (Barr, 2014; Kang, 2002; You, 2020 in this issue) are not in themselves new. You's (2020) account shows, however, that the purposes of corrupt behavior by corporations like Samsung are changing. The long-term implications for core state capacities remain open to further research.

6. Conclusions

Scholarship on institutions and economic performance in East Asia has followed diverse pathways over the past thirty years. Theoretically informed accounts of economic growth in the region have produced two enduring and influential bodies of literature in IPE: on the developmental state and on global production networks. Neither is specific to East Asia, but scholarship immersed in the empirics of particular East Asian economies and industries has in many ways led these respective fields. A strong current in both fields has been taken up with explaining success – rapid growth, industrialization, the acquisition of new technological capacities – with contrasting cases of failure serving to underscore whichever analytic argument was being advanced.

We have argued here that the field has in many ways moved beyond a search for institutional 'causes' of development and developed more calibrated accounts that foreground the pressures for change arising from shifts in market structure, firm strategies and national politics. The issue of institutional 'fit' with particular policies and challenges remains, but the story is now a more dynamic and complicated one in which states, firms and other actors are important agents of change in both reactive and proactive ways. As domestic institutions come under pressure due to new challenges at home and from the IPE, they have in some cases become less functional and efficacious. Equally, however, the cases in this collection contribute to broader literatures on institutional change by charting processes of both policy and institutional reconfiguration.

An overarching conclusion to be drawn from this scholarship on East Asian institutions and institutional change is that we should be alert to contextual factors that go beyond major exogenous shocks or pressures (e.g. the late 1990s Asian financial crisis). For IPE, the market environment is often the contextual factor of primary interest, but ‘market shifts’ relate to both rising *levels* and *complexity* of economic integration: greater integration, often more consequentially, includes qualitative changes to the market environment brought about by firm-level innovations and relationships. A second conclusion adds to the long-established observation that how countries experience market shifts depends on pre-existing national political and institutional configurations. The national (and in some cases subnational) institutional context matters in that it structures any change precipitated by market shifts or external political pressures (e.g. current US–China geopolitical and trade conflicts). How such national context structures change can now be described in more specified models of path dependence and incremental institutional change, which identify the preferences, incentives and capacities of actors affected by both the regulative and constitutive dimensions of institutions.

Viewed at close range, the processes of institutional change to the region’s states – both developmental and otherwise – suggest a need for variegated judgements about their roles and capacities (e.g. Bishop et al., 2018). East Asian states appear to be differentially active and effective in different policy areas and industrial sectors: high-functioning activism in South Korea’s intelligent robotics, for example, can exist alongside political corruption and *chaebol* domination in the domestic economy. If there is a generalization to be made about the region’s developmental states, it is that their capacities to facilitate industrial innovation and national competitiveness increasingly depend on institutionalized relationships with national and foreign firms and their network partners. Their autonomous power to discipline economic actors had been substantially eroded by the 1990s, if not before.

Yet institutional changes over the following decades do not suggest any wholesale retreat of the state, nor only changes to boost its regulatory and redistributive roles, although these have grown. This is also not a zero–sum relationship in which state power declines because of the rise of firms and other non-state institutions. Developmental states may be less authoritative and centralized as a whole, but this tendency may in fact enhance the capacities of *specific* agencies and bureaucracies for development tasks that require flexibility and public–private collaboration. In today’s highly interdependent global economy, it is now much harder for almost any national economy to develop fully vertically integrated industries that are internationally competitive. Still, there remains significant room for a new kind of industrial policy designed to support domestic firms in tapping into the developmental opportunities inherent in most global industries. Mazzucato (2011, p. 91) thus argues strongly for the state’s role in fixing ‘network failures’ and ‘opportunity failures’ that might otherwise occur due to the lack of collective action or long-term horizons among private sector actors. As they enter into Wade’s (2014) Mark II form, some East Asian states become more adaptive to global challenges and delegate more of their leadership role in economic development to domestic firms, their international partners and industrial consortiums. What allows such state organizations to avoid capture and degeneration as a result of rent-seeking from within and without the state remains fertile grounds for investigation.

Notes

1. In addition to the contributions in Mahoney and Thelen, (2010), see Streek and Thelen (2005); Steinmo (2010); Blyth et al. (2011); Thelen and Mahoney (2015).
2. More recent sociological theories develop rational actor models of endogenous institutional change. For example, see DellaPosta et al. (2017) and Calvert (2017).
3. See Hacker (2004).
4. See Hacker et al. (2015). These mechanisms are also explored in recent conceptual work in economic geography, for example, Martin (2010), Bathelt and Glückler (2014), and Yeung (2019a).
5. For a recent detailed report with many empirical examples of such partnership in the global electronics industry, see Yeung (2019b).
6. Acemoglu and Robinson (2012) provides a representative exposition of work in this line over the preceding two decades. See also Haggard (2004).

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