



From limited access to open access order in Taiwan

Tomasz Legiedź

To cite this article: Tomasz Legiedź (2018): From limited access to open access order in Taiwan, Journal of the Asia Pacific Economy, DOI: [10.1080/13547860.2018.1503767](https://doi.org/10.1080/13547860.2018.1503767)

To link to this article: <https://doi.org/10.1080/13547860.2018.1503767>



Published online: 11 Sep 2018.



Submit your article to this journal [↗](#)



View Crossmark data [↗](#)



From limited access to open access order in Taiwan

Tomasz Legiedź

Department of Development Economics, University of Łódź, Łódź, Poland

ABSTRACT

This essay attempts to explain the process of the institutional transition of Taiwan, applying the limited and open access orders framework proposed by D.C. North, J. J. Wallis and B. R. Weingast. The article analyses economic and political reforms in order to extract the factors positively affecting the process of economic development in Taiwan. The findings indicate that the key factor was the security threat of Communist China. However, other conditions were also important. It should be noted that Chiang Kai-shek's government could learn from its past mistakes, and it was an outsider regime. Moreover, the USA aid helped to consolidate the dominant coalition. Finally, ethnic tensions between the newcomers from the Mainland and the Taiwanese resulted in the separation of the political sphere from the economic sphere, which was conducive to economic development.

KEYWORDS

Economic development; new institutional economics; social order; Taiwan

JEL CLASSIFICATIONS

B52; O10; O53

Introduction

Since the Second World War, Taiwan has made enormous economic and political progress. Taiwan successfully transformed from an authoritarian state into a liberal democracy and joined the group of developed countries. Some economists believe that Taiwan has achieved economic success mainly due to its stable macroeconomic policy, export-oriented economy and the systematic reduction of government intervention in the economy (Ranis 1995; Tsai 1999; Wu 2004). However, the prevailing view is that the economy of Taiwan is a leading example of a developmental state. Many economists argue that the Taiwan Economic Miracle would not have been possible without broad government intervention in the economic processes. They emphasise that selective industrial policies, 'picking winners', trade restrictions and the state-owned enterprises had a positive effect on the Taiwanese economy (Amsden 1979; Wade 1988, 1990; Rodrik 1995; Amsden and Chu 2003; Studwell 2014).

Among the variables which had a positive impact on the economic development and facilitated the implementation of the industrial policies in Taiwan, the legacy of the period of Japanese colonisation (Barrett and Whyte 1982; Hsiao and Hsiao 2001; Ranis 2002, 4), the successful land reform (Rodrik 1995, 76; Tsai 1999, 75) and the Confucian tradition (Berger 1986) are also mentioned. In the literature, however, there is no complete explanation of exactly why the government in Taiwan led to the

creation of a developmental state. It should be remembered that until the end of the 1980s, Taiwan remained an authoritarian country, and the basis for the developmental state was created by the Kuomintang (KMT), the party which previously – due to poor governance and widespread corruption – lost a civil war with the Communist Party of China. The article applies the novel theoretical conception of North, Wallis and Weingast (2009; NWW hereafter), which combines elements of economic and political analysis to the historical development of Taiwan's political economy. In this article, arguments are presented for the claim that a key factor affecting the Taiwanese government's economic policy was the geopolitical situation – at the beginning, the desire to recover the mainland China and then the security threat of Communist China. Of course, Taiwan is not the only country whose authorities have been forced to take into account the threat from its neighbours, so it is not a sufficient factor forcing the efficiency of economic policies. Therefore, this article analyses economic and political reforms in order to extract other factors positively affecting the process of the economic development of Taiwan. In the first part of the article, the idea of the development of the institutional order from limited access to an open access order is outlined. Then, from the perspective of the conceptual framework of NWW, the process of the institutional changes that have taken place over the last 70 years in Taiwan are presented briefly. Next, the process of the maturation of the limited access order on Taiwan is outlined. Then, attempts to explain the reasons for the successful democratisation are made. Finally, the main conclusions are presented.

From a limited access order to an open access order

According to the NWW (2009) conceptual framework, the crucial condition of economic development is to contain violence. Societies deal with the problem of violence by creating various forms of social orders. The world today is dominated by two types of orders: limited access orders (LAOs) and open access orders (OAOs). In LAOs, violence is limited because the dominant coalition is formed, bringing together powerful individuals and organisations that might use violence. The dominant coalition restricts other people's access to valuable resources and activities generating profits. The elites acquire rents ranging from extortion and corrupt payoffs to land rent, natural resource royalties and monopoly profits. Since the outbreak of violence could lead to a reduction of rents, the elites recognise that it is better to cooperate than to fight. Thus, in conditions of LAOs, the political system is used by the authorities to regulate economic competition and obtain economic rents. The rents, in turn, are the main factor shaping social relations, controlling violence and establishing social cooperation (NWW 2009, 18–20). However, limited access orders place limits on the economy and slow down long-term growth. This type of order exists in developing countries. OAOs exist in developed countries. The basis of the economic and political regulations of these states is competition and freedom of access to economic and political markets. Less important are the personal relationships of individuals, as the existing laws are universal and apply to everybody. The state has a monopoly on violence. In contrast to an LAO, everyone can freely create new political and economic organisations, thus exercising control over the government and reducing

the abuse of violence. OAOs generate competition, which results in Schumpeterian creative destruction (NWW 2009, 22–23). A typical form of an OAO is a liberal democracy and market economy. Still, a relatively small number of societies have managed to successfully transform from LAOs into OAOs.

Forms of social order and economic development

As emphasised by NWW, most attempts to help developed countries were unsuccessful because the development policy usually assumed the transfer of the institutions of an OAO to socio-economic systems operating according to the logic of an LAO. As the newly created institutions undermined the existing order and interfered with the allocation of rents, the elites sabotaged and undermined the legitimacy of reforms (North et al. 2007, 29, 2013a). NWW define *development* as the process of going through subsequent forms of LAOs and then transformations into OAOs. Therefore, to better understand the process of economic development, it is necessary to better understand on what basis the societies of developing countries work – that is, to better explore the logic of the LAOs. The experience of Taiwan, which, together with South Korea, has recently joined the group of developed countries (Table 1), seems to be good material for analysis using NWW's concept (Mo and Weingast 2013; You 2013). This allows for better understanding of why Taiwan was able to lay the foundations of the developmental state and for determining whether a similar process is possible in other developing countries.

