Taiwan’s Developmental State: 
After the Economic and Political Turmoil

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Abstract

In this paper we start with a discussion of the capitalist developmental state (CDS) model and Taiwan, asserting the latter as a core example of the CDS. We then look into the four constituent elements of the model: state autonomy from society, elite consensus on developmentalism, state penetrative capacity, and world market-conforming industrial policy. We browse over Taiwan’s performance in these four areas from the 1960’s through the 1980’s, making sure that the country did satisfy all the requirements. The impacts from the Asian Financial Crisis (AFC) and the two political shocks that it sandwiched are assessed, again in the four areas that matter most to the sustainability of Taiwan’s CDS structure. We find interest politics replacing regime autonomy, electoral competition leading politicians away from developmentalism, economic dynamism blunting state penetration, and economic bureaucrats making risky forward designating under great pressure. Four key industries are examined to demonstrate the above points: financial reform that witnesses inroads of particular interests, nuclear power that pits environmental nativism against developmental bureaucracy, hi-tech investment on mainland China that defies the state’s will, and risky forward designating of biotechnology as the country’s flagship industry. We find the country’s CDS exists more in the diehard bureaucratic habits, than in the effective functioning of the constituent elements of the model. The intention of the DPP government to revive the CDS model is clear, but it runs against an unfavorable environment, one that is not easy to change even with a change of guard in 2008.