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Economic Role of the State in Asia over the 20th
Century”**

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Growing Public? Explaining the Changing Economic Role of the State in Asia over the 20th Century

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Abstract

This paper surveys some of the recent literature on the role of the state in economic history, paying particular attention to the concepts of the contractual, predatory, regulatory and developmental states and their application to the study of economic development. The paper then relates that literature to the Asian experience over the 20th century. It is argued that neither the concept of the night watchman nor that predatory or extractive colonial state as a cause of continuing underdevelopment in many parts of the tropical world is entirely satisfactory in the Asian context. By the early twentieth century, there was a growing recognition in most colonies that colonial administrations had a responsibility to improve living standards of the indigenous populations. The paper examines the consequences of this recognition for colonial revenue and expenditure policies, and also for the role of government in the post-independence era in Asia.

Key words: predatory, colonialism, developmental state, government expenditure, tax policy

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The Role of the State in Economic History: Contractual and Predatory Theories

The Nobel prize-winning economic historian, Douglass North, is well-known for his argument that "the polity and economy are inextricably interlinked in any understanding of the performance of an economy and therefore we must develop a true political economy discipline" (North 1990:112). In particular, he has stressed that if economic historians want to evolve a satisfactory explanation for "why the Industrial Revolution has taken so long to become a universal phenomenon¹", and why so many parts of the world are still economically backward and undeveloped, we have to look not just at the way particular polities have specified and enforced property rights, but also at the larger issue of the way governments intervene to regulate and control both private and public enterprises, and the way in which they raise and spend resources. In short we must look at the economic role of governments, how it has changed over time in the context of a specific economy, and how it varies across countries at a particular point in time.

North has pointed out that, while the existence of some form of government is essential for economic growth, economic historians have paid very little attention to the role of the state in their discussions of secular patterns of economic change. In a paper originally published in 1979, he argued that "while the long path of historical research is strewn with the bones of theories of the state developed by historians and political scientists, economists traditionally have given little attention to the issue" (North 1981: 20). He went on to suggest that "two general types of explanation for the state exist: a contract theory and a predatory or exploitation theory". The contract theory is inherently appealing to many economists because it rests on an assumption that the role of the state is to develop 'market-creating' institutions', which ensure that individuals can maximise their individual wealth holdings without damaging the chances of other citizens to do likewise. Contract theories thus offer plausible reasons for the emergence of an efficient regime of growth-promoting property rights, although they have little to say about why such regimes have historically been so rare.

Predatory, exploitative or "grabbing hand" theories of the state have attracted a much wider range of adherents. Evans (1989: 562) argues that a predatory state is one where the "those who control the state apparatus seem to plunder without any more regard for the welfare of the citizenry than a predator has for the welfare of its prey". He contrasts this definition with the revenue-maximising definition used by writers in the neo-classical tradition such as North. Shleifer and Vishny (1998: Chapter 1) in their discussion of the "grabbing hand" model would seem to be in close agreement with the Evans definition; they emphasise that "at the root of the grabbing hand analysis are models of political behaviour that argue that politicians do not maximize social welfare and instead pursue their own selfish objectives". Such theories have been propounded by both Marxist and neo-classical economists, and by other scholars who do not fit comfortably in either of these camps, but who wish to explain the failure of particular countries or empires to achieve self-sustaining economic growth. These writers view the state essentially as controlled by ruling cliques or classes, and its main function is thus to maximise the incomes accruing to the rulers, almost regardless of the impact on the rest of the citizenry.

North (1981: 25) has drawn attention to the "persistent tension between the ownership structure which maximised the rents to the ruler (and his group) and an efficient system that reduced transaction costs and encouraged economic growth". Rulers usually resist changes in property rights regimes which adversely affect either their own wealth or that of key supporters, even if they might increase revenues for the state as a whole, and permit more rapid development of infrastructure and economic institutions which are in turn supportive of rapid economic growth. In short, rulers usually have had no concept of a wider national interest, beyond that of their immediate circle, and certainly no concept of economic growth as a legitimate national objective. By granting a range of monopoly rights and other forms of protection to "insiders", they encourage precisely the kind of restrictive practices which prevent the adoption of new technologies which would lead to accelerated economic growth (Parente and Prescott 2002: 133).

¹This question was posed by W.A. Lewis (1976:135) in his contribution to a volume of essays published in honour of Adam Smith.

Most historians agree that once economic growth, however tenuous, gets underway, it can produce both economic and political changes which can make the process self-sustaining. The rapid structural transformation of economies that began with the industrialisation of Northwest Europe and North America in the late 18th and 19th century gave rise to new social classes who over time were able to secure political power commensurate with their growing economic dominance². The old landed gentry declined as a political force as the new commercial bourgeoisie became dominant. By the end of the 19th century political parties which drew their support from trade unions and which were often Marxist in their philosophy were also becoming more powerful in the industrialised nations. Marxists believed that capitalism would eventually collapse under the weight of its recurrent crises, and that a socialist political and economic system would prevail which in turn would bring about a fairer distribution of income and wealth. These ideas became influential in other parts of the world as well, especially in those countries which had not industrialised but which were closely linked to the major industrial nations through colonial domination.

The Colonial State: Predator, Night Watchman or Agent of Development?

At first glance, it might appear that theories of the predatory state could serve quite well to explain the phenomenon of the growth of western colonial control over large parts of Africa and Asia. There are at least two strands to the argument that the metropolitan powers held back the economic development of their colonies in order to benefit powerful interest groups at home. The first was that, as the countries of Northern Europe developed industrially, they acquired both the need for new markets for their growing output, and also the superior military and transport technologies

²Most economic historians seem to agree that North-western Europe was unique in that a state system emerged there after the Renaissance which encouraged the development of an efficient regime of private property rights. On the one hand the states were sufficiently large and powerful that they were not prone to endemic baronial warfare or foreign invasion, but on the other hand there was always sufficient threat of a challenge to the rulers that they did not dare to extract the maximum feasible revenue from their citizenry. For a more formal model of the predatory state along these lines see Lal (1988:297-306). But not all European states developed at the same speed; De Long and Shleifer (1993) present evidence for the argument that the richer, more highly urbanised states in pre-industrial Europe were those where the government was less "absolutist".

which made large colonial empires strategically and administratively feasible³. By the end of the 19th century, radical critics of Western colonialism particularly stressed the need of industrial capitalism for ever larger and secure markets, and pointed to the evidence that some industries (such as the cotton textile industries in Britain, France and the Netherlands) were dependent on colonial markets for a substantial share of their total export sales.

Modern scholarship has confirmed these arguments for both Britain and France. Cain and Hopkins (1993: Table 5.4) showed that net exports of manufactures from Britain to the empire grew rapidly after 1860, while net exports to the rest of the world stagnated, and in fact declined from 1870 to 1904. In France, over 40 per cent of the metropolitan production of cotton textiles went to the empire in 1900 and the share increased sharply after 1930. In the 1930s imperial markets became increasingly important for exports of other manufactures including motor vehicles (Marseille 1984:80). By the early 1930s, imports from France accounted for 55 per cent of all imports into Indochina, although the ratio was even higher for imports into the Philippines from the USA, and into Korea and Taiwan from Japan (Booth 2007a: Table 5.3).