NWW emphasise that their concept tends to look at the issue of development through the prism of two separate problems (North et al. 2007, 21). The first problem concerns the way of ensuring development within an LAO. The question of which conditions are conducive to reducing violence and then driving the maturation process of an LAO should be answered. This process is essential to the society to increase its productivity. This problem relates primarily to the societies of the poorest countries. The second problem concerns the transformation from LAOs to OAOs. Many countries in the world have managed to create a relatively well developed economy and significantly raise the standard of living of citizens. However, a large part of the population still has significantly limited access to political and economic markets, and the differences between the rich and poor are huge. As a result, these countries fall into the violence trap (Cox, North, and Weingast 2015). Taiwan has successfully coped with both problems. The first stage, namely the birth of the developmental state, lasted from the end of World War II to roughly the mid-1970s and the death of Chiang Kai-Shek. During the reign of his son, Chiang Ching-Kuo, there were many significant changes that marked the maturation of the LAOs. The democratisation process accelerated when Lee Teng-Hui became president. At the time, Taiwan achieved the doorstep conditions for the transition to open access. Then, in the mid-1990s the process of transition to open access order began. Table 2 contains some of the crucial events for the evolution of the social order in Taiwan.

Birth of the developmental state

NWW (2009, 21) distinguish three basic stages of the LAOs evolution: fragile, basic and mature. The fragile LAO is the least stable form of social order. The dominant

Table 1. GDP per capita (PPP), 1953–2011, 2005 USD.

	1953	1960	1973	1987	1998	2011
PRC	332	449	548	1,358	3,298	10,538
Philippines	1,867	2,197	2,919	2,935	3,255	4,516
S. Korea	1,461	1,633	3,357	9,154	17,039	30,050
Taiwan	1,852	2,391	5,743	13,519	24,672	39,586

Source: Feenstra, Inklaar, and Timmer (2015).

Table 2. From a fragile LAO to an OAO: Taiwan, 1945 to present.

Type of LAO	
Fragile LAO (1945–1949)	<ul style="list-style-type: none"> • The ROC took control of Taiwan • The February 28 Incident • Chinese Civil War
Basic LAO (1949–1960)	<ul style="list-style-type: none"> • Chiang Kai-Shek relocated his government to Taipei • State monopoly of violence – martial law • Land reform (1949–1952) • Import substitution industrialisation • Dependence on US aid • First and Second Strait Crises
Basic/Mature LAO (1960–1987)	<ul style="list-style-type: none"> • Export-oriented industrialisation and growth of SME • The ROC government walked out of the UN (1971) • 1973 oil crisis • Secondary import substitution industrialisation – petrochemical industry • President Chiang Kai-Shek dies • In 1979 the United States switched recognition from Taipei to Beijing. • <i>Dangwai</i> movement culminated in the formation of the DPP in 1986 • Chiang Ching-Kuo lifted martial law in 1987
Mature LAO with Doorstep Conditions (1987–1996)	<ul style="list-style-type: none"> • After the death of Chiang Ching-Kuo in 1988, Lee Teng-Hui succeeded him as president • Taiwan underwent a process of localization • ‘First Revision’ of constitution permitting free elections • On 27 May 1992 several other amendments were passed (known as the ‘Second Revision’) • In 1991 the original members of the Legislative Yuan and National Assembly were forced to resign – the first full democratic elections to the Legislative Yuan and National Assembly • ‘Second Revision’ allowing the direct election of the President of the ROC • Expansion of civil society organisations • Economic liberalisation • 1996 Taiwan Straits Crisis • Lee Teng-Hui re-elected in 1996, in the first direct presidential election in the history of the ROC
Transition to LAO (1996 to present)	<ul style="list-style-type: none"> • In 2000, Chen Shui-Bian of the Democratic Progressive Party was elected as the first non-Kuomintang (KMT) President • Democratic consolidation • Economic liberalisation • Re-election of Chen Shui-Bian • 2005 constitution reform • Ma Ying-Jeou (KMT) was elected as the president • Chen Shui-Bian was sentenced for corruption • Taiwan and PRC economic ties grow closer • 2016 elections

coalition does not bring together all organisations that can contribute to violence; therefore, often conflicts and anxieties occur. The created organisations are often weak and rarely exist for long. Their activity is closely linked with the leaders, and the basis for interaction is close personal relationships. It can be assumed that this type of LAOs operated in Taiwan during the civil war on the continent, from the moment of the return of Formosa to the Republic of China (ROC) in 1945 to the

transfer of the government of Chiang Kai-Shek to the island in 1949. After arriving in Taiwan, the regime was able to quickly consolidate power, and social order was characterised by many features typical of the basic LAOs. According to NWW (2013b, 11), in the case of the basic LAOs, the existing governments have a strong institutional foundation. The established organisations are usually part of the state, but there are also organisations strongly associated with the dominant ruling coalition. In many countries where there is (or was) a basic LAO, the rule of a single party applied. In contrast to the fragile limited access order, basic order creates much more stable basic organisational structures for the government action, and therefore it is easier to achieve economic growth and development. However, the activities outside organisations directly affiliated with the state or dominant coalition are difficult, as the elites treat such activities as a direct threat. Individuals are afraid to create new organisations because it involves a high risk of expropriation. Therefore, even if some private companies operate within the conditions of the basic order, their owners are directly affiliated with the ruling elites (NWW 2009, 43–46).

Post-war economic reforms

The key sector of the post-war economy of Taiwan was agriculture. The agrarian sector at that time yielded twice as much GDP as the industrial sector, and agricultural production accounted for over 90 percent of exports (Amsden 1979, 352). By carrying out agrarian reform, the regime not only meant to improve the efficiency of agricultural production but, above all, to increase support among peasants and reduce the impact of the traditional elites of landed gentry (Li 1995, 221; Cheng, Haggard, and Kang 1998, 89; Tsai 1999, 75; You 2015, 88). The government of Chiang Kai-Shek realised that one of the causes of defeat in the civil war with the communists on the Mainland was unsuccessful land reform, because of which the KMT had lost the support of many small farmers. It is widely believed that land reform was crucial for subsequent industrialisation and economic growth (Amsden 1979; Wade 1990; Rodrik 1995). The land reform not only allowed for gaining the necessary investment capital but also freed a significant number of the labour force (Amsden 1979, 352). As a result, the traditional structure of Chinese society completely changed; peasants acquired properties, and the landed class was completely dissolved (You 2015, 88). The reform helped to reduce poverty in rural areas and overcome disparities in income. Taiwan became a country of many small and independent farmers (Rigger 1999, 68). Due to the land reform, the KMT achieved its goal; namely, it gained the support of the villages and wiped out the impact of the landlords. As compensation, landowners received shares in state-owned enterprises, thanks to which some of them managed to turn into entrepreneurs (Hsiao and Hsiao 2015, 37–38). Although farmers gained land through the land reform and significantly improved their social and economic situation, the whole agrarian sector was organised in such a way as to be the source of rent for government bureaucracy. The peasants became small entrepreneurs, but the state exercised total control over the production and distribution of fertilisers, without which the production in small farms was not very profitable (Amsden 1979, 357).

