

Contents

The Research Team xi

Acknowledgments xiii

Definitions xv

Overview: The Making of a Miracle 1

The Essence of the Miracle: Rapid Growth with Equity 8

Policies for Rapid Growth in a Changing World Economy 23

Note 26

1 Growth, Equity, and Economic Change 27

Rapid and Sustained Economic Growth 28

Declining Income Inequality and Reduced Poverty 29

Dynamic Agricultural Sectors 32

Rapid Growth of Exports 37

Rapid Demographic Transitions 38

High Investment and Savings Rates 40

Creating Human Capital 43

Rapid Productivity Growth 46

Appendix 1.1: Accounting for Growth 60

Appendix 1.2: What Do Tests of Cognitive Skills Show? 70

Notes 76

2 Public Policy and Growth 79

Policy Explanations 81

The Functional Growth Framework 87

Notes 103

3 Macroeconomic Stability and Export Growth 105

Pragmatic Orthodoxy in Macroeconomic Management 106

Creating an Export Push 123

Appendix 3.1: Economic and Political Timelines 148

Notes 156

4	An Institutional Basis for Shared Growth	157
	Achieving Legitimacy through Shared Growth	158
	Insulating the Economic Technocracy	167
	Wooing Big Business	181
	Notes	189
5	Strategies for Rapid Accumulation	191
	Explaining East Asia's High Human Capital Formation	192
	Explaining East Asia's High Savings Rates	203
	Explaining East Asia's High Investment Rates	221
	Appendix 5.1: Granger Causality Tests for Savings	
	Rates and Growth Rates	242
	Appendix 5.2: Technical Note on the Relationship between	
	Interest Rates and Growth	245
	Notes	255
6	Using Resources Efficiently: Relying on Markets and Exports	259
	Explaining East Asia's Efficient Resource Use	259
	Using the Market: Labor Markets in East Asia	261
	Assisting the Market: Financial Markets and Allocation	273
	Using the International Market: Trade and Industrial Policy	292
	How Manufactured Exports Increased Productivity	316
	Appendix 6.1: Testing the Impact of Industrial	
	Policy on Productivity Change	326
	Appendix 6.2: Tests of the Relationship between TFP	
	Change and Trade Policies	337
	Notes	342
7	Policies and Pragmatism in a Changing World	347
	Foundations of Rapid Growth—Getting the	
	Fundamentals Right	347
	Creating Institutions to Promote Growth	352
	Intervening in Markets	353
	Note	368
	<i>Bibliographic Note</i>	369