A second strand in the argument that metropolitan powers held back colonial development concerns the outward flows of capital, or “drain” through the balance of payments. Beginning with the large outflows from Java to the Netherlands during the culture system (1830 to 1870), it has been argued that many colonial governments pursued policies which led to persistent balance of payments surpluses. In the case of Java, the remittances consisted mainly of government to government transfers, which amounted to as much as eight to twelve per cent of Java’s GDP in the 1850s. During this decade the total amounted to 3.8 per cent of Dutch GDP, and one third of the Dutch state budget (Van Zanden 2010: 165). After the system was terminated, balance of payments surpluses vanished until the end of the 19th century, but grew again after 1900, when they were largely the result of private sector remittances. In other parts of

³Kuznets stresses this implication of the industrial revolution in his Nobel lecture (Kuznets 1971: 168). See also Landes (1961) for further elaboration of this point.

Southeast Asia, commodity exports were much higher than imports for much of the period from 1896 to 1938, as they were in Taiwan (Booth 2007a: Tables 5.5 and 5.6).

Many nationalist leaders argued that these large export surpluses were evidence of “colonial exploitation”. Even where it could be demonstrated that the surpluses on the current account of the balance of payments were smaller, or even negative because of large deficits on services, the counter argument was that the service sector in most colonies was dominated by firms from the metropole, who often had monopolies over the provision of shipping, banking, insurance and other services and charged high prices. These arguments continue in studies of the economic history of many parts of Asia and Africa, but a consensus does appear to be emerging that at least some colonial economies did experience significant outflows of capital which were in part at least the result of large profits earned by companies based in the metropolitan power. Certainly the major European colonial powers in the late 19th century often behaved as if they thought the chief function of colonies was to bring wealth to the metropolitan powers, which is why they were so reluctant to see their European rivals (especially Germany) acquire more overseas possessions.

Some defenders of European colonialism in Asia have argued that it brought about a rationalisation and lowering of tax burdens on the local populations, and thus curtailed the predatory nature of the state. It also began to provide modern education and health services to at least some parts of the indigenous populations. But others have argued that colonialism simply replaced one form of predation with another. One widely quoted study has contrasted the "colonial extractive states" which were allegedly established in much of tropical Asia and Africa with the "Neo-Europes" or settler colonies which were established in the temperate regions of the world such as North America and Australasia (Acemoglu, Johnson and Robinson 2001). The argument of these authors rests on the following propositions:

- (1) Countries with superior institutions, more secure property rights and less distortionary policies will invest more in physical and human capital and will use these factors more efficiently to achieve a higher level of income.

(2) Those colonies where European settlers dominated (mainly those where diseases to which Europeans had little or no resistance were absent) replicated European institutions with strong emphasis on respect for private property and checks on government predation. They rapidly achieved levels of per capita GDP equal to, or above, those prevailing in the colonial metropolises.

(3) The colonial extractive states where there were "few constraints on state power" (Acemoglu, Johnson and Robinson 2001: 1375) were characterised by heavy rates of surplus extraction, much of which was remitted on either government or private account back to the metropolitan power. Tax rates were often punitively high, and in some cases much higher than would have been tolerated in the developing bourgeois democracies in the metropolises.

(4) The institutions set up in the settler economies when they were colonies have survived unscathed into the post-colonial era, and have continued to support economic growth in those economies.

(5) In those colonies where disease prevented the influx of large numbers of settlers, the European powers set up authoritarian institutions and delegated the running of the state to a small indigenous elite. In many cases this elite assumed control after independence, and favoured extractive institutions.

(6) Thus many former colonies in Asia and Africa remain poor and undeveloped with dysfunctional institutions as shown by high rates of corruption, high risks of asset expropriation, large-scale capital flight and low levels of domestic investment.

Acemoglu, Johnson and Robertson raise some important issues regarding the colonial origins of underdevelopment but the analysis seems to me to be unsatisfactory on several counts. The paper ignores the important policy changes which occurred during the colonial era. By the early 20th century, several colonial powers had begun to adopt policies in their Asian colonies which were much more overtly "developmental" in their aims than the rather crude stereotype of the colonial extractive state seems to allow for. The main concerns of most colonial administrations continued to be those of the classic 'night-watchman' state:

maintenance of law and order, and the collection of taxes to pay the costs of the civilian and military bureaucracies⁴. But in addition, the establishment of a regime of individual property rights to facilitate the inward flow of capital was given greater emphasis, tax regimes were reformed to achieve both greater efficiency and equity, and at least some coercive extractive policies were removed. There was also growing recognition that governments had a responsibility to improve living standards of the indigenous population, by improving agricultural productivity and public health facilities and by increasing access to education.

By the first decade of the twentieth century, colonial governments in several parts of Asia began to create Departments of Public Works, Health and Education, and to employ more indigenous officials to staff them. These developments partly reflected changing views on the role of government in the metropolitan countries, and partly also a growing realisation that poverty-stricken colonial populations were unlikely to provide a growing market for manufactures from the metropolitan country, and in the longer run could become a costly burden on metropolitan tax-payers⁵. An additional concern was of course the growing power of nationalist movements, especially among the educated indigenous elites, and the perennial threat that, in the event of instability, hostile foreign powers might intervene. In Asia such hostile foreign powers were not just other industrialising European powers hungry for colonies, such as Germany, but also a rapidly developing Japan.

Japan itself had established colonies in both Korea and Taiwan (Formosa) by the early years of the 20th century. Kohli (1994: 1273ff) has argued that Japanese colonial control in Korea was crucial in destroying the last vestiges of the traditional predatory state and laying the foundations not of a western-style regulatory state, but of a Japanese-style developmental state. Ito Hirobumi who as the Japanese Resident-general in Korea had virtually absolute powers, had played an important role in transplanting the Prussian model of a developmental bureaucracy to Japan after the

⁴The "nightwatchman state" concept was applied to nineteenth century India by Morris (1963: 615), who argued that the British raj saw its functions mainly in terms of preserving law and order and providing rational administration. The policies of the British Indian state have also been described as those which, while "not purposely designed to frustrate economic development, certainly did not encourage industrial development" (Mukerjee 1972: 210).

⁵ The arguments of Acemoglu, Johnson and Robinson also underestimate the power of metropolitan public opinion to change colonial policies in the Belgian Congo and elsewhere.

Meiji Restoration, and had also helped to reorganise the University of Tokyo as a training school for a modernising bureaucracy. In Korea he and his successors set out to construct "a new Japanese-controlled Korean state". The Japanese presided over a rapid growth in the size of the bureaucracy in Korea, and although more than half the establishment consisted of Japanese expatriates, a substantial number of Koreans were also employed. They formed the nucleus of the administration, both under the American occupation and after the independent state of South Korea was formed. In the three decades after the end of the Pacific war, the dramatic economic success of both Japan and its two former colonies led to the evolution of another view of the role of government in the development process, that of the 'developmental' state.