The organisation of the industrial sector was also subordinated to providing the dominant coalition with rents (Lauridsen 2014, 436). For almost a decade after moving to the island, economic development of Taiwan was given secondary or no priority. The Chiang regime was preoccupied with the 'Recovery of the Chinese mainland', and the main task of the economy was to support the war effort (Hsiao and Hsiao 2015, 86). When the KMT ruled the whole of China, there were strong links between government officials and rich and influential entrepreneurs; as a result, in many cases, the particular interests of entrepreneurs prevailed over the interests of the state. Therefore, as land reform on Taiwan finally eliminated the landed class, so industrial policy was carried out in such a way as to avoid the excessive concentration of wealth in the hands of private entrepreneurs (Lauridsen 2014, 436; You 2015, 200). Thus, contrary to the recommendations of the American advisors, the government did not privatise companies and the economy of Taiwan belonged to one of the most nationalised among capitalist countries for a long time (Evans 1995, 55). In the early 1950s, more than half of the production was produced by state-owned enterprises (Amsden 1979, 367; Wade 1990, 78).

Moreover, when in 1949, after losing the civil war, the government of Chiang Kai-Shek moved to the island, the government remained extremely distrustful of the local residents. The events that took place during the first years of the government of China in Taiwan, primarily the February 28 incident, became a source of permanent animosity between the Taiwanese and Mainlanders. The Taiwanese had limited access to government jobs and education, and their language and culture were discriminated against. There were a number of institutional obstacles that guaranteed that Taiwanese entrepreneurs would not threaten the power of the KMT. The whole process of industrialisation and the attempts to promote the new branches were held by state-owned enterprises (SOEs) and the state organisations developed for this purpose, which determined the licenses, import quotas and so forth (Lauridsen 2014, 436). Private companies were also dependent on loans granted by banks, which also remained in the hands of the state. The KMT government took care to create a clear barrier between the world of politics and the economy, due to which the party apparatus was able to discipline the private sector (Noble 1998, 35; Evans 1995, 57). As a result, mainly small- and medium-sized enterprises (SMEs) worked in the private sector. In summary, the funds raised from farming were used by the regime for the development of the industrial sector, which was dominated by SOEs controlled by the KMT. SOEs were the direct source of rent for the KMT elite, providing jobs and funds for the functioning of the dominant coalition (Lauridsen 2014, 436). It should be noted, however, that although the main objective of the changes – which included the village and the industry – was to raise rents and consolidate the dominant coalition, the indirect effect of these reforms was the shaping of a relatively economically egalitarian society.¹

Post-war political reforms

The dominant coalition was able to acquire new sources of rent so effectively because, after the arrival in Taiwan, along with the land reform, Chiang Kai-Shek had

reformed the KMT (Kuo and Myers 2012, 36). Again, the main reason for the reform was Chiang's experience. Few political parties have the opportunity to make a fresh start in a new location. In China, Chiang was not able to control the party; corruption was widespread and activists undisciplined. With the arrival in Taiwan, changes in the party were possible for two reasons. First, Chiang had left the most corrupt and disloyal group of activists on the continent (Rigger 1999, 67); second, party activists had been taken from a previous network of dependencies and, in the new environment, their lives were dependent on loyalty to the party. In order to confirm his authority, Chiang created a network of people loyal to him and the party. No government agency was autonomous in relation to the party, and Chiang had an impact on every important part of the state structures (Lauridsen 2014, 434). This was possible because, as early as 1949, the KMT launched a campaign to create cells of the party among the most important organisations at that time. The structures of the party covered the entire state and often duplicated the structures of government administration (Dickson 1993). Many party members were employed full time and worked in the government as well as the offices of the local parties, which in turn provided direct contact with the public (Rigger 1999, 63). Within a short period, the KMT was able to secure a monopoly of power at the central level, and by expanding the party network throughout the country, to implement effective control of local authorities and the rest of the country. The reform of the party significantly reduced the scale of corruption at the central level, which contributed to the growth of meritocratic bureaucracy in the coming years. However, at the local level, there was still widespread clientelism (Wang 1994).

According to the constitution, the Republic of China was a democracy, but the civil war and conflict with the communists was the pretext for the KMT to suspend elections at the central level. The situation was different in the regions where, throughout the entire period of autocratic rule of the KMT in Taiwan, regular local elections had been held. The regime decided to allow democratic elections at the local level because, at a relatively low cost, it improved relations with foreign allies by pretending to be 'Free China' as opposed to undemocratic 'Red China' and refuted the arguments of the opposition. Periodic elections were one of the main sources of legitimacy of the KMT (Rigger 1999, 82; Roy 2003, 85). In the face of the ban on the creation of new parties and the total control of the media by the ruling party, in practice, the elections were far from democratic. The KMT did not introduce changes in the electoral law inherited from the time of Japanese colonisation. The single non-transferable voting system in multi-member districts promoted well-organised parties and therefore worked to the disadvantage of non-partisan opposition, that is, the Dangwai Movement. In such a situation, the KMT, having the monopoly of the media and the complex structure of the party, won all of the elections for the next half-century without any major problems.

The transition to export promotion

The reforms made in the first decade of the rule of the KMT in Taiwan ensured internal stability, but the main challenge to the regime was still the threat from the

People's Republic of China. The first and the second crises in the Taiwan Strait also had mobilising effects on the action of the government. To repulse the invasion of the PRC and think about regaining the continent, financial resources, including a well-functioning economy, were necessary. That is why the government devoted much attention to the economy and tried to carry out an effective industrial policy. In the 1950s, it adopted the strategy of import substitution, but in contrast to other countries that led such a policy then, the goal was not self-sufficiency but the saving of foreign exchange. Through the protection of infant industries, this policy initially affected the output growth positively. However, the internal market was quickly saturated and the growth rate of production was dropping. The main objective of this policy failed because a negative balance of foreign trade still remained (Gold 1986, 72). Due to this problem, and being under pressure from the United States, technocrats began to postulate a change of development strategy, partial liberalisation of the economy and its export orientation (Haggard 1990, 92; Tsai 1999, 72). Import substitution helped to develop infant industries, but this economic shift into export production is considered to be the main reason for the success of Taiwan's economy. These changes *de facto* meant extension of economic freedom and, consequently, had a positive impact on the process of LAO maturation. The SMEs took advantage of the chances that came with the change of economic policy in Taiwan. It was the dynamic growth of this sector that contributed to the success of Taiwan's pro-export policy. Large participation of SMEs in production was caused by a number of institutional obstacles that guaranteed that Taiwanese entrepreneurs would not try to turn the gained economic capital into a political one and possibly threaten the monopoly of the KMT (Lauridsen 2014, 436).

