Foreword

The so-called ‘flying-geese’ theory of economic development introduced by Kaname Akamatsu, a professor of economics at the Hitotsubashi University, Tokyo, in the early 1930s, has recently gained in popularity and reputation against the backdrop of the phenomenal economic growth of East Asia (first Japan, then the NIEs, and the ASEAN-4, and most recently, China) during the latter half of the twentieth century. References to this theory are now frequently found in the academic literature on economic development, international trade, and foreign direct investment. The media also have come often to use the term ‘flying geese’, especially in describing the catching-up growth patterns of developing countries on the heels of more advanced countries.

Professor Terutomo Ozawa of Colorado State University has written most extensively on this subject outside Japan. He and I have had opportunities to exchange ideas, collaborate in research, and co-author several publications on the topic. In this book, Ozawa brings together and expands on many fascinating ideas that he has developed in his previous works over many years. These include ‘economies of hierarchical concatenation’, ‘increasing factor incongruity’, ‘comparative advantage (or market) recycling’, ‘the Ricardo–Hicksian trap of industrial production’, ‘Smithian growth élan’, ‘triumvirate pro-trade structural transformation’, ‘knowledge creation vs. knowledge diversion’, ‘the price–knowledge/industry-flow mechanism à la David Hume’, ‘the syndrome of institutional incongruity’, ‘socially justifiable moral hazard vs. degenerative moral hazard’, and many others – all these richly nuanced concepts being used as the critical building blocks for his flying-geese (stages) model of industrial upgrading in a catching-up country.

His ideational/theoretical foundations are built not only on contemporary neoclassical economic concepts (such as ‘scope and scale economies’, ‘factor abundance and intensity’, ‘externalities’, and ‘agglomeration economies’) but also more broadly on the dynamic classical economics of David Hume, Adam Smith, David Ricardo, John Stuart Mill, and the development theories of Joseph Schumpeter, Colin Clark, Alexander Gerschenkron, Arthur Lewis, and Hollis Chenery, as well as on the institutional perspectives of Thorstein Veblen and Douglass North. His approach to conceptualization is iconoclastic and innovative – in the best tradition of Akamatsu who always strove to be original and iconoclastic, challenging conventional ideas.
Moreover, what makes this book truly distinctive is his emphasis on evolutionary analysis and a political economy framework, within both of which the various roles of institutions (inclusive of politics) are treated and explored as determinants of economic performance and molders of international business, along with market-coordinated activities that the institutions support and complement – but sometimes hinder – in a cumulative-causational manner. His analysis is carried out using Japan’s postwar – and up to the present – experience as the primary focus to reveal and illustrate the salient features of catch-up growth, flying-geese style, that delineate a dynamic process of scaling the ladder of economic development by learning from and emulating the advanced countries. His stages approach is not a mere typology. He explores in detail the causality of how the Japanese economy has progressed from one stage to the next on the road of structural upgrading, each step coordinated and promoted by both autonomous market forces and institutional factors.

Akamatsu’s theory has three different patterns of flying-geese formation: (a) from imports to domestic production, and finally to exports, (b) from low-end product manufacturing to high-end product manufacturing, and (c) an alignment of countries at different stages of economic development. Ozawa reinterprets and puts Akamatsu’s third pattern in a much broader ‘international political economy’ framework of what he calls ‘hegemon-led growth clustering’. He then zeros in, and elaborates, on the second pattern in terms of his dynamic stages model of industrial upgrading à la Schumpeter, treating the other two patterns as functional/enabling forces for industrial upgrading.

This book presents quite a few interesting concepts that may be useful in further theorizing the flying-geese process of structural transformation and formulating some empirical tests. It should be noted, however, that Ozawa presents an amended framework (his own reformulated version) of Akamatsu’s model, since Akamatsu’s original ideas could be elaborated on in a number of ways from different perspectives. In short, Ozawa succeeds in extending, building up, and joining the Akamatsu–Kojima lineage of this unique Japan-born theory of economic development from a fresh, unconventional, and discerning perspective.