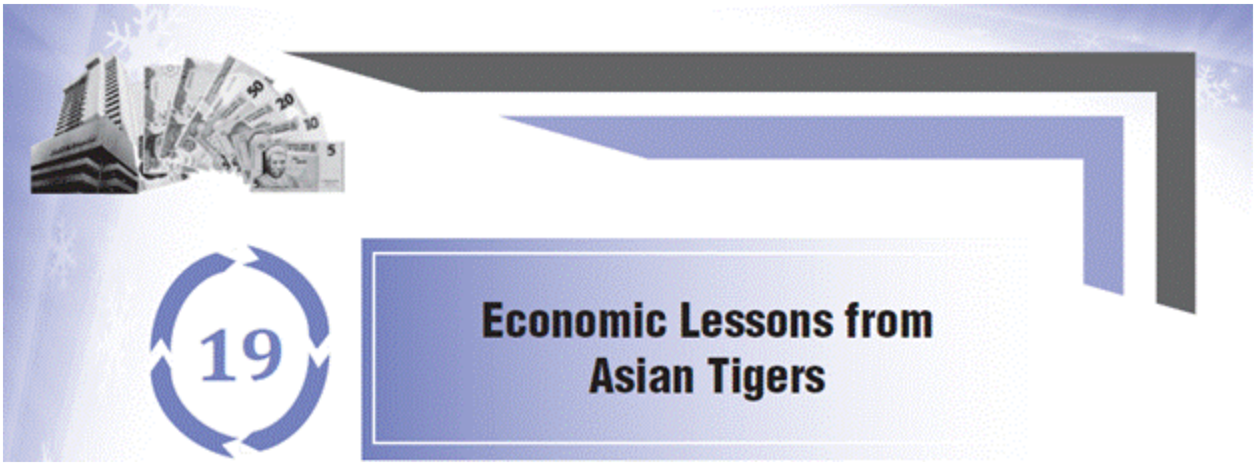
chapter 19



OBJECTIVES

At the end of this chapter, students should be able to:
â€¢ explain the economic history of Asian Tigers;
â€¢ explain the economic history of Europe;
â€¢ explain the economic history of America;
â€¢ state the lessons to be learnt by the Nigerian economy from the Asian nations.

19.1 Introduction

There are individuals in different continents of the world who have different talents, abilities and capabilities, while the performances of the continents also differ from one another. Among the continents are Africa, Europe, Asia and so on. The economic performances of these continents differ. In this chapter, the economic history of the Asian Tigers, economic history of Europe, economic history of America, differences between the strategies of Asian Tigers and America and lessons for Nigerian economy will be examined.

The Asian Tigers are otherwise called Asian Dragons. They are the highly developed economies of Japan, Hong Kong, Singapore, South Korea and Taiwan (now Republic of China). They were the first newly industrialized nations that had the quality of being noted for their maintenance of exceptionally high growth rates. Also, they had rapid industrialization between the early 1960s and 1990s.

The Asian Tigers have a highly educated and skilled workforce that specializes in areas where they had competitive advantage.

Features of the Asian Tigers

The following are the features of the Asian Tiger economy:

(a) Each focused on exports to rich industrialized nations and hence embraced export-driven economy model.
(b) They sustained rate of double-digit growth for decades.
(c) Each nation was non-democratic and relatively ran authoritarian political system during the early years.
(d) Each of the Asian Tigers had high tariff on imports and undervalued currencies.
(e) Each of the Asian Tigers held a high level of US bond holdings and had a high saving rate.
(f) The East Asian Tigers all practiced aggressive land reforms and made huge investments in public health and elementary education.