As the experience of many developing countries shows, such a fundamental change in economic policy is difficult because the strategy of import substitution is commonly associated with the phenomenon of rent-seeking. Usually, there is a large internal resistance to opening the economy to competition because it involves the loss of some enterprises and related interest groups. In the case of Taiwan, there was no such resistance, because the companies benefiting from the existing policies belonged to the state or were too weak to effectively influence the process of political decision making. Therefore, when the regime of Chiang Kai-Shek decided that, by promoting exports, it was able to increase the potential rents derived from industrial production, there were no obstacles to the introduction of the new policy.²

The government also established long-lasting economic institutions, including the central banking system, and created the basis for the development of the capital market (Tsai 1999, 73). The conservative state macroeconomic policy also stemmed from the negative experiences in the past and awareness of the consequences entailed by hyperinflation (Cheng, Haggard, and Kang 1998, 89). Although economic liberalisation mainly affected companies producing for export and the domestic market was still covered by the broad state intervention (Wade 1990; Brautigam 1995), a wider range of economic freedom contributed to the growth of the private sector. Taiwanese entrepreneurs used the opportunity that appeared along with the new policy and began experimenting with the production for export. Businesses often worked together on the basis of informal family and social networks, sharing information and

know-how. In this way the footwear sector, among others, developed, and Taiwan became the largest producer of footwear in the world in the years 1972–1988 (Hsu and Cheng 2002, 899–900). These informal social networks evolved into formal trade associations that coordinated the activities of entrepreneurs and enabled SMEs effective operation, achieving economies of scale and consequently competitiveness in international markets. These associations quickly found themselves under the influence of the ruling party, so their role was confined mainly to the coordination of the activities of enterprises and, to a lesser extent, they were able to influence the industrial policy of the government (Kuo 1995, 70). The government supported the operation of SMEs because they had become a major source of economic growth, which legitimised the authorities of the KMT. However, they made sure that the economic capital was not turned into political capital by spreading the party's control of industry associations (Lauridsen 2014, 436). Enlarging the range of economic freedom had a positive effect on the efficiency of the economy and economic growth. In the long run, it contributed to the enrichment of society and the development of civil society.

In contrast to the central authorities, corruption at the local level was widespread. The KMT established a system of clientelistic relationships using local factions in order to expand its sphere of influence and effectively control elections (You 2015, 115). Local interest groups gained the support of the local community based on *gaunxi*, the use of existing social networks and buying votes (Bosco 1994). The regime therefore used the system of monopolies and licensing to reward local factions for their loyalty, and the local elite, competing for these rents, did not pose a real threat to the KMT (Kuo 1995, 49). This system worked effectively until the mid-1980s (Lauridsen 2014, 437). At the same time, however, local elections and later by-elections for central authorities, although not fully democratic, actually gave persons outside the circle of the dominant coalition the chance of joining the ranks of the elite, creating opportunities for the Taiwanese to gain some limited political influence. The elections were held under the full control of the KMT, but they were relatively competitive and provided the society with an opportunity to make demands with respect to authority. Therefore, according to Rigger (1999), periodically held elections were one of the main sources of democratisation.

The maturation of the LAO

According to the NWW (2013b, 12–13) concept, in the conditions of mature limited access order, the elites support the activities of many organisations that are not directly linked to the state. However, there are still strong barriers to the emergence of new organisations completely independent from the government. Private sector development requires the creation of a much more complex institutional system, so, in a mature order, there exist public laws and specific rules that govern the relationships between government agencies and organisations not directly subject to the government. This requires the action of the courts or bureaucratic machine, which are able to enforce existing law, even among members of the elite. Taiwan has developed a well-functioning bureaucratic structure, considered by many researchers as

meritocratic (Amsden 1979; Wade 1990). As NWW (2013b, 13) believe, in mature LAOs, government actions are more predictable and reliable because the private organisations of the elites are so powerful that they can effectively fight for their rights, exerting economic pressure on the government. In the case of Taiwan, the situation was more complicated. The KMT was widely regarded as the richest party in the world. The regime exercised direct control over some party-owned and state-owned enterprises (SOE) and was economically independent. Undoubtedly, wealthier and better educated society tried to force the government to make a democratic reform. However, these actions would have been probably doomed to failure due to the power of the KMT. Therefore, key influencers on LAO maturation in Taiwan were the international situation and the threat of the People's Republic of China. The process accelerated when in the early 1970s People's Republic of China improved relations with Western countries and, consequently, the ROC government lost its place at the UN. To maintain the support of the West, primarily the United States, as well as internal stability, the regime had to agree to increase the scope of civil liberties, namely the openness of the political system. In Western countries, the voice of human rights defenders became increasingly important and pointed to the undemocratic and autocratic practices of the regime of Chiang Kai-Shek. To keep any support of the democratic world, the KMT had to make changes in domestic politics (Rigger 1999, 17–18).

Another factor destabilising the dominant coalition were changes at the top of the government. Although Chiang Kai-Shek ruled until his death in 1975, the process of the succession of power had been progressing since the early 1970s. Gradually, power was passed into the hands of the son of Chiang Kai-Shek, Chiang Ching-kuo. With the change of leadership, a generation change in the KMT followed. A new generation of party leaders realised that they should speed up political reforms so that the party could survive (Dickson 1996, 49). At the time of the rule of Chiang Kai-Shek, the KMT's main goal was to gain control over Mainland China, and then the party had to focus on its position on the island. The new party leadership decided to make changes in the way it ran the government, whose main aims were the legitimacy of the rule of the KMT and the consolidation of power by Chiang Ching-Kuo (Rigger 1999, 111). First, the KMT began to accept more Taiwanese people into their ranks, which began the process of the 'Taiwanisation' of the party. The Taiwanese were given the chance to take leadership positions in the party and government (Dickson 1996, 54). Second, the party began to pay more attention to the process of democratic election. Elections began to play an increasingly important role in the conduct of policy in Taiwan. Due to the aging of the members of the National Assembly and the Legislative Yuan, the composition of these bodies had to be supplemented. In 1966, it was decided that the new members would be selected, which is why periodical by-elections at the central level were held from 1969 (Chao and Myers 1998, 63).

The second phase of import substitution

Taiwan's economy was negatively affected by the oil crisis. The economic slowdown was also associated with stagnation in the sector of SMEs producing for export due

to rising labour costs. The government decided to increase the scope of intervention in the economy through the development of industry and infrastructure construction. The secondary import substitution began, the aim of which was the creation of heavy and chemical industry. As part of the *Ten Major Construction Projects*, new highways, railways, airports, ports, shipyards, steelworks and petrochemical refineries, as well as several nuclear power plants were built. In 1973, the Industrial Technology Research Institute was established, whose aim was to do research as well as to develop new technologies and transfer them to industry (Tsai 1999, 73). Although these economic reforms increased the state involvement in the economy, they did not mean a significant reduction in the scope of economic freedom. They were primarily a response to the economic crisis, and their main goal was to stimulate economic growth, which is an anti-cyclical policy. Researchers argue over the extent to which the reforms were a consequence of long-standing government policy and the extent to which they were related to changes at the top of power. It is believed that the reforms that were carried out in the 1970s were largely inspired by Chiang Ching-Kuo, who consolidated authorities in this way. This includes both changes in the economy (Tsai 1999, 77) and political changes leading to subsequent democratisation (Rigger 1999, 24).

