“Developmental State’ is a shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia.” This answers the question: “what is developmental state?” as found on first page in the Woo-Cumings book Developmental State. This definition grasps the essence of the structured, but also pragmatic, relationship between the government institutions and private sector in Japan, Taiwan, and South Korea.

The developmental state is a political-economic system where economy thrives by competitive means in a market structure, but under the surveillance and supervision of an interventionist government. This dichotomy between a competitive capitalist model and a government-controlled economy might strike as a daring approach to new students of the East Asian political economy. The “developmental state” created the foundation for the close connection between the government and the private sector. It has thus contributed to the stunning economies of especially Japan, Taiwan, and Korea, with great success from the late nineteen fifties to the mid-nineties.

Looking into the characteristics of the developmental state, it distinguishes itself in many ways from other economic models around the world. It has privately owned enterprises and the competitive nature, which is has in common with the United States. Japan and Taiwan, however, do not have the same regulatory conditions of the United States. Instead, pragmatic means to growth and prosperity in the economy prevail in the East Asian economies have. The US is much different from the East Asian economies especially with acts and prohibitions such as the Glass-Steagall Act (separating banking
from the securities industries\textsuperscript{1}) or the Sherman Act (prohibiting trusts in engaging in monopolistic behavior). The developmental state is not like the northern European planned economies either. The Japanese facilitate a higher degree of market oriented business, than the abundance of State owned enterprises (SOEs) in Europe. Neither does the European economies use the strong link between governmental institutions and private enterprise, as in Japan, Korean, and Taiwan.

The coherence between the governmental institutions such as the MITI and ministry of Finance in Japan, and equivalents in Taiwan and Korea, are unique to these developmental state economies. Three things are important when surveying the success of the developmental state: nationalism and economic performance; the wartime and social mobilization; and the goal-oriented culture of these economies. They distinguish themselves from the more neo-classical US and Latin American economies and “statist” European economies, by having more elite bureaucracy, which is much more admirable from the citizens viewpoint than those in Europe or the Unites States. Looking at the countries with the developmental state in contrast to the developing nations that did not apply the tools of this school, valid reasons for why the East Asian economies reached success becomes quite clear.

\textsuperscript{1} Mishkin, Frederic S., The economics of money and banking and financial markets 5\textsuperscript{th} ed. (Addison Wesley, 1998)