19.2 Economic History of Asian Tigers Japan

Japan achieved sustained growth in per capita income between the 1880s and 1970 through industrialization. She expanded her manufacturing and shifted from agrarian-based production to manufacturing and technologically sophisticated service sector. Japan encouraged agriculture, which made her agricultural productivity to be high enough to sustain substantial craft production in the rural and urban areas prior to industrialisation.
She invested in infrastructure and the national and local governments were coordinating agents for the infrastructure build-up.
Investment in manufacturing capacity was left to the private sector. Japanese growth was investment led not export led. Japan ensured a total factor productivity growth, by making sure that there was reduction in per-unit costs due to increased output.
She enjoyed economies of scale because of geographic concentration, growth of the national economy, growth in the output of individual companies and increase in companiesâ€™ cumulative output and there was increased demand for their products. Japan had social capacity for importation and adoption of foreign technology that contributed to total factor productivity growth.
Japan at the household level invested in education of children and it improved social capability. Japan created at the firm level internalised labour markets that bound firms to workers and workers to firms.
This served as an incentive to workers to flexibly adapt to new technology. Japan at the government level had industrial policy that reduced the cost to private firms of securing foreign technology. Japan moved out of low-productivity agriculture into high-productivity manufacturing, mining and construction. Japan during the earlier period (1600â€“1868) embraced â€˜closed countryâ€™ during which there was a high level of urbanization, well-developed road networks, channelling of river water flow with embarkments and extensive elaboration of irrigation ditches that supported and encouraged the refinement of rice cultivation based on improved seed varieties, fertilizers and planting methods in the southwest with its relatively long growing season. Japan encouraged the development of proto-industrial (craft) production by merchantsâ€™ houses in the major cities like Osaka and Edo (now Tokyo) and also encouraged its diffusion into the rural areas

after 1700. Japan promotes education and population control among its military elite and the well-to-do peasantry.

Indonesia

This country is one of Southeast Asiaâ€™s successful, highly performing and newly industrialized economies. She has a tropical climate with large stretches of lowland and numerous areas. The climate varies from hot and humid to more moderate in the highlands.
Apart from fertile land that is suitable for agriculture, Indonesia is rich in a range of natural resources, varying from petroleum, natural gas and coal to metals such as tin, bauxite, nickel, copper, gold and silver. Indonesiaâ€™s economy can be tagged as having a history of missed opportunities because her economy has been underperforming for large periods of its history. Indonesia embarked on dynamic exports of raw materials, which made her strong in regional variation in the economy.
Indonesia had the growth of private entrepreneurship with interest in the exploitation of natural resources. Further, she had momentum of profitable exports, which led to the broad expansion of economic activity.
This made her improve her road, rail and port transportation systems. There were restrictions on importation and this made Indonesia a self-sufficient economy especially in the production of rice. Indonesia allowed the inflow of Western capital and this led her to experience economic expansion during which there was increased and quick industrial output such as steel, aluminium, cement, petroleum, food, textiles exports, and cigarettes.
From 1970 onwards, there was increase in the price of oil in the world market, and this made Indonesia realize increased income from oil and gas. She also shifted from exportation of logs of wood to plywood, pulp and paper. The revenue realized was applied to the development of technologically advanced manufacturing industry.

Malaysia

Federation of Malaysia was formed in 1963, and it is one of the most successful non-Western countries that achieved relatively smooth transition to modern economic growth over the last century. She has been a major supplier of primary products such as tin, rubber, palm oil, timber, oil and liquefied natural gas. She has developed her exportoriented manufacturing industries such as textiles, electrical and electronic goods, rubber products, etc. A government policy accorded central role to foreign capital, and it also encouraged substantial participation of domestic capital and enterprise. As at 1990, she had about 30% of exports that consisted of manufactured goods. In fact, Malaysia has a long history of internationally valued exports such as gold, tin, exotics such as birdsâ€™ feather, edible birdsâ€™ nests, aromatic woods, tree resins, etc.
Indigenous people of Malaysia engaged in commercial production of rice but remained basically within subsistence economy. The people were not ready to offer themselves as permanent wage labour.
In the country, there were technological advances made possible by more

efficient communications (e.g., railways, cars, trucks, steamships, international canals, telegraphs, etc.). As part of its industrialization plan, Malaysia offered inducements such as 5-year tax holidays, guarantees to foreign investors of freedom to repatriate profits and capital, etc. A modest degree of tariff protection was granted. Types of goods dealt with were consumer items such as batteries, paints, tyres and pharmaceuticals.
Malaysia was noted to be a leading nation in the production of oil palm. She was supplying about 20% of the world demand for oil, and it offered quick returns. She rejuvenated her rubber industry by cutting down old trees and replanted the land with new trees that required 7 years to mature.
This was encouraged by government provision of grants to owners, financed by special duty on rubber exports. Malaysia took steps to increase the production of rice domestically to lessen the dependence on imports. A range of industries such as textiles, rubber, food products, chemicals, telecommunications equipment, electrical and electronic machinery/appliances, car assembly and some heavy industries and iron and steel grew up. Malaysia grew from a primary product-dependent economy to a manufacturing one.