Indeed the post-1950 experience of many former colonies in Asia has been marked by extreme variation, and while the work of Acemoglu, Johnson and Robinson might explain continuing poverty in countries such as the Democratic Republic of the Congo or Sierra Leone, it offers few insights into why some former tropical colonies have performed so much better than others over the latter part of the twentieth century⁶. Neither does it offer much insight into why some former colonies which appeared to emerge into independence with a strong educational base and western-style political and legal institutions (such as the Philippines) have grown more slowly than others where the colonial legacy was less favourable. Do such varied outcomes reflect different state capacities in the post-colonial era? And if they do, to what extent were such outcomes the result of colonial policies?

Fiscal Characteristics of the Colonial State in Asia

In many parts of Asia by the early 20th century, the evidence suggests that the predatory/extractive aspects of the colonial state had not been entirely abandoned, but were undergoing substantial change. In Indonesia, the cultivation system which involved the forced cultivation of export crops had been dismantled in most parts of the country by the 1870s, for a number of reasons which I have discussed in detail elsewhere (Booth 1998: 24-5). The liberal reforms initiated by the colonial

⁶The "alternative view" to the paramount role of institutions in determining development outcomes is the one put forward by Sachs (2003), which stresses the importance of geography and resource

government after 1870 can be interpreted as making Indonesia safe for Western, and especially Dutch, capitalism, in the context of an economy where labour was increasingly abundant as a result of growing population, and financial capital was in short supply. But they did bring to an end the large-scale remittances from the colony to the metropolitan budget in the Netherlands.

The reforms implemented over the last three decades of the 19th century in Indonesia did not yield impressive results in terms of accelerated economic growth, and neither was there any obvious improvement in living standards for the majority of the population. Disappointment with these results was no doubt an important reason for the introduction of the so-called "ethical system" after 1901, which emphasized increased government investment in irrigation development, agricultural research, education and land settlement schemes outside the densely settled islands of Java and Bali. While no other colonial power adopted such a co-ordinated package of policies after 1900, there can be little doubt that Dutch "developmentalism" influenced colonial policy elsewhere in South East Asia. The French in Indochina pursued a policy of *mise en valeur*, which did imply something very close to economic development not just in the sense of the growth of the market economy but also in the sense of government-implemented programmes of public works, including both railway construction and agricultural development (Aldrich 1996: 173-9, 188-92).

These policies reflected changing views in Western Europe about the role of the state in promoting economic growth, which were influencing colonial as well as metropolitan thinking by the late 19th century. On the revenue side, old practices such as tax farming were gradually eliminated in favour of direct government responsibility for the assessment and collection of taxes⁷. On the expenditure side, more public funds were devoted to infrastructure. In most Asian colonies, there was also movement in the direction of a contractual state in the final phase of the colonial era, with more emphasis on creating the legal and institutional foundations of a market economy. But actual outcomes did not always match colonial ambitions, and by the

endowments. Certainly this approach does appear more fruitful in terms of explaining very different outcomes in different parts of the tropical world, or indeed within countries.

⁷ On the demise of revenue farming in Asia, see in particular the essays in Butcher and Dick (1993). By the early 20th century almost all revenue farms had been converted into government monopolies, which in some colonies contributed a significant part of total revenues. See Booth (2007b: 69-70).

early 20th century there were remarkable differences in per capita government revenues and expenditures across Asia (Booth 2007b: Tables 3 and 4). In 1910, revenues per capita in the Federated Malay States were almost fifteen times those in French Indochina, and eight times those in the Netherlands Indies⁸. The differences in revenues were reflected in differences in expenditures, although in the case of Burma in particular there was a large surplus of revenues over expenditures which financed Burma's subventions to the Indian budget in Delhi. This system only came to an end when Burma was granted separate fiscal status in the latter part of the 1930s⁹.

What explains these differences? In their study of colonial development, Birnberg and Resnick (1975) argued that government revenue growth was a function of export growth. Increased revenue growth in turn permitted colonial governments to promote further export growth by undertaking the kinds of expenditures which shift the export supply function to the right over time (Birnberg and Resnick 1975: 58). They included several Asian countries in their sample of ten colonial economies and the argument seems plausible in other parts of Asia as well. Certainly there can be no doubt that South East Asia (excluding Burma) increased its share of total Asian trade over the century from the 1830s to the 1930s (Booth 2004: Table 2). The rapid growth in international trade had obvious budgetary consequences; those parts of the region where exports per capita were highest in the late 1920s also had the highest government revenues and expenditures per capita (Booth 2007b: Tables 3 and 4)¹⁰.

By 1929, the outstanding example of colonies with high exports per capita and high government revenues and expenditures were the three components of British Malaya and Taiwan, followed (quite a long way behind) by Korea, Burma and the Philippines. In all these economies as well as in Indonesia and Indochina, trade taxes

⁸The available data from official sources usually refer to cash taxes and exclude government exactions in labour and kind. Although these were not trivial in either French Indochina or the Netherlands Indies, they were hardly of sufficient size to account for the very large differences in tax revenues per capita shown in the official figures.

⁹The "provincial contract system" by which Burma made substantial yearly contributions to the Government of India budget, is discussed in detail by Shein, Thant and Sein (1969). These authors estimate that the "imperial share" of all revenues raised in Burma fluctuated between 32 and 57 per cent between the late nineteenth century and the mid-1930s.

¹⁰ Estimates of the long-run elasticities of government revenues and expenditures with respect to exports in Southeast Asia between 1900 and 1938 range from around 0.8 to 1.2. See Booth (2007a: table 6).

were an important source of government revenue. In 1931, when the effects of the world slump were already affecting both exports and government revenues, import duties accounted for between 14 and 23 per cent of total government revenues in six countries; export taxes accounted for between two and 14 per cent (Table 1). Even in the mid-1930s when the full impact of the world slump was being felt throughout the region, trade taxes accounted for at least 20 per cent of total government revenues in most countries, and over 40 per cent of total revenues in the Federated Malay States (Table 1).

In the Straits Settlements, profits derived from the government opium monopoly together with import duties on alcohol and tobacco were the three largest components of the colony's revenues in the early 1920s (German 1924: 64). These "vice taxes" remained important until the end of the 1930s; in 1937 they still accounted for almost 47 per cent of government revenues (Department of Statistics 1939: 238). In the Federated States, revenues from opium together with import duties on spirits and tobacco were around one quarter to total revenues in 1923, and were still around 20 per cent in 1938 (German 1924: 66; Department of Statistics 1939: 241). In the less developed unfederated states, the opium monopoly was also an important source of revenues; in Kedah it amounted to more than one third of total revenues in the early 1920s (German 1924: 70), and remained important until the late 1930s. The reliance on revenues from opium and alcohol was in part at least due to the fact that most of the sales were to migrant workers, who were hardly in a strong position to resist the tax burden imposed on them.

