

# POL201Y1: Politics of Development

Lecture 11:

Developmental states

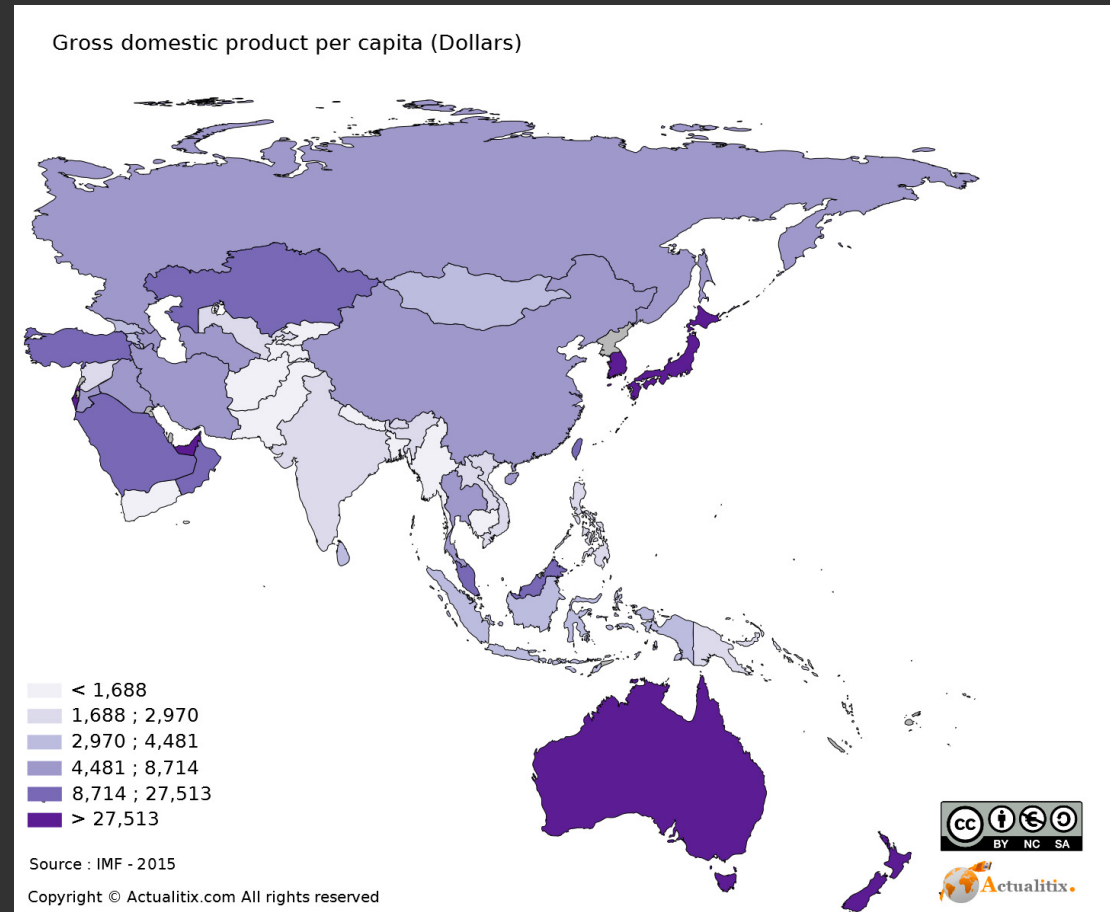
# Recap

- State-making in Europe:
  - War →
  - State capacity →
  - Representativeness and accountability + rule of law →
  - 'Denmark'