Factors that Led to Structural Shift in Malaysia

1. Malaysia had a 5-year development plan that was a model for the developing world.
2. Foreign capital was accorded a central role.
3. Developments were helped by major improvements in education and health.
4. Enrolments at the primary school level reached about 90% by 1970, and it was 59% in secondary school by 1987.
5. There was increased female enrolment from 39% to 58%.
6. There was increased women participation in the workforce to over 45% by 1986/87.
7. In the tertiary education sector, the number of universities increased from one to seven between 1969 and 1990.
8. There was the establishment of numerous technical and vocational colleges.
9. There were better living conditions such as provision of more homes, pipe-borne water, more rural clinics, etc., which reduced infant mortality and resulted in longer life expectancy.
10. There was quality national leadership.
11. Malaysia embarked on privatisation of public assets notably in transportation (e.g., airlines), utilities (e.g., electricity supply) and communication (e.g., television).

Singapore

The economic development and prosperity of Singapore is with the help of its labour force, especially the training enjoyed by the force. Its labour is cheap and so has to create technical skills that are unavailable elsewhere in the third world. Local industry was limited to trade and also did not have

capability of creating export industry, while efforts at bringing in foreign industry were not easy. Potential foreign employers were made aware of the existence of incorruptibility in Singaporean bureaucracy.
The tax system was attractive to foreigners by giving lower tax rates for foreign investments than local residents. Singapore upgraded her infrastructure, streets, roads, airport and port facilities financed by infrastructure tax and borrowing. Singapore adopted the strategy of improving the training of Singaporean workers through government training institutes where a typical training programme would meet twice a week for 3-hour sessions over a 2-year period. This was free and voluntarily geared towards the needs of foreign companies operating in the country. This was in lieu of increased wages to the workers. Due to the training that the workers acquired, they were able to introduce improvements that lowered costs of production and Singapore had a culture of innovation. The technical training offered to her citizens made the government create the following:
1. Science park to share research between government and the industry
2. National computer board to encourage the computerization of schools, offices and homes in Singapore
3. Tripling of the size of the available two engineering universities in Singapore
4. Creation of a US$50 million venture capital fund targeted at encouraging Singaporeans to start up companies. It is further expected that these companies would start up outside of Singapore.
5. Encouragement of capital investment in Singapore while the tax rate on interest was set at a low rate of 20% Summarily, the key developmental strategies of Singapore are as follows:
Expanding external ties: Embracing globalization through the multilateral trading framework of the WTO, regional cooperation as well as bilateral Free Trade Agreements
Maintaining competitiveness and flexibility: Keeping the burden of taxes and the Central Provident Fund on the economy as low as possible, reviewing the labour market and wage system to make them more flexible and pricing factors of production competitively
Promoting entrepreneurship and domestic companies: Encouraging people to be innovative and improving the ability of firms to develop new ideas and businesses, tap new export markets and broaden the economic base
Growing manufacturing and services: Upgrading these sectors by improving cost competitiveness, equipping the labour force with relevant skills and developing new capabilities and industries
Developing human capital: Investing in education, helping workers train and upgrade and welcoming global talent to augment the indigenous talent pool

South Korea

South Korea is a high-income developed economy, which is market focused and one of the Asian Tigers nations. The country has almost no natural