The other Asian colony where per capita government revenues were high in the years from 1910 to 1940 was Taiwan (Booth 2007: Table 4.3). By 1913, total revenues amounted to 22 per cent of GDP, and they remained at roughly 20 per cent of GDP until 1938 (Mizoguchi and Umemura 1988: 232, 288). As in other Asian colonies, revenues in Taiwan were derived from a range of tax and non-tax sources, including revenues from monopolies (salt, opium, tobacco and alcohol). Income and inheritance taxes were levied, but were a small proportion of total revenues. Grajdanzev (1942: 135) argued that 80 to 90 per cent of all tax revenues fell on the mass of the population and only 10 to 20 per cent on the wealthier groups including Japanese individuals and corporations. He cited an official investigation of farm

incomes in Taiwan carried out in 1936 which found that direct taxation of farmers was twice as high as in Japan itself. Land taxes were levied by both the government-general and local authorities, and amounted to almost ten per cent of total revenues.

Several writers have argued that colonial governments in Asia and elsewhere were characterized by strict adherence to fiscal orthodoxy, and minimal borrowing (Hooley 2005: 471-3; Huff 2007: 1135-36). There has also been criticism of the reluctance to levy income taxes on either individual or corporations, and to rely instead on a narrow range of trade and excise taxes, many of which were regressive in their impact. There is certainly some truth in these accusations, but they were by no means universally true across all of Asia. While revenues often exceeded expenditures in Burma, the Federated Malay States, and the Straits Settlements, as well as in Taiwan and Korea from 1900 to 1939, this was much less the case in Vietnam, Indonesia, the Philippines or Thailand (Booth 2007a: Table 4.5). There were also considerable differences in the extent to which colonial government depended on income taxes; while they were never levied in British Malaya, they comprised over 40 per cent of total tax revenues in Indonesia by 1940 (Department of Economic Affairs 1947: 133).

A good account of the fierce opposition to income taxation, both personal and corporate, which prevailed in British Malaya in the 1920s and 1930s can be found in Thompson (1943: Chapter 9). Taxes on the profits of estate companies were never levied although the “sterling” companies were subject to tax in Britain. All rubber producers, both estates and smallholders were subject to an export tax, of between 2.5 and three per cent of the export price (Barlow and Drabble 1990: 206). To the extent that opposition to corporate taxes existed across the straits in Indonesia, it was not successful in preventing the imposition of both corporate and personal income taxes. On the other hand, after several investigations in the 1920s, Dutch officials were reluctant to impose more taxes on the indigenous population, especially in Java (Booth 1998: 107-9). But this policy also changed in the 1930s, when in an attempt to curb smallholder rubber production led to the imposition of rubber export taxes of around 50 per cent, although they were removed after protests in several producing regions.

Budget shortfalls led to borrowing and by the early 1930s, debt service accounted for between 9 and 13 per cent of total government expenditures everywhere except in Indochina (Schwulst 1931: 57; Booth 2007b: Table 8). These percentages were probably sufficiently high to disturb colonial administrators although in per capita terms, debt outstanding in colonial Asia in 1935 was much lower than in Egypt, or in some of the poorer parts of Europe such as Portugal (Table 2). In some colonies, borrowing did permit colonial administrations to sustain expenditure on education, health, public works and agricultural development in the face of falling revenues in the early 1930s. The figures assembled by Schwulst showed that the Philippines government spent over half of its total budget on these expenditures in 1931 and that of the Federated Malay States just under half. At the other end of the scale, both Thailand (Siam) and Indonesia (Netherlands Indies) devoted less than a quarter to such expenditures. By the early 1930s, both countries were spending over 20 per cent of the total budget on defence. But even this share was still quite low compared with British India, where military expenditures accounted for between 40 and 65 per cent of central government expenditures between 1920 and 1940 (Lal 1988: Table 8.11A)¹¹.

The evidence supports the argument that generalisations about "predatory" or "extractive" colonial states should be treated with caution in several parts of colonial Asia by the 1930s. French, British and American colonial authorities were all giving high priority to both public works and agricultural development in their budgetary outlays¹². Absolute amounts differed greatly because of the difference in per capita expenditures, and some sectors received only small allocations. The neglect of education everywhere except in the Philippines and Taiwan was much criticized after independence. Resources were also devoted to agricultural extension in several colonies although only in Taiwan and Korea was a breakthrough achieved in rice yields. Neither was infrastructure development neglected, and indeed by the late 1920s the benefits of high spending on infrastructure were very obvious especially in British Malaya, where per capita expenditures were highest (Emerson 1937: 156). On

¹¹Even when provincial and central government expenditures are aggregated, defence spending still accounted for around 28 per cent of the total in 1931/2 (Kumar 1983: Table 12.8).

the other hand, as Huff (2007: 1136) points out, given British Malaya's extraordinary export performance there was no shortage of loans on offer in London and elsewhere. Colonial officials did not take these offers up, either through conservatism, or a genuine belief that viable investment projects did not exist.

Paradoxically it was the one independent country in South East Asia, Thailand, which had arguably the most conservative fiscal policies in the early part of the 20th century. Government expenditures were devoted to administration and defence to a greater extent than in any of the dependent colonies, and spending on education, health and public works was correspondingly less (Schwulst 1931: 57). Ingram (1971: 194-5) points out that capital expenditures were limited by revenue, by an unwillingness to borrow abroad and by a conservative monetary and fiscal policy which required substantial reserves to be maintained by government. He also pointed to a failure to limit non-essential recurrent expenditures. To the extent that the government devoted resources to capital works, railways were prioritized over irrigation, although rates of return to irrigation investment would have been higher (Feeny 1982: 77-84).

The crisis of the early 1930s placed all the South East Asian export economies under very considerable strain although reactions varied considerably across the region (Booth 2003a). Several colonial governments intervened to control imports, especially from Japan. In Indonesia, the Dutch colonial authorities extended the regulatory reach of government into markets for rice, textiles and a range of other basic commodities. In addition, in several parts of the region, governments began to assume more responsibility for promoting economic diversification, and especially the growth of the industrial sector¹³. Too little, too late, is often the judgment delivered on these and other policies implemented by French and Dutch regimes in what was to be the final phase of colonial developmentalism in both Indonesia and French Indochina.

¹²The proportion of budgetary expenditures devoted to public works fell sharply in the Netherlands Indies after 1929. In the second decade of the twentieth century, expenditures on public works accounted for between 35 and 40 per cent of total budgetary outlays; see Booth (1998), Table 4.2.

The Japanese colonies were less affected by the 1930s depression, as their trade and investment ties were tightly tethered to the Japanese metropolitan economy which was less affected by the world slump. But both Taiwan and Korea experienced a fall in both government revenues and expenditures per capita in the years between 1929 and 1934, although there was recovery between 1934 and 1938 (Booth 2007: Tables 4.3 and 4.4). Certainly a strong argument can be made that more could have been done in the inter-war years in many parts of colonial Asia to diversify revenue collections, and to increase expenditures on infrastructure, health and education, in part at least by increasing borrowing. Most nationalists subscribed to this view, but when they gained power after 1945, they were to find that using the fiscal powers of the state to promote development was far from straightforward.