Political liberalisation

Of greater importance for the LAO maturation process were the political changes and their consequential gradual liberalisation. On one hand, the KMT started to open itself to the Taiwanese; on the other hand, the elections were more and more important. The KMT still easily won the elections, both at the local level and by-elections at the central level. However, the elections themselves and the election campaigns were opportunities for the opposition to convey their demands to the public. Some opposition members were able to get mandates. These did not translate into real power, but through the exercise of parliamentary immunity, the members could criticise the government (Chao and Myers 1998, 86–87). The so-called ‘white terror’ clearly weakened in the 1970s, and due to election, the opposition acted more boldly (Winckler 1984). The growing middle class and better education led to the development of civil society. A chance for the opposition was the growing conflict between the ruling party leadership and local factions. Opposition candidates won 30 percent of the votes in by-elections carried out in 1977. Although this result did not translate into actual political influence due to the complicated electoral law, it was a warning signal for the regime (Rigger 1999, 115). At the same time, the costs of pacifying the opposition, which had to be borne by the KMT, were rising. The regime realised this at the time of ‘the Kaohsiung Incident’. The authorities reacted quite sharply to the next democratic demonstrations and used repressions against the opposition. Such an action by the authorities provoked protests both abroad in democratic countries and in Taiwan (Rigger 1999, 117; Roy 2003, 166).

Dual balance

External pressure was not the only factor forcing the ruling party to introduce political liberalisation. According to NWW (2009, 20), there is a balance between the

distribution and organisation of violence and political power on one hand and the distribution and organisation of economic power on the other. NWW define it as *double balance* because, to make the society stable, not only must all of the social systems in a society have an internal balance of interests, but also the political, economic, cultural, social and military systems must contain compatible systems of incentives across the systems. Despite the constant threat from outside, Taiwan remained politically stable, and the economic policies pursued by the regime ensured high economic growth. After a period of economic difficulties caused by the oil crisis, Taiwan returned to the path of dynamic growth and, from the mid-1970s to 1980s, GDP per capita doubled (Feenstra, Inklaar, and Timmer 2015). As a result of the early 1950s' agricultural reform and constant government control over the economy, the aim of which was to prevent the excessive concentration of wealth in the hands of individual entrepreneurs, the distribution of income in society was quite equal (Warr and Wang 1999, 145; You 2013, 88). Therefore, Taiwan managed to create stable conditions for economic growth – in contrast to many developing countries – and the fruits of this growth not only reached a narrow group of elites but contributed to a significant improvement in the quality of life for the majority of citizens. A higher standard of living and universal access to education boosted the development of civil society (Hsiao 2005, 43). From the point of view of the NWW theory, the range of economic freedom in Taiwan in the mid-1980s was much bigger than the range of political freedom. The consequence of such imbalances was growing tension within the socio-economic system, and the result, according to the NWW concept, could be either the broadening of the scope of civil liberties, namely the democratisation of Taiwan, or the limiting of the scope of economic freedom. In the mid-1980s it became clear that the current economic model was exhausted. On one hand, in an increasingly affluent society, labour costs were rising and the negative effect of investment in the petrochemical industry was a progressive degradation of the environment. On the other hand, the economic reforms of Deng Xiaoping carried out in Mainland China made PRC a more attractive place to invest than Taiwan (Chiang and Gerbier 2010, 150). Without changes to the political system, a shift towards high-tech industrialisation could not have been possible (Lauridsen 2014, 437). The existing economic rents could have undergone erosion, which, in turn would have threatened the dominant coalition.

It seems that four factors influenced Taiwan democratisation. First, because of the threat from the PRC, the Taiwanese authorities could not afford to lose the support of the West. Second, the democratic system was inscribed in the constitution of the ROC and was a part of the legitimacy of the KMT; over time, it was increasingly difficult for the government to justify the legitimacy of limiting citizens' rights. Third, the enrichment of society was conducive to the development of civil society and the activities of the opposition were getting bolder, therefore, it was able to exert more and more pressure on the ruling party. Fourth, the power of the KMT was so great that even the liberalisation of political life was not threatened in the near future by the loss of political and economic influence; the ruling party was still popular among the majority of the population. The pressure by the West and the opposition caused the increase of the cost of political repression that the regime had to bear. Therefore,

there was a situation in which the majority of the elite came to the conclusion that more could be gained from the opening of the political system than from maintaining the *status quo*.

The doorstep conditions and transition to the OAOs

The process of democratisation definitely accelerated in the mid-1980s. In 1986, contrary to the existing laws, opponents gathered in *Dangwai* decided to fund the Democratic Progressive Party (DPP) (Rigger 2001, 15). The answer of the KMT was balanced and the regime did not take action against DPP. Contrary to the fears of some KMT activists, President Chiang Ching-Kuo decided to start the process of reforms, which were aimed at increasing political freedoms and civil rights and introducing the rule of law. As a result, in 1987, the martial law that had been in force from the end of the 1940s was abolished. However, the process of democratisation proceeded gradually; abolition of martial law was preceded by the adoption of a law that still significantly restricted some civil liberties, thus ensuring the maintenance of certain privileged members of the regime. Taking advantage of the new freedoms, the DPP actively demonstrated their opposition to the existing institutions of the authoritarian state still exerting pressure on the government (Chao and Myers 1998, 133–142). The democratisation process could have been inhibited by the death of Chiang Ching-Kuo because, without his authority and support for democratic reforms, conservatives in the KMT who wanted to preserve the *status quo* could win. The new president was Chiang's deputy, Lee Teng-hui. Although at first it was not certain whether he, being Taiwanese, would manage to consolidate authority in a party dominated by Mainlanders, in a few months, Lee was elected the new chairman of the KMT (Chao and Myers 1998, 154–159).