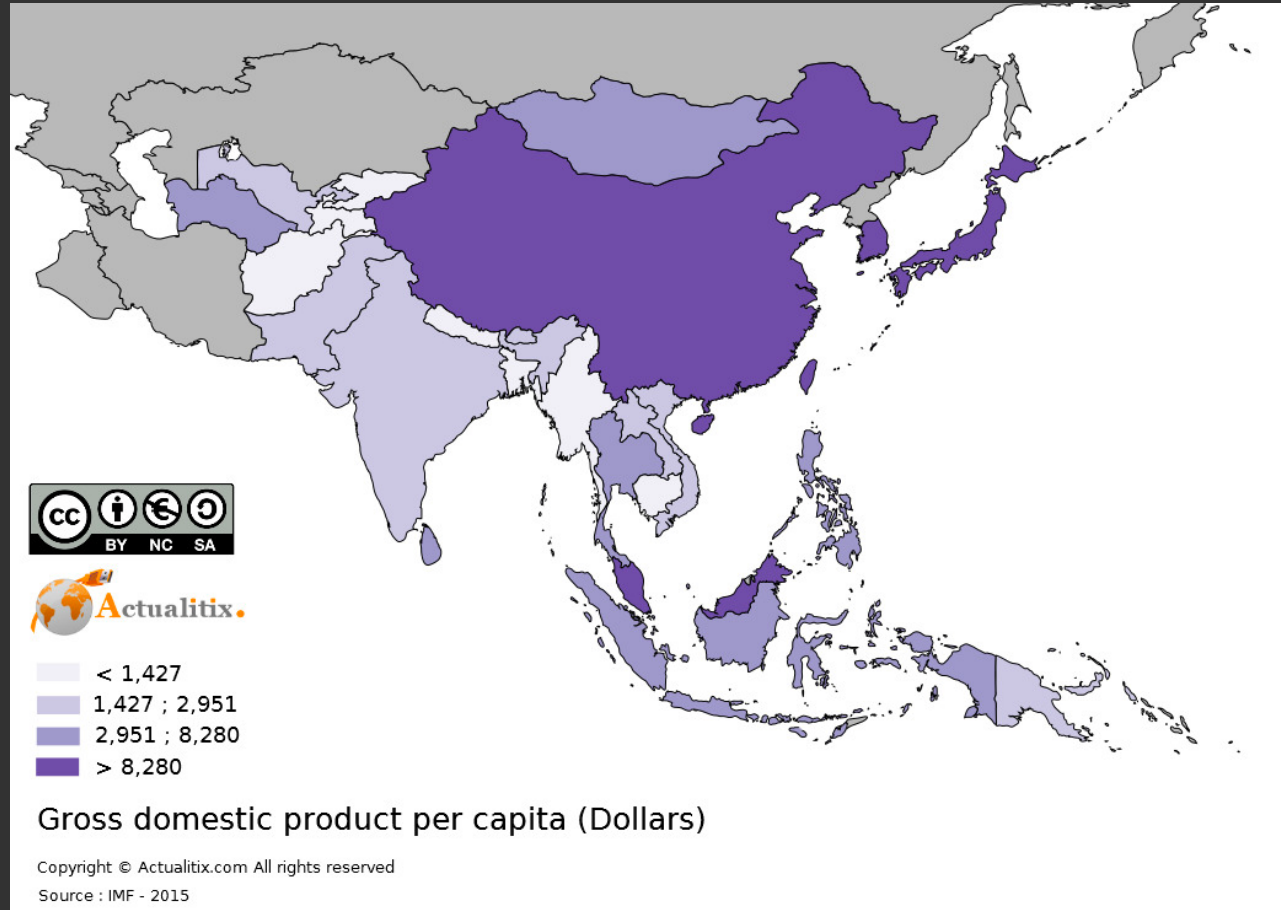
# Recap

- State-making elsewhere:
  - Latin America:
    - War financed by external provision of debt →
    - No need to bargain with populations
  - Precolonial Africa:
    - Little international competition →
    - No control over the periphery
  - Postcolonial Africa:
    - International protection of negative sovereignty, few wars →
    - No need to establish strong state capacity