The Immediate Aftermath of Independence: 1945-1960

After independence, most Asian leaders were inclined to blame colonial economic policies for their backwardness and poverty. As Myint (1967) argued, nationalist politicians were determined to utilise the revenues from export production to improve the incomes and welfare of their indigenous populations, who, it was claimed, had benefited little from export growth in the colonial era. But they were divided on policies; socialist ideas had considerable influence, both in India and in other parts of Asia, and economic planning in some form or other, was adopted by most post-independence governments, although with varying results. Some nationalist politicians thought that foreign capital still had an important role to play in export production, while others wanted to expropriate foreign owners, nationalise key export industries, and build up a class of indigenous entrepreneurs as rapidly as possible, even if this meant slower economic growth. Myint classified such policies as 'inward-looking' and argued that the governments of Burma and Indonesia in particular 'were unwilling to employ positive economic incentives to expand export production, not only for the foreigners, but also for their own nationals' (Myint 1967: 4).

¹³ This was especially the case in Vietnam and Indonesia; see Shepherd (1941). For an account of the largely unsuccessful attempts to foster industrialization in British Malaya see Thompson (1943), Chapter 7.

One consequence of inward-looking policies in many parts of Asia after 1950 was that exchange rates were often over-valued; this gave rise to black markets and complex multiple exchange rate regimes which deterred legal export and import trade. Thus collections from trade taxes fell in several countries. There were also other factors which affected revenue collections in the newly independent Asian states. In South East Asia, infrastructure, mines and plantations had been damaged during the Japanese occupation and the subsequent reoccupation by the allied armies, and post-war rehabilitation was slow. Taiwan and Korea also suffered from heavy allied bombing in the final stages of the Pacific war, and also from post-1945 political upheavals which severely affected their economies.

In most former colonies, per capita GDP only returned to pre-war levels in the late 1950s (Table 3)¹⁴. Thus debates about the appropriate role of government were taking place in the context of economic decline. The lower per capita GDP affected tax collections, especially income and excise taxes. Trade taxes were also affected as export and import volumes and values fluctuated, often around a downward trend. In addition, with the departure of many colonial civil servants, administrative systems staffed by inexperienced officers struggled to cope with the new tasks thrust upon them. There was also considerable prejudice among many nationalists against those taxes whose incidence was seen to fall mainly on the “poorer” groups within native society such as land taxes.

In a few regions, export industries recovered their pre-war vitality more quickly; by 1952, per capita exports from British Malaya were among the highest in the world, and considerably higher than in many countries in Africa and Latin America which had been largely untouched by the war (Woytinsky and Woytinsky 1955: 63-4). In the early 1950s, most primary-exporting countries, including those in Asia, benefited from the impact of the Korean War boom on commodity prices, and the public finances received a considerable, albeit temporary, boost. Growing revenues together with some inward flows of development aid led to higher government expenditures. Even when allowance is made for the decline in the value

¹⁴ It should be noted that the estimates of GDE prepared by Sato et al (2008: 353-54) show that, although there was a steep fall in per capita GDE between 1942 and 1950, there was a rapid recovery after 1950, and the 1942 level was regained by 1955.

of the dollar between 1938 and 1953, expenditures in real dollar terms were above 1938 levels by 1953 in most parts of Asia. Indonesia was the main exception (Table 4).

But after 1950 many Asian countries had overvalued exchange rates which did not reflect the purchasing power of their currencies. A better indication of changes in the real value of per capita expenditures can be derived from the data in the local currencies, deflated by appropriate local price indices. Per capita expenditures in 1953 were below the 1938 level in the Philippines, Indonesia and British Malaya. Only in India, Taiwan and Thailand was there a real increase (Table 5). The data for Taiwan show a huge increase after 1950 which reflects the almost eight-fold increase in the real value of government consumption expenditures between 1949 and 1950, presumably the result of the large influx of government personnel from the mainland. Both Taiwan and South Korea had much higher ratios of government consumption expenditures to GDP than other Asian countries in 1955, although the ratios declined thereafter (Table 6).

The impact of the Korean War boom was short-lived and by the mid-1950s, the share of South East Asia in total exports from the "tropical world" was much less than in the late 1930s, although in terms of real dollars, there had been some growth relative to the late 1930s. Over the decade from 1955 to 1965 there was little increase in the real value of exports and South East Asia's share of total tropical exports fell further (Booth 2004: Table 3). Inevitably the stagnation in export revenues affected imports and government revenues. Governments everywhere in the region were struggling with limited fiscal resources to meet the rising expectations which had come with political independence. All were trying, with varying degrees of political commitment, to implement ambitious programmes of rehabilitation and development. But through revenue diversification, greater borrowing and increased aid flows, most managed to maintain or increase real per capita government revenues and expenditures; by 1960 most former colonies were spending more in real per capita terms than in 1938 (Table 5)¹⁵. Government borrowing, both domestic and

¹⁵Their overvalued exchange rates make conversions into dollars of the Burmese and Indonesian data especially problematic. But using domestic price indexes, it appears that real per capita government expenditures were growing.

international, increased in nominal terms after 1950 in several countries but only in the Philippines did borrowing increase rapidly in real per capita dollars (Table 2).

Of all the former colonies in Asia, Indonesia faced the most difficult struggle in increasing government revenues and expenditures. In the mid-1950s real per capita government expenditures, and debt per capita, were lower in nominal dollar terms than in 1938 (Tables 2 and 4). The assessment and collection of conventional taxes after independence proved difficult, because of the slow recovery of the economy, and because of political and administrative difficulties. By the late 1950s the government was resorting to the inflation tax (printing money) as a means of acquiring a larger share of a stagnating national output (Booth 1998: 165-66). This had a temporary effect of increasing expenditures per capita in real terms, but inflation accelerated. High inflation and an increasingly overvalued exchange rate led to increased smuggling of exports from many regions outside Java to neighbouring countries, which further reduced government revenues. By the early 1960s, the government of President Sukarno, while professing a commitment to “Indonesian socialism”, in fact presided over a fall in government expenditure relative to GDP, and a weakening of government control over the private sector, especially outside Java (Booth 1986: 17).

Elsewhere, official approaches to the role of government in the economy varied, but most politicians and senior bureaucrats in Asia in the 1950s would have agreed with the argument of Goh Keng Swee, the architect of Singapore’s economic policies from the late 1950s onwards, that newly independent nations had to make a radical break with the “laissez faire” policies of the colonial era, and that more activist and interventionist policies were essential (Goh 1976: 84). But in spite of Goh’s assertions, government consumption expenditures amounted to only five per cent of GDP in 1965. The Singapore strategy, which was developed after the island nation broke away from Malaysia in 1965, was to develop infrastructure, including public housing, and public utilities through state enterprises. By contrast government consumption expenditures relative to GDP rose steadily in Malaysia between 1955 and 1975 (Table 6).

Even in Thailand, which had not been a colony, the military dominated regime which was in power until 1957 favoured public over private enterprises in

manufacturing industry and transport. After the coup of 1957, the new government relied more on the dynamic Sino-Thai entrepreneurial class to promote industrialisation in the Bangkok region, but did recognize that public spending on infrastructure, health and education was necessary to maintain national cohesion in other parts of the country. American aid played an important role, especially in road construction in the north and east of the country.