Extending the dominant coalition and further liberalisation

Until the mid-1980s, the backbone of the dominant coalition had been the KMT members. The party had a monopoly at the central level and used local political factions to control the elections at the local level. Locally, politicians and organisations were rewarded for their loyalty to the KMT with privileges that were the source of rents. Local factions were therefore part of the dominant coalition; however, they were not able to threaten the position of the KMT. Nonetheless, the political market liberalisation violated this balance. Political reforms started in the mid-1980s opened up the political system and contributed to the expansion of the dominant coalition. The importance of not only the opposition but also local political factions and wealthy entrepreneurs increased. To ensure support in the elections, the KMT had to agree to the increasingly higher demands of local faction leaders. As a result, the costs of running a campaign and gaining votes significantly increased, and the clientelistic network and corruption present almost exclusively at the local level so far began to include the authorities and central bureaucracy (Rigger 1999, 149; Roy 2003, 206). The KMT leaders had not predicted such an effect of political liberalisation. With time, the effectiveness of vote buying was falling and the cost of clientelistic systems

was rising. As a result, rents were not high enough to continue to maintain the current position of the ruling party. Additionally, the opposition, which mobilised voters almost exclusively through election slogans opposing the autocratic power and ethnic discrimination, more and more often had to look for support among the local leaders of factions and entrepreneurs to be able to effectively compete in elections. As Chao and Myers (1998, 160) write, in the late 1980s, political markets in Taiwan became increasingly competitive, but formal rules, including the Constitution modified at the end of the 1940s, still limited this competition to a great extent. Because the cost of the operation of the existing system was too high, a consensus was reached among the elites and further reforms opening both political and economic markets were introduced.

It can be considered that in the first half of the 1990s, not only did mature LAO fully develop but doorstep conditions were met, so that the process of transition to OAO could begin. NWW (2009, 26) identify three doorstep conditions:

- (1) Rule of law for elites;
- (2) Perpetually lived forms of public and private elite organisations;
- (3) Consolidated political control of the organisations with violence capacity.

In subsequent years, the ruling party met the demands of the opposition. Fully democratic parliamentary elections, National Assembly elections, the direct elections of the mayors of large cities and finally, in 1996, direct presidential elections took place. At the same time, market-oriented economic reforms, which reduced the KMT control over the economy, were introduced. These changes contributed to the destabilisation of the KMT and led to internal divisions and, finally, to the partial dissolution of the party. However, at that time, the social order in Taiwan worked largely in line with the logic of the open access order; therefore, the system remained stable. Proof for the stability of the system was the presidential election in 2000. Using the divisions within the KMT, the opposition candidate Chen Shui-bian won them (Rigger 2011, 80). The process of the transfer of power proceeded without major obstacles, and despite the economic problems that had occurred at the beginning of the new century, the socio-economic situation remained stable. Thanks to the balance between political elites (the DPP controlled the presidential office and the KMT controlled legislators), constitutional changes that strengthened the rule of law and the openness of the political system were successful. This was proof of the growing competition among the elites and, therefore, greater political openness of markets has become a reality.

The erosion of the developmental state and OAOs consolidation

Industrial policy in Taiwan was so successful in the days of autocratic rule because there was a clear barrier between the political and economic spheres. The Kuomintang directly controlled the activities of SOEs, which were the main contractors of the industrial policy of the government, and the coordination of the activities of the private sector was undertaken by professional organisations, being also under

the influence of the ruling party. Political liberalisation contributed to the partial decomposition of the developmental state (Wu 2007). First, in the initial stage of democratisation, the clientelistic network, which allowed the KMT to control the election process at the local level, began to include the central level of administration adversely affecting the operation of the bureaucracy so far considered as meritocratic. Second, the greater openness of political markets imposed the liberalisation and deregulation in the economic sphere on the ruling party (Chu 2002). While, in the mid-1980s, the political and economic systems remained unbalanced due to an excessively closed political system, in the late 1980s and early 1990s, the cause of the imbalance was difficult access in the economic sphere. The process of the privatisation of SOEs (Syu 1995; Chu 2001) and the deregulation of markets started. The opposition insisted on it especially, as it believed that the direct control of the KMT over the economy and the enterprises was more and more often a source of corruption and rent-seeking and that it inhibited the process of democratisation. This process accelerated at the turn of the century, when the DPP leader Chen Shui-Bian took over as president. The new government introduced a number of reforms to further increase the scope of economic freedom. Some reforms were widely criticised because their effect was the partial dismantling of the basis of the developmental state (Wang 2014; Chu 2014, 239). There is no doubt, however, that from the point of view of the new government, economic liberalisation meant a further reduction of the influence of the KMT and the attempt to create their own economic base. An important factor negatively influencing the effectiveness of the developmental state was also the suspicion between the new authorities and a KMT-dominated economic bureaucracy (Lauridsen 2014, 441). Of course, reforms were also an opportunity to gain privileges and influence for the allies of the new government. Irregularities and corruption scandals revealed almost a decade later reached President Chen Shui-Bian, who was later convicted of corruption and, consequently, the DPP lost the presidential election in 2008. However, another peaceful change of power consolidated the democratic transition and the openness of the political system. The economic growth rate was not as high as in previous decades; however, it can be concluded that Taiwan had already joined the ranks of the rich countries and maintaining the previous high pace of growth was unrealistic.

Security threat today

The threat from the PRC forced the government of Taiwan to conduct a policy that positively influenced the process of LAO maturation and transformation to OAO. However, now it is the complicated international situation that may be the biggest problem in the consolidation of OAO in Taiwan (Wu 2005; Wang and Chang 2006; Fell 2010). It should be noted that, in contrast to most countries where the OAO dispute among political elites focuses on issues of the socio-economic policy, the political dispute in Taiwan almost exclusively concerns the Cross-Strait relations and the possible declaration of independence. This situation can potentially adversely affect the efficiency of solving the socio-economic problems by the government and maintaining the social balance and the openness of the political and economic system.

However, recent history has shown that the consolidation of OAO is progressing. After the publicity of corruption scandals under President Chen Shui-Bian's administration, the KMT returned to power, and Ma Ying-Jeou took office as the president. The new administration led to significant economic rapprochement with Mainland China, which had a significant impact on the economy of Taiwan (Fell 2010, 191). On one hand, some entrepreneurs benefited from new investment opportunities on the continent and the development of the tourism sector on the island. On the other hand, there appeared losers, such as employees who lost their jobs as a result of the transfer of production to China. This situation within the logic of limited access order could lead to a permanent imbalance and discrimination against the losers. However, the recent DPP victory both in the presidential and parliamentary elections as well as another peaceful transfer of power may be the proof of the successful transition to OAO in Taiwan.

Summary

The NWW theory makes it easier to understand why the authoritarian government in Taiwan has been able to build the institutional foundations for economic development. The desire to reconquer Mainland China and the threat from the PRC forced the elites to cooperate and made their action more predictable. The regime strictly controlled violence in the face of danger, and as a consequence, the country remained internally stable, which contributed to the LAOs maturation. Usually, most developing countries have a problem with the control of violence and it is this factor that makes the achievement of economic growth difficult in both the initial and later stages of development of the state, whereas the process of LAOs maturation and transition to OAOs is threatened. Taiwan, similarly to South Korea, is unusual in this respect.