resources and is overpopulated. She adapted an export-oriented economic strategy to fuel her economy. There was growth of her industrial sector. By 1986, manufacturing sector accounted for approximately 30% of the gross domestic product and 25% of the work force. There was the introduction of modern technologies into the outmoded or newly built facilities at a rapid rate. South Korea encouraged the production of commodities meant for sale in foreign markets. The proceeds were ploughed back into further industrial expansion. Factory automation systems were introduced in her electronics, automobile and textile industries, and this reduced dependence on labour. Two-thirds of South Korean manufacturers spent over half of the funds available for facility investments on automation. There was rapid industrialization because it adopted the outward-looking strategy in the 1960s. This strategy promoted economic growth through labour-intensive manufactured exports where she developed competitive advantage. There was the encouragement of inflow of foreign capital to supplement the shortage of domestic savings. South Korea emphasized industrial sector. So her exportoriented development strategy left the rural sector relatively underdeveloped. As at 1978, factories in Seoul contributed 25% of all manufacturing value-added goods. With respect to employment, factories in Seoul and Gyeonggi employed 48% of the nationâ€™s 2.1 million factory workers. In terms of shipbuilding, South Korea is a leader in the production of ships such as oil supertankers, oil-drilling platforms, etc., where its share in the global shipbuilding market as at 2008 was 50.6%. South Korea contributed immensely to the automobile industry. By 1989, her total production of buses and trucks was 1.1 million units, while 846,000 units of cars were produced in 1989. South Korea is also vast in the area of construction and it remains a critical source of foreign currency and invisible export earnings.
South Korea is a manufacturer of armaments for domestic use and for export. South Korea is in possession of modern military technology that promotes military equipments and technology as mainstream products of exportation and this boosts its international trade. South Korea is also notable in tourism, and in 2007, there were 6.4 million visitors to the country. Seoul has been found to be the principal tourist destination for most visitors.

Taiwan

Taiwan is located on the strategic location between the Far East and Southeast Asia. Iron metallurgy and advanced agricultural techniques strengthened her economic activities. Taiwan is into export trade of resources such as sugar, sika deer skin, deer meat, antlers, rattan and rice. Taiwanâ€™s economic development was dependent on the establishment of irrigation systems and hydraulic engineering projects, which led to exportation of rice to mainland China. There was the opening up of four main ports in Taiwan, which led to Taiwanâ€™s export of tea and camphor. By 1930, Taiwan pursued a policy of industrialization, whereby a vast swamp in central Taiwan was transformed into a huge dam so as to build a hydraulic power plant. Several public works such as railways, public education and telecommunications were implemented. In summary, Taiwan was committed to education that starts with elementary education; it expanded to upper school level of schooling as basic levels of literacy were attained. There was the introduction of successful land reforms. The government carried out an import substitution policy whereby she took what was obtained through agriculture to give support to the industrial sector. In some cases, there can be trading of agricultural product exports for foreign currency to import industrial machinery. Taiwanese government raised tariffs, controlled foreign exchange and restricted imports so as to protect the domestic industry. She eventually pursued export expansion. The country allowed interest rates to rise so as to encourage domestic saving and expand the amount of resources available to fund new businesses. The academics in the country provided sound advice such as encouragement of innovation in agricultural techniques.

Hong Kong

The territory of Hong Kong comprises two main islands (Hong Kong Island and Lantau Island) and a main hinterland. Its economy was closely linked to commercial activity that is dominated by shipping, banking and merchant companies. The country gradually diversified to services and retail outlets to meet the needs of the local population. She further took to shipbuilding and maintenance that was linked to the presence of British naval and merchant shipping. There was also industrial expansion in notable items such as sugar refining, cement and ice factories among the foreign sector alongside smaller-scale local workshop manufactures. Hong Kong was founded in the textile industry as at 1950s before gradually diversifying to clothing, electronics, plastics and other labour-intensive production targeted mainly for export. Industrialization in Hong Kong was accompanied by increasing numbers of small- and medium-sized enterprises (SMEs). Hong Kongâ€™s economic development was hinged on domination of foreign firms, large firms with close relations to the state, low taxes, tax employment laws, absence of government debt and free trade. New industrial towns were built to house immigrants, provide employment and aid industry. The government subsidized industry indirectly through provision of public housing. This restrained rises in the cost of living that would have threatened its labour-cost advantage in manufacturing. The government also embraced education by creating over 300,000 new primary school places between the years 1954 and 1961. Secondary school provision was expanded in the 1970s while the government offered compulsory free education for all children up to the age of 15. By 1978, there were trade relations between China and Hong Kong. Hong Kong firms took advantage of its cheap labour by moving its labourintensive activities to the mainland. The firms employed about 5 million people because most of the businesses were labour-intensive assembly for export. By 1997, there was increased investment in the financial services, tourism and retail trade. There was a shift from manufacturing to service sector as at the 1990s. The service sector employed about 80% of the labour force, whereas manufacturing employed about 10%.