At the other end of the ideological spectrum the communist regime which had come to power in North Vietnam after 1954 tried to move towards a fully centrally planned economy with state ownership of the means of production, although efforts to collectivize agriculture met with considerable resistance. The other countries in the region fell between these extremes. Government expenditures on the SOE sector was in some cases, by the late 1950s as important as expenditure through the budget; in Burma, expenditure on state boards and companies actually exceeded expenditure by government departments. Total expenditure by government departments, boards and companies amounted to 55 per cent of GDP, which was a huge increase over the late colonial era (Central Statistical and Economics Department 1963: 273-81). The Indian government, especially during the second and third plan periods, also achieved a considerable increase in public expenditures relative to GDP, and the state enterprise sector increased in size and scope. Over these years government control of the private sector also increased through what became known as the “*license raj*”; this trend was to attract growing criticism from liberal economists after 1970.

The Changing Role of Government in Asia: 1960-2000

Future economic historians may view the 1960s and 1970s as representing the “high tide” of government involvement in the economies of Asia. Not only did government revenues and expenditures grow in real terms, and relative to GDP, but government regulation of the private sector increased. Many governments, including that in *laissez faire* Thailand, as well as those in countries more committed to socialism such as India, Indonesia and Burma, built up a large state-owned enterprise (SOE) sector, both by nationalizing enterprises owned by business groups based in the former colonial power, and by setting up new SOEs in sectors as diverse as utilities, road, rail and air transport, agricultural estates, light and heavy industry. New SOEs

were established for a variety of motives, but fear of foreign economic domination, or domination by firms owned by local residents of Chinese descent were often important reasons.

Even setting aside the evidence on the SOE sector and concentrating on budgetary expenditures, the growth in terms of real dollars between 1965 and 1985 was rapid everywhere in Asia (Table 7). These increases reflected both the growth in real output which had occurred in most parts of the region after 1960, and also, in most former colonies, growth in government revenues and expenditures as a percentage of GDP. By 1983, budgetary expenditures had reached almost 40 per cent of GDP in Malaysia, 31 per cent in Singapore and 25 per cent in Indonesia (Table 8). The ratios were lower elsewhere, but with the exception of South Korea and the Philippines, they had increased since 1969. In Indonesia the increase in expenditures relative to GDP was due in large part to the growth in government revenues from the oil sector over the 1970s.

The rapid growth in Malaysia reflected the demands of the New Economic Policy which involved accelerated government consumption expenditures as a result of expanded employment of civil servants. In addition, capital expenditures in sectors such as agricultural development and education grew; these were mainly targeted towards the rural Malay population. There was also rapid growth in off-budget expenditures on a range of public enterprises. Jomo (1990: Table 8.3) estimated that total public expenditures, including those made off the budget, amounted to around 70 per cent of GDP by the early 1980s, a very high figure in comparison with most OECD countries.

By the mid-1980s a reaction had set in. In the Malaysian case, the rapid growth in both budget and off-budget expenditures had led to unsustainably large increases in government borrowing. The government embarked on an ambitious programme of privatizing public enterprises (including the state power and telecommunications enterprises). Although the programme was criticized because of its lack of transparency, it did bring extra revenues into the government coffers and allowed some debt to be retired. It also permitted the construction of new

infrastructure such as highways without large government outlays¹⁶. Elsewhere in Asia, to the extent that government expenditures fell relative to GDP after 1980 it reflected falls in revenue (falling oil prices after 1981 had an especially serious impact on the budget in Indonesia) or the impact on national governments of “neo-liberal” policies which had become very influential over the 1980s. In the case of Burma, the decline in budgetary expenditures after the mid-1970s reflected declining standards of public administration and the weakening central control over many parts of the country (Booth 2003b: Table 4). In addition international agencies such as the World Bank had by the mid-1980s, become far less willing to lend to governments for ambitious infrastructure projects which, it was argued, could be more efficiently carried out by the private sector.

But in the context of the non-communist states of Asia, with the exception of Burma, it would clearly be an exaggeration to see the 1980s as an era of “downsizing the state”. Even where budgetary expenditures fell relative to GDP, they usually increased in real per capita terms because GDP was itself growing rapidly. In all countries for which we have reasonably reliable data, government expenditures per capita in dollar terms increased more rapidly than the US GDP deflator between 1975 and 2000 (Table 7). In addition, SOEs including banks, remained important in many parts of the region up to, and after the crisis of 1997/8 Off-budget financing, usually through state banks, was often used to finance their operations.

In the Philippines, Sicat and Abdula (2003: 123-5) have argued that in the years from 1985 to 1999 the off-budget deficits of both financial and non-financial government institutions have been a serious “hidden fiscal problem” which has placed a considerable extra burden on the shoulders of taxpayers. In spite of some moves towards allowing the private sector a larger role in providing some services such as television and telecommunications, banking, insurance and air and sea transport, governments in most parts of Asia have retained tight regulatory control over the provision of many services which were originally public monopolies. When private firms have been permitted to offer such services, they are often closely connected to ruling parties, or to individuals with good political contacts.

¹⁶ A good overview of the scope and results of the Malaysian programme is given in Gomez and Jomo (1997), Chapter 4.

Indeed some scholars would argue that the predatory state in Asia, far from withering away in the last two decades of the 20th century, assumed new and often powerful forms. While no country moved as far in the direction of the ruler-driven depredation as Zaire under Mobutu (no ruler except Soeharto was in power as long), crony capitalism and its associated corruption was endemic in most parts of the region, and proved extremely difficult to control. Crony capitalism could be described as "circumscribed depredation" in the sense that most rulers have regarded the pressure of public opinion (both secular and religious) as a form of constraint on their activities; in the case of the Thai generals in 1973, Marcos in 1986 and Soeharto in 1998, such forces ultimately overthrew regimes which were viewed by the urban middle classes as unacceptably predatory. In the Philippines, Kang (2002: 151-2) has argued that after the ouster of Marcos, the Philippines moved from a predatory to a "laissez faire" system where state power was diffused among competing groups "to match an already diffuse business sector". Arguably the same trends has occurred in post-Soeharto Indonesia.

The economic consequences of these political changes have seemed to many to have been disappointing, although in both South Korea and Taiwan, where the move towards greater democracy were probably strongest in the last two decades of the twentieth century, real per capita budgetary revenues and expenditures have shown strong growth. At the same time, many Asian economists (often trained in the USA) feel that there has to be a far more concerted attempt to move towards an Anglo-American-style regulatory state where rules are supposedly transparent, government audit agencies have authority to impose discipline on errant government officials, and of course leaders are accountable to democratic political institutions¹⁷. The advantages of such a state have also been strenuously advocated by the multilateral development agencies; the World Bank in particular has in recent years placed much emphasis on "good governance" as an essential pre-condition for rapid economic growth, and the institutions of good governance are seen very much in terms of the Anglo-American (Northian) model.