However, in the case of Taiwan, there were several other factors that contributed to the activities of the elites, resulting in the process of institutional evolution being more stable than in the Republic of Korea. First, at the time of the evacuation of the KMT to the island, there was a specific selection of the elites because Chiang Kai-shek left disloyal and corrupt party members behind. This situation later helped in providing the basis for meritocratic bureaucracy. Second, the regime of Chiang Kai-shek received a second chance and, by introducing reforms in Taiwan, tried to avoid making the same mistakes again. Third, ethnic tensions between the newcomers from the Mainland and the Taiwanese resulted in the isolation of the political sphere from the economic sphere for a long time, thereby reducing the corruption and rent-seeking, which was conducive to economic development. Fourth, the role of the United States, whose military aid guaranteed protection against the PRC and whose economic assistance was the main source of rents in the initial stage of the rule of the KMT on the island, should not be forgotten.

As the international situation still determined the activities of the elites, when the limited access order matured, a natural step in the evolution of the socio-economic system was transformation into an open access order. The result of economic growth was the enrichment of society, education and the development of civil society, which

allowed the opposition to exert pressure on the regime. According to the NWW theory, in the face of an imbalance between an excessively closed political system and a relatively open economic system, two solutions were possible: democratisation or closing the economic system. Again, due to the external threat, the elites could not risk a severe economic downturn and therefore concluded that they could gain more from opening access to political markets. Consequently, the process of transformation to OAOs began. Currently, it can be concluded that in Taiwan there is a stable open access order that is not much different from the institutional orders in other developed countries. However, the still-uncertain international situation and the complicated political status of Taiwan are both the reason for the predictability of the behaviour of the elites and a potential source of threat to the stability of the institutional order.

Disclosure statement

No potential conflict of interest was reported by the author.

Funding

This research has been made possible by The Taiwan Fellowship Program of the Ministry of Foreign Affairs of Taiwan.

Notes on contributor

Tomasz Legiędź is an assistant professor of economics at the Department of Development Economics, University of Łódź, Poland. He received his PhD degree in economics from the University of Łódź. He has published studies on transition economies and China's economy. He was awarded a Taiwan Fellowship from the Ministry of Foreign Affairs of Taiwan in 2015.

Notes

1. According to You (2013, 2015), the economically egalitarian society was crucial for the consolidation of civil society and LAO maturation both in Taiwan and South Korea.
2. At the same time, similar changes took place in South Korea where weakened chaebols were also not able to oppose the government policies of Park Chung-hee (Mo and Weingast 2013; You 2013).

References

- Amsden, Alice H. 1979. "Taiwan's Economic History: A Case of Etatism and a Challenge to Dependency Theory." *Modern China* 5 (3): 341–379.
- Amsden, Alice H., and Wan-Wen Chu. 2003. *Beyond Late Development: Upgrading Policies in Taiwan*. London: MIT.
- Barrett, Richard E., and Martin King Whyte. 1982. "Dependency Theory and Taiwan: Analysis of a Deviant Case." *American Journal of Sociology* 87 (5): 1064–1089.

- Berger, Peter L. 1986. *The Capitalist Revolution: Fifty Propositions About Prosperity, Equality, and Liberty*. New York: Basic Books.
- Bosco, Joseph. 1994. "Faction versus Ideology: Mobilization Strategies in Taiwan's Elections." *The China Quarterly* 137: 28–62.
- Brautigam, Deborah. 1995. "The State as Agent: Industrial Development in Taiwan, 1952–1972." In *Asian Industrialization and Africa: Studies in Policy Alternatives to Structural Adjustment*, edited by Howard Stein, 145–181. New York: St. Martin's Press.
- Chao, Linda, and Ramon H. Myers. 1998. *The First Chinese Democracy: Political Life in the Republic of China on Taiwan*. Baltimore: Johns Hopkins University Press.
- Cheng, Tum-Jen, Stephan Haggard, and David Kang. 1998. "Institutions and Growth in Korea and Taiwan: The Bureaucracy." *Journal of Development Studies* 34 (6): 87–111.
- Chiang, Min-Hua, and Bernard Gerbier. 2010. "Foreign Factors in Taiwan's Economic Transformation." *Journal of the Asia Pacific Economy* 15 (2): 148–165.
- Chu, Wan-Wen. 2014. "Challenges for the Maturing Taiwan Economy." In *New Challenges for Maturing Democracies in Korea and Taiwan*, edited by Larry Diamond and Gi-Wook Shin, 216–249. Stanford: Stanford University Press.
- Chu, Yung-Peng. 2001. "Liberalization Policies Since the 1980s." In *Taiwan's Economic Success Since 1980*, edited by Zhaocheng Mai and Jiansheng Shi, 89–119. Cheltenham, UK: E. Elgar.
- Chu, Yun-Han. 2002. "Re-Engineering the Developmental State in an Age of Globalization: Taiwan in Defiance of Neo-Liberalism." *China Review* 2 (1): 29–59.
- Cox, Gary W., Douglass C. North, and Barry R. Weingast. 2015. *The Violence Trap: A Political-Economic Approach to the Problems of Development*. SSRN Scholarly Paper ID 2370622. Rochester, NY: Social Science Research Network. <http://papers.ssrn.com/abstract=2370622>.
- Dickson, Bruce J. 1993. "The Lessons of Defeat: The Reorganization of the Kuomintang on Taiwan, 1950–52." *The China Quarterly* 133: 56–84.
- Dickson, Bruce J. 1996. "The Kuomintang before Democratization: Organizational Change and the Role of Elections." In *Taiwan's Electoral Politics and Democratic Transition: Riding the Third Wave*, edited by Hung-mao Tien, 42–78. Armonk, NY: M.E. Sharpe.
- Evans, Peter B. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press.
- Feenstra, Robert C., Robert Inklaar, and Marcel P. Timmer. 2015. "The Next Generation of the Penn World Table." *American Economic Review* 105 (10): 3150–3182.
- Fell, Dafydd. 2010. "Taiwan's Democracy: Towards a Liberal Democracy or Authoritarianism?" *Journal of Current Chinese Affairs* 39 (2): 187–201.
- Gold, Thomas B. 1986. *State and Society in the Taiwan Miracle*. Armonk: M.E. Sharpe.
- Haggard, Stephan. 1990. *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*. Ithaca: Cornell University Press.
- Hsiao, Frank S. T., and Mei-Chu Wang Hsiao. 2001. *Taiwan in the Global Economy: Past, Present, and Future*. SSRN Scholarly Paper ID 1836229. Rochester, NY: Social Science Research Network. <http://papers.ssrn.com/abstract=1836229>.
- Hsiao, Frank S. T., and Mei-Chu Wang Hsiao. 2015. *Economic Development of Taiwan: Early Experiences and the Pacific Trade Triangle*. Singapore; Hackensack: World Scientific Publishing Company.
- Hsiao, Hsin-Huang Michael. 2005. "NGOs, the State, and Democracy Under Globalization: The Case of Taiwan." In *Civil Life, Globalization, and Political Change in Asia: Organizing Between Family and State*, edited by Robert P. Weller, 42–57. London; New York: Routledge.
- Hsu, Jinn-Yuh, and Lu-Lin Cheng. 2002. "Revisiting Economic Development in Post-War Taiwan: The Dynamic Process of Geographical Industrialization." *Regional Studies* 36 (8): 897–908.
- Kuo, Cheng-Tian. 1995. *Global Competitiveness and Industrial Growth in Taiwan and the Philippines*. Pittsburgh: University of Pittsburgh Press.
- Kuo, Tai-Chün., and Ramon Hawley Myers. 2012. *Taiwan's Economic Transformation: Leadership, Property Rights and Institutional Change 1949–1965*. London: Routledge.

