

# Leadership and growth

- In order to grow economies there are a number of key events or transitions where leaders act so as to preserve growth or to not allow it to stop. These key moments whether characterized by crises, poor performance, inspired leadership or reactions to exogenous events either give rise to positive shifts or preserve growth.

# Key Events

- Choosing the model – leaders have to decide on the basic economic approach
- The choice can be good :
- Right Model –Market driven with variants

or in Error :

- Too much central planning
- Too many constraints on foreign and domestic sectors
- Too large a government
- Note –We are talking about leaders who have as a primary objective (perhaps one among others ). Other societies and leaders may choose something else

# Building Consensus

- Leaders must bring along those in the country necessary to achieve the task
- Other elites in the country who share power
  - business leaders
  - party leaders
  - interest groups
  - opinion leaders

These two probably come later

- Building a consensus is often taken to be a leader convincing the necessary elites to go along with the plan –especially a legislature which votes on the plan. The actual building of the consensus differs in form and activity. In a junta or in a dominant party system like China the consensus building will differ from the way that say Brazilian leaders have to build consensus
  - fewer to convince
  - incentives differ in multi party systems

# Crises

- In each of the countries we looked at crisis seemed to play an important role .The present economic status quo is not working thus change is necessary. This helps with the consensus building because it is hard to defend the status quo.

Examples from Korea, India

# Growth over time

- If the plan is successful there will be over time problems both economic and political:
- economies change –not always low labor
- inequalities occur
- success generates new interests many successful new interests
- **these new interests often push for political democracy**

- A prominent way to try to solve this problem is to create a dominant single party
  - China, Taiwan-China already had
  - Singapore, India, Japan created
  - Korea tried –unsuccessfully
- Elections are and were common across all our countries and the ability to create a dominant party means maximizing your vote count /weight

- This can be achieved by variants of :
  - Gerrymander by region ,rural-urban
  - Number of votes per voter
  - Number of representatives per district

- Over time the pressure for political change and the regime structure and rules of the game change over time to accommodate new preferences and such change is associated with decisions regarding economic growth

- Economic success generates a desire for redistribution and :
- Leaders have to balance political and economic considerations in order to preserve growth while redistributing
- The desire to stay in power is hard to separate from the economic growth issue
  - China today the 5 year plan
  - Singapore the union deal etc.

- An example of a second best decision
  - Tanaka and the Large Store Retail Act
- Economic success also generates new successful interests and they also must be fit into the system

In some cases this generates demands for other leaders and parties –or democracy

These new interests often generate the leadership that maintains growth—Japan in mid 70's, Korea in 90's U.S. after Civil War

- The Yusin crisis in Korea as an example of economic growth creating a key transition .