At the same time, the appeal of the "East Asian" model of the strong developmental state remained considerable among politicians, administrators and academics. Why was this? An ambitious technocrat such as the former Indonesian cabinet minister, and short-term president, Dr Habibie no doubt felt that by appealing to the Korean experience he could gain domestic support and financial assistance for his own agenda of technological leap-frogging, especially in the aeronautics sector, in spite of opposition from many economists in the cabinet and elsewhere. Leaders such as Dr Mahathir in Malaysia, have tried to give what is essentially crony capitalism a developmental gloss by allocating government contracts and monopolies according to political patronage, but also imposing performance criteria so that those beneficiaries who cannot make their businesses grow are deprived of government assistance. Thus Gomez and Jomo (1997: 178), in a study of Malaysian economic policy-making that is often critical in tone, concede that rents were created and allocated in ways "that encourage investments in new productive activities which have contributed to the diversification of the national economy from its colonial inheritance".

All nation states are in a constant process of change, and even those which have achieved the most spectacular economic success are hardly immune from societal pressures to reform and adjust. As Evans (1995: 228) argued in the context of South Korea, the very state policies which have brought about rapid industrialization also brought new and powerful actors onto the political stage (such as independent trade unions), and these new forces could well "threaten the stability of the state-society coalition that made success possible to begin with".¹⁸ In most parts of South and South East Asia where the coalitions are more fragile, and where governments often appear less willing to accommodate new political actors, it is possible that political instability will continue to threaten economic progress. It will be fascinating to watch how various state actors respond to the new challenges of the 21st century, and how the economic role of government changes as a result.

¹⁷Typically, these economists call for fewer regulations, and a more transparent regulatory regime in the ASEAN region; see for example Ariff and Hill (1986), Chapter 4.

¹⁸ In his study of the growth of expenditures on social welfare in the OECD economies, Lindert (2004: 219-20) argues that although Japan has been near the bottom of the OECD league table in terms of welfare spending as a ratio of GDP for much of the twentieth century, social spending per capita has increased rapidly since the 1960s. He suggests that this is also likely to happen in other Asian countries as they reach Japan's GDP level and age structure, although so far this has not happened in either Hong Kong or Singapore. On the other hand social protection expenditures grew relative to the total government budget in South Korea after 1990.

Conclusions

- (1) During the early part of the 20th century, most colonial governments in Asia increased budgetary expenditures per capita, and placed more emphasis on infrastructure development, public health and education. Expenditures per capita varied considerably across Asia reflecting especially growth of the export sector.
- (2) The fiscal conservatism of colonial officialdom prevented much reliance on borrowing to fund development projects even when such projects would have shown healthy rates of return. But some growth in government borrowing did take place in the 1930s.
- (3) Although post-independence governments in Asia almost without exception wanted to increase public expenditures on a range of developmental and social programmes, they often faced difficulties not least because per capita GDP had often fallen as a result of the war and the slow pace of post-war reconstruction. But by 1960 real per capita expenditures had increased relative to 1938 levels in most former colonial territories.
- (4) State enterprises grew in importance in most parts of Asia after 1950. In many cases they were funded from off-budget sources, often via loans from state-owned banks. In addition many Asian governments regulated the private sector, sometimes to achieve non-economic goals such as “ethnic balance”.
- (5) After 1985, a variety of forces led to some downsizing of government spending relative to GDP in many parts of Asia, although rapid economic growth meant that per capita expenditures increased in many Asian countries. While there was some privatization of state monopolies in sectors such as power and telecommunications, state enterprises remained important in many parts of the region.
- (6) In most parts of Asia, expenditures on social protection, including universal pensions, health care and unemployment insurance remained quite modest until the end of the twentieth century. This might change in the future as a result of greater democracy; especially if poverty levels

remain high there will be pressures in many countries for greater expenditures on social protection.

- (7) Over the twentieth century there is little doubt that, in most parts of Asia, real government expenditures per capita have increased, often rapidly as a result of rapid economic growth. To what these expenditures have led to better services for the poorest sections of society remains an issue for further research.
- (8) Even allowing for the real growth which has taken place, per capita government expenditures in nominal dollar terms in 2000 were still below four hundred dollars per capita in India, Vietnam, Indonesia, the Philippines and Thailand. In all these countries, the role of government is limited by the low per capita expenditure.
- (9) While a neo-liberal or ‘Northian’ view of the state may have gained some support in some Asian countries in recent years, many Asian governments continue to take a more activist view of the role of the state as an agent of accelerated development, especially in the industrial sector.
- (10) In addition the predatory state is far from dead, and under the guise of crony capitalism has taken on a powerful new form, not least in some of the former communist countries including China and Vietnam.

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Table 1: Percentage of Total Government Revenues from Trade Taxes

| Country | Import Taxes | | Export Taxes | |
|------------------------|--------------|-------------|--------------|--------|
| | c.1931 | c1936 | c. 1931 | c.1936 |
| Philippines | 23.3 | 15.9 (1938) | 0.0 | 0.0 |
| Federated Malay States | 22.6 | 23.5 (1935) | 14.0 | 19.2 |
| Indochina | 18.8 | 19.4 | 4.8 | 6.2 |
| Netherlands Indies | 14.8 | 9.4 | 1.9 | 12.1 |
| Thailand | 14.7 | 26.1 | 3.1 | 4.3 |
| Burma | 14.2 | 15.5 (1935) | 3.8 | 2.3 |

Sources: Schwulst (1931: 55); with additional data for Vietnam: Bassino, Giacometti and Odaka (2000); Netherlands Indies: Creutzberg (1976); Philippines: Commonwealth of the Philippines (1941), Table 100; Thailand: Ingram (1971); Burma: Shein, Thant and Sein (1969), Appendix II; Federated Malay States: Emerson (1964), Chapters 4,5 and 6, and Department of Statistics (1936), with additional data from Fraser (1939), Appendix A.

Table 2: Public Debt per Capita (US \$)

| Country | 1935 | 1955 |
|----------------|-------|-------|
| British Malaya | 18.21 | 27.39 |
| Indonesia | 15.45 | 3.79 |
| India | 12.11 | 17.64 |
| Philippines | 4.99 | 23.87 |
| Thailand | 2.76 | 4.15 |
| Egypt | 31.62 | n.a |
| Portugal | 60.21 | 41.93 |

Sources: 1935: British Malaya: Department of Statistics (1936) and Federation of Malaya (1956: 90); Indonesia: Creutzberg (1976: Table 7); India, Thailand Egypt and Portugal: United Nations (1948); Philippines: Central Bank of the Philippines (1956: 111); 1955 data from International Monetary Fund *International Financial Statistics*, various issues between 1957 and 1960.