- Lauridsen, Laurids S. 2014. "Governance and Economic Transformation in Taiwan: The Role of Politics." *Development Policy Review* 32 (4): 427–448.
- Li, Kuo-Ting. 1995. *The Evolution of Policy Behind Taiwan's Development Success*. Singapore: World Scientific.
- Mo, Jongryn, and Barry R. Weingast. 2013. *Korean Political and Economic Development: Crisis, Security, and Institutional Rebalancing*. Cambridge, MA: Harvard University Asia Center.
- Noble, Gregory W. 1998. *Collective Action in East Asia: How Ruling Parties Shape Industrial Policy*. Ithaca: Cornell University Press.
- North, Douglass C., John J. Wallis, Steven B. Webb, and Barry R. Weingast. 2007. *Limited Access Orders in the Developing World: A New Approach to the Problems of Development*. Policy Research Working Paper Series 4359. The World Bank. <https://ideas.repec.org/p/wbk/wbrwps/4359.html>.
- North, Douglass C., John J. Wallis, Stevan B. Webb, and Barry R. Weingast. 2013a. "Ten Lessons In the Shadow of Violence." In *In the Shadow of Violence: Politics, Economics, and the Problems of Development*, edited by Douglass C. North, John J. Wallis, Steven B. Webb, and Barry R. Weingast, 328–350. New York: Cambridge University Press.
- North, Douglass C., John J. Wallis, Stevan B. Webb, and Barry R. Weingast. 2013b. "Limited Access Orders. An Introduction to the Conceptual Framework." In *In the Shadow of Violence: Politics, Economics, and the Problems of Development*, edited by Douglass C. North, John J. Wallis, Steven B. Webb, and Barry R. Weingast, 1–23. New York: Cambridge University Press.
- North, Douglass C., John J. Wallis, and Barry R. Weingast (NWW). 2009. *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge: Cambridge University Press.
- Ranis, Gustav. 1995. "Another Look at the East Asian Miracle." *The World Bank Economic Review* 9 (3): 509–534.
- Ranis, Gustav. 2002. "Lessons From Taiwan's Performance: Neither Miracle nor Crisis." In *Taiwan in the Global Economy: From an Agrarian Economy to an Exporter of High-Tech Products*, edited by Peter C. Y. Chow, 3–32. Westport: Praeger.
- Rigger, Shelley. 1999. *Politics in Taiwan Voting for Democracy*. London. New York: Routledge.
- Rigger, Shelley. 2001. *From Opposition to Power: Taiwan's Democratic Progressive Party*. Boulder: L. Rienner Publishers.
- Rigger, Shelley. 2011. *Why Taiwan Matters: Small Island, Global Powerhouse*. Lanham: Rowman & Littlefield.
- Rodrik, Dani. 1995. "Getting Interventions Right: How South Korea and Taiwan Grew Rich." *Economic Policy* 10 (20): 55–107.
- Roy, Denny. 2003. *Taiwan: A Political History*. Ithaca: Cornell University Press.
- Studwell, Joe. 2014. *How Asia Works: Success and Failure in the World's Most Dynamic Region*. New York: Grove Press.
- Syu, Agnes. 1995. *From Economic Miracle to Privatization Success: Initial Stages of the Privatization Process in Two SOEs on Taiwan*. Lanham: University Press of America.
- Tsai, Pan-Long. 1999. "Explaining Taiwan's Economic Miracle: Are the Revisionists Right?" *Agenda* 6 (1): 69–82.
- Wade, Robert. 1988. "The Role of Government in Overcoming Market Failure: Taiwan, Republic of Korea and Japan." In *Achieving Industrialization in East Asia*, edited by Helen Hughes, 129–163. Cambridge: Cambridge University Press.
- Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton: Princeton University Press.
- Wang, Fang. 1994. "The Political Economy of Authoritarian Clientelism in Taiwan." In *Democracy, Clientelism, and Civil Society*, edited by Luis Roniger and Ayşe Güneş-Ayata, 181–206. Boulder: L. Rienner Publishers.
- Wang, Jen-Hwan. 2014. "Developmental State in Transition: The State and the Development of Taiwan's Biopharmaceutical Industry." In *The End of the Developmental State?* edited by Michelle Williams, 84–102. New York; London: Routledge.

- Wang, T. Y., and G. Aandy Chang. 2006. "External Threats and Political Tolerance in Taiwan." *Political Research Quarterly* 59 (3): 377–388.
- Warr, Peter G., and Wen-Thuen Wang. 1999. "Poverty, Inequality and Economic Growth in Taiwan." In *The Political Economy of Taiwan's Development into the 21st Century*, edited by Gustav Ranis, Sheng-Cheng Hu, and Yün-peng Chu, 133–166. Cheltenham, UK: Elgar.
- Winckler, Edwin A. 1984. "Institutionalization and Participation on Taiwan: From Hard to Soft Authoritarianism?" *The China Quarterly* 99: 481–499.
- Wu, Yongpin. 2004. "Rethinking the Taiwanese Developmental State." *The China Quarterly* 177: 91–114.
- Wu, Yu-Shan. 2005. "Taiwan's Domestic Politics and Cross-Strait Relations." *The China Journal* 53: 35–60.
- Wu, Yu-Shan. 2007. "Taiwan's Developmental State: After the Economic and Political Turmoil." *Asian Survey* 47 (6): 977–1001.
- You, John-Sung. 2013. "Transition from a Limited Access Order to an Open Access Order: The Case of South Korea." In *In the Shadow of Violence: Politics, Economics, and the Problems of Development*, edited by Douglass C. North, John Joseph Wallis, Steven B. Webb, and Barry R. Weingast, 293–327. New York: Cambridge University Press.
- You, John-Sung. 2015. *Democracy, Inequality and Corruption*. Cambridge: Cambridge University Press.