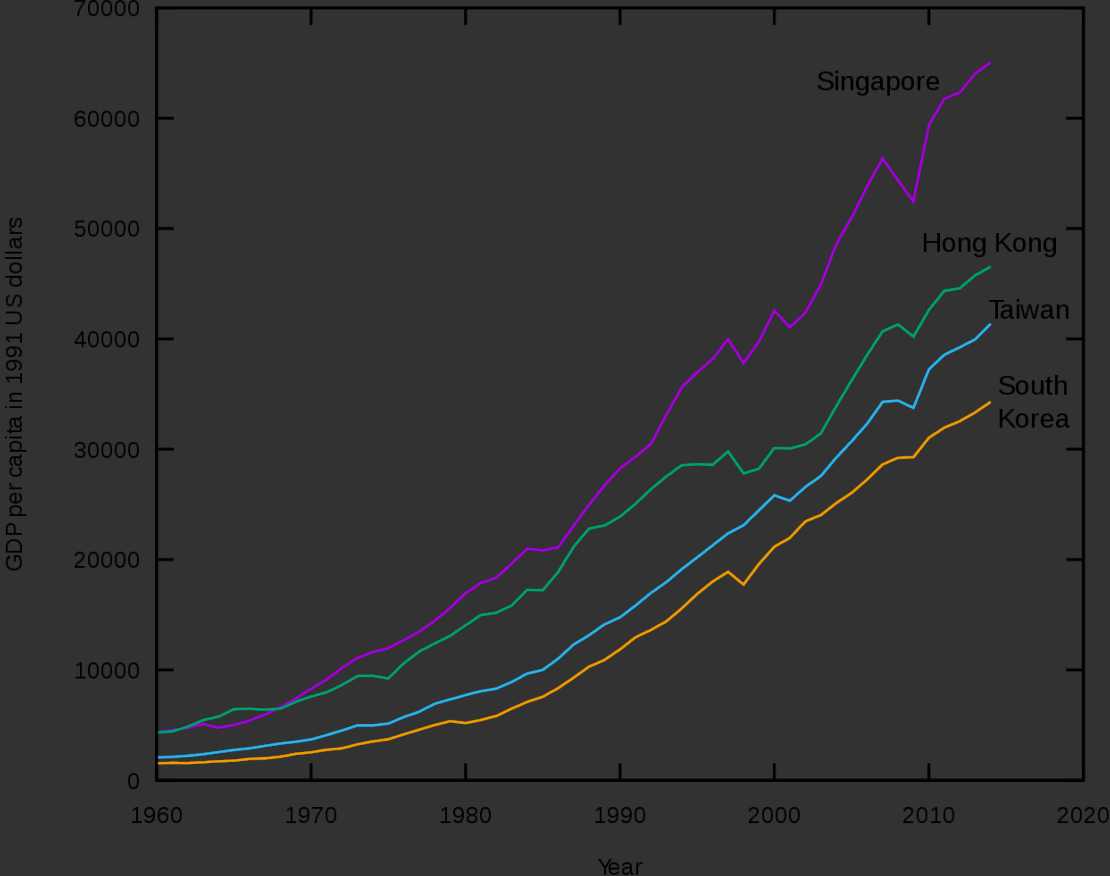
# Asia



# Asia



# Asian Tigers



# Asia

- Why are Hong Kong, Japan, South Korea, and Taiwan (and, increasingly, Mainland China) so much richer than the rest of the continent?

# Developmental states

- “Organizational complexes in which expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation”
  - Doner, RF, BK Ritchie, and Dan Slater. 2005. “Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective.” *International Organization* 59: 327–61.



# Developmental states

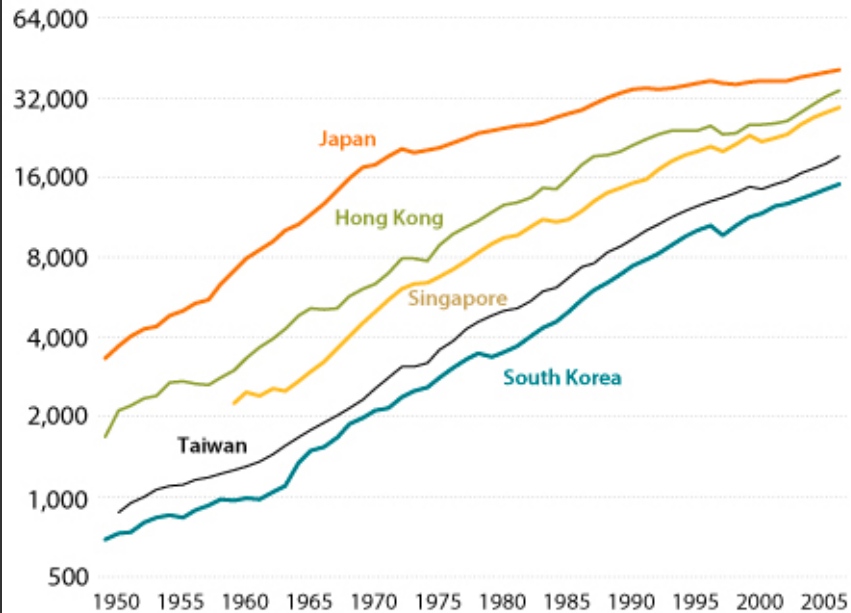
- State development capitalism:
  - State autonomy
  - State intervention in the economy, extensive regulation and planning
  - Collaboration of the state with the private sector
  - Export-oriented industrialization

Why have East Asian countries been so successful, while others have failed?

# Export-led industrialization vs. ISI

Figure 2  
Per Capita GDP of East Asian Countries