Table 3: Per capita GDP in Pre-war Peak, 1950, 1955 and 1960
(1990 international dollars)

| Country | c. 1942 | 1950 | 1955 | 1960 |
|--------------------|---------|------|------|------|
| Malaysia (1942) | 1673 | 1559 | 1460 | 1530 |
| Philippines (1939) | 1606 | 1070 | 1358 | 1476 |
| Taiwan (1942) | 1502 | 924 | 1250 | 1492 |
| Korea (1940) | 1442 | 770 | 1054 | 1105 |
| Indonesia (1941) | 1252 | 840 | 986 | 1019 |
| Thailand (1938) | 826 | 817 | 945 | 1078 |
| Burma (1938) | 740 | 396 | 467 | 564 |
| India (1943) | 698 | 619 | 676 | 753 |

Source: Maddison (2003: 182-5).

Table 4: Per Capita Budgetary Expenditures (US \$)

| | 1938 | 1953 | 1956 | 1960 |
|-----------------|-------------|-------------|-------------|-------------|
| British Malaya | 20 | 45 | 38 | 47 |
| Taiwan | 9 | 16 | 19 | 28 |
| Philippines | 4 | 12 | 24 | 14 |
| Indonesia | 4 | 6 | 4 | 3 |
| Thailand | 4 | 12 | 11 | 12 |
| Burma | 3 | n.a | 12 | 14 |
| India | 2 | 5 | 7 | 7 |
| US GNP deflator | 43.9 | 88.3 | 94.0 | 103.3 |

Note: Data refer to central government expenditures only. Where multiple exchange rates prevailed, the lowest rate relative to the US dollar is used.

Sources: International Monetary Fund, *International Financial Statistics* various issues between 1952 and 1964, with additional data from Federation of Malaya (1956); Bank Negara Malaysia (1961); Central Bank of the Philippines (1956); Bank Indonesia (1956); Reddy (1972). Exchange rate for Taiwan from Hsing (1971: 292).

Table 5: Index of Per Capita Government Expenditures in Local Currencies (1938 = 100)

| | 1938 | 1953 | 1956 | 1960 |
|--------------------|------|------|------|------|
| Taiwan | 100 | 558 | 623 | 708 |
| Indonesia | 100 | 95 | 91 | 198 |
| Burma | 100 | n.a | 145 | 184 |
| Philippines | 100 | 95 | 165 | 164 |
| India | 100 | 107 | 161 | 153 |
| Thailand | 100 | 152 | 138 | 143 |
| Malayan Federation | 100 | 97 | 90 | 112 |

Sources: International Monetary Fund, *International Financial Statistics* various issues between 1952 and 1964, with additional data from Sato et al (2008: 336-39); Federation of Malaya (1956); Bank Negara Malaysia (1961); Central Bank of the Philippines (1956); Bank Indonesia (1956); Reddy (1972). Price index for Indonesia after 1950 from ECAFE (1964: 240)

Table 6: Government Consumption Expenditures as a Percentage of GDP: 1955-2005

| Country | 1955 | 1965 | 1975 | 1985 | 1995 | 2005 |
|-------------|------|------|------|------|------|------|
| India | 10.7 | 20.0 | 24.1 | 27.5 | 27.2 | 27.6 |
| Laos | n.a | n.a | 30.1 | 30.7 | 34.3 | 24.7 |
| Brunei | n.a | n.a | 15.6 | 20.3 | 33.0 | 22.3 |
| China | 14.0 | 16.3 | 19.2 | 22.1 | 20.2 | 21.4 |
| Cambodia | n.a | n.a | 16.0 | 15.5 | 13.5 | 16.8 |
| Indonesia | n.a | 13.7 | 19.9 | 18.8 | 14.8 | 15.3 |
| Malaysia | 9.1 | 13.5 | 19.1 | 16.7 | 14.0 | 14.1 |
| Thailand | 10.4 | 9.6 | 12.6 | 16.4 | 10.2 | 12.9 |
| Vietnam | n.a | n.a | 12.7 | 12.3 | 14.5 | 11.5 |
| Philippines | 9.1 | 11.6 | 17.8 | 13.3 | 13.9 | 10.9 |
| Korea | 19.6 | 17.7 | 16.6 | 11.0 | 8.7 | 9.7 |
| Taiwan | 20.7 | 20.1 | 17.5 | 14.0 | 11.6 | 9.1 |
| Singapore | n.a | 5.2 | 7.3 | 8.0 | 5.1 | 6.7 |

Note: Figures refer to government consumption expenditures as a share of GDP (current prices)

Source: Heston, Summers and Aten (2009)

**Table 7: Central government expenditures per capita,
1965-2000 (\$)**

| Country | 1965 | 1975 | 1985 | 2000 |
|----------------------------------|---------------------|-------------|-------------|----------------------|
| India | 11.97 | 18.54 | 46.37 | 74.16 |
| Vietnam | n.a | n.a | n.a | 92.05 |
| Indonesia | 4.84 ^a | 46.04 | 113.60 | 124.22 |
| Philippines | 22.82 | 56.66 | 63.00 | 189.63 |
| Thailand | 19.48 | 54.43 | 142.45 | 350.54 |
| Malaysia | 71.36 | 246.37 | 655.53 | 789.01 ^c |
| South Korea | 11.61 | 93.76 | 375.60 | 1813.70 ^d |
| Taiwan | 44.33 | 206.29 | 735.49 | 4285.33 |
| Singapore | 89.64 | 426.75 | 1942.09 | 4888.50 |
| Brunei | 440.01 ^b | 1249.37 | 8844.93 | 8717.53 ^e |
| USA GDP deflator ^f | 100 | 171 | 307 | 405 |

a 1968

b 1967

c. 1999

d. 1997

e 1995

f. Producer price index, taken from Table no. 712, *Statistical Abstract of the United States, 2003*.

Sources: International Financial Statistics Yearbook, 1973, 2007 (Washington: International Monetary Fund), with additional data from the *Statistical Yearbook of Brunei Darussaleem* (Ministry of Finance, Brunei), various issues, and *Taiwan Statistical Data Book*, various issues (Taipei: Council for Economic Planning and Development, Executive Yuan)

Table 8: Central Government Expenditures as a Percentage of GDP: 1969-95

| Country | 1969 | 1976 | 1983 | 1987 | 1995 |
|-------------|------|------|------|------|------|
| Taiwan | 21.3 | 21.2 | 23.7 | 20.5 | 30.1 |
| Malaysia | 21.7 | 29.1 | 39.9 | 30.1 | 23.3 |
| Singapore | 19.1 | 23.3 | 31.2 | 32.9 | 23.1 |
| Philippines | n.a | 15.4 | 13.8 | 17.9 | 18.9 |
| India | 9.6 | 12.3 | 13.8 | 17.9 | 16.9 |
| Thailand | 16.9 | 17.1 | 18.1 | 17.3 | 16.8 |
| Indonesia | 14.1 | 27.5 | 24.8 | 23.5 | 16.8 |
| South Korea | 20.6 | 16.4 | 16.7 | 15.2 | 16.5 |

Note: For Singapore, Malaysia Thailand and Indonesia 1995 figures refer to a five year average centered on that year.

Sources: Asher (1989), Tables 2.6, 3.1, 4.1, 5.10 and 6.2 and Asher (2002), Table 6.2. For India and South Korea, International Monetary Fund, International Financial Statistics, various years