19.3 Economic History of Europe

In Europe, between the 11th and the 13th Century, farmers and small-scale producers of crafts met in seasonal trade fairs in towns to trade their goods. Craft associations fostered the development of skills and the local growth of trade especially and this was noticed in England, Flanders, France, Germany and Northern Italy. Industrial revolution brought factories to Western Europe especially to England and Scotland between the 1750s and the 1830s. The revolution led to the growth of factories, railroads, coal mining and business enterprises that made use of new technologies. The new system was first experienced on textiles and this spread to other sectors. By 19th Century, there was a transformed British economy and society in which there was a sustained growth that, however, spread to America and Europe and modernized the world economy. By 1790, efficient steam engines were developed and this made the cost of energy to fall steadily. Growth of industry brought the need for better transportation system especially the railroads, which revolutionized transportation and led to great demand for iron and coal. The discovery of iron made Britain produce 700,000 tons of iron a year. By the quarter-century, the amount quadrupled with centre in Scotland. The main users of iron are the railway builders. With time, iron was displaced by steel.

19.4 Economic History of America

The economic history of United States has its root in European colonization as at the 16th, 17th and 18th centuries. America is characterized with large unified market, supportive politicalâ€“legal system, vast areas of highly productive farmlands, vast natural resources (such as timber, coal, iron and oil), etc. There was in the United States an entrepreneurial spirit and commitment to investing in material human capital. It further had technological and industrial factors that really attracted immigrants from all over the world. In America, there emerged small local industries such as sawmills and gristmills. Also, entrepreneurs established shipyards to build fishing fleets, trading vessels and iron forges. There were developments of plantations through the use of slave labour.

Tobacco, rice and indigo were grown while there was shipping of general crops and furs. Her constitution provided for no internal tariffs or taxes on interstate commerce. But she charged tariffs on imported goods, such as whiskey, so as to protect the industry. But through diversified shipping, manufacturing and banking, economic growth was realized. America embraced the cultivation of cotton and shipped it to textile mills in Britain, France and New England. Respective states were saddled with the responsibility of construction of roads and waterways, which opened up markets for Western farm products. The emergence of railroads opened up remote areas, while there was reduction in the cost of moving freight and passengers. It further stimulated the establishment of new industries such as steel, telegraphy and civil engineering. There were new inventions and capital investment, which led to the establishment of new industries. Improvement in transportation led to opening up of new markets while the nationâ€™s income also came from manufacturing.

Americaâ€™s industrial infrastructure was developed. In America, there was the discovery of coal, oil, iron ore, copper and silver. In the 1880s, there was increased capital investment nearing 500%, while capital formation doubled during the decade and long-term interest rates declined from 3.5% to 3%. American Government created the Federal land grant that helped each state to create an agricultural college and a network of extension agents who demonstrated modern techniques to farmers. In 1887, there was the American Congress that enacted law regulating railroads through the Interstate Commerce Act. In 1890, Sherman Antitrust Act was enacted, which prevented large firms from controlling a single industry. Between 1900 and 1930, about 80% of the power used in industry was electric and electric utilities with central generating stations used steam turbines, which, however, greatly lowered the cost of power with business houses in the cities becoming electrified. Also, there was rapid growth of the automobile industry that further stimulated industries such as oil, glass and road building. Tourism also soared, while there was boom in the construction of offices, factories and everyday life. Telephones and electricity spread to the countryside. Between 1929 and 1941, there was a great depression in the United States following the crash in the stock market, and it was hard to get loan from the banks and unemployment rate was 25%. Between 1932 and 1933, the economy eventually recovered. In the United States, under the leadership of Lyndon B. Johnson (1963â€“1969), a Great Society was created, where there were social programmes such as Medicaid and Medicare. The government further financed some private industryâ€™s research and development,

e.g., ARPANET (which was targeted to become the internet). After World War II, United States experienced economic expansion because of the maturity of the US$200 billion war bonds. There was swelling up of the middle class and a fairly even distribution of the economic growth of America, gross domestic product and productivity. American Congress created the Council of Economic Advisors targeted at promoting employment, high profits and low inflation. Between the mid-1970s and 1992, there was the introduction of the deregulation policy from transportation to financial depository institutions. By 1981, there was the introduction of Reaganomics, which refers to the fiscally expansive economic policies that cut marginally federal income tax rates by 25%. Increased free trade, globalisation and high corporate taxes caused United Statesâ€™ companies to shift their manufacturing and heavy industrial operations to Second and Third World countries with lower labour costs. By 2009, there was the introduction of the American Recovery and Reinvestment Act.

It provides that government spending should offset the fall in private spending during an economic downturn.

19.5 Differentiation of Development Strategies of Asian

Tigers, Europe and America

The development strategy of the Asian Tigers included rapid industrialization, export-driven economy, highly educated skilled workforce, aggressive land reforms, huge investments in public health, huge investments in education whether at the primary or secondary level, quality leadership and development of infrastructures. The strategies adopted by Europe were industrialisation and transportation. America, however, adopted the entrepreneurial tendencies, investment in human capital, industrialisation, technological development and infrastructural development.

19.6 Lessons for the Nigerian Economy

The Nigerian economy should embrace industrialisation such that there will be a shift from the agrarian economy where Nigeria is. Industries should be established in the different geographical zones of the country. This, however, will enhance the production of industrial goods that will be demanded by consumers within and outside Nigeria. These industrial goods can be exported to foreign nations and thereby foreign currencies can be earned, which will better enhance economic growth. Nigeriaâ€™s export-driven tendencies will also be enhanced. Nigeria should develop programmes that will make her skilled workforce better educationally equipped on their jobs. Nigeria needs to ensure that her infrastructures such as roads, communication, electricity, etc. are properly put in right place to enhance industrialization of the country. Government should invest in the provision of qualitative health facilities to her citizens and likewise there should be provision of education to the citizens. This is because a healthy and properly educated citizen can meaningfully contribute to the growth and development of the country. Nigeriaâ€™s leadership should not be a corrupt but a caring leadership that is interested in the well-being of her citizens.

Summary

This chapter examined the economic history of the Asian Tigers, Europe and America. Their development strategies were also looked at, while the lessons that Nigeria as a nation can learn from Asian Tigers, Europe and America were also examined.

Class Activity

1. The teacher asked students to visit the Internet and find out the problems that the Asian Tiger nations passed through during the worldwide economic meltdown period.

Revision Questions

Objective Questions

1. Asian Tigers are otherwise called
(a) Asian Lions
(b) Asian Dragons

(c) Asian turkeys
(d) Asian Workforce
(e) Asian Elephants
2. Asian tigers have
(a) Poorly educated and unskilled workforce
(b) Averagely educated and averagely skilled workforce
(c) Highly educated and skilled workforce
(d) Non-educated and unskilled workforce
(e) All of the above
3. Japan at the household level invested in
(a) Education of children and improved social capability
(b) Industrial policy that reduced cost to private firms of securing foreign technology
(c) High level of urbanisation
(d) Extensive elaboration of irrigation ditches
(e) Infrastructures
4. Federation of Malaysia was formed in
(a) 1960 **(b)** 1959
(c) 1963 **(d)** 1970
(e) 1981
5. South Koreaâ€™s global shipbuilding market as at 2008 was
(a) 50.0% **(b)** 49.6%
(c) 50.6% **(d)** 77.7%
(e) 50.5%

Essay Questions
1. Write comprehensively about the economic history of these Asian Tiger nations:
(a) Japan **(b)** Malaysia
(c) Singapore
2. Compare the development strategies of the Asian Tiger nations with that of America and Europe.
3. Explain some of the lessons that Nigeria can learn from the development strategies of the Asian Tiger nations that will help Nigeria become a developed nation.
4. Explain the reasons why the Asian Tiger nations embraced education of her citizens.
5. Explain the infrastructural development process embarked upon by the Asian Tiger nations that aided their development.

Glossary
Asian Tigers: They can otherwise be called Asian Dragons. They are the highly developed economies of Japan, Hong Kong, Singapore, South Korea and Taiwan (now Republic of China).
Developing human capital: This has to do with investing in education, helping workers train and upgrade and welcoming global talent to augment

the indigenous talent pool.
Expansion of external ties: It is the embracing of globalisation through the multilateral trading framework of the World Trade Organisation, regional cooperation as well as bilateral Free Trade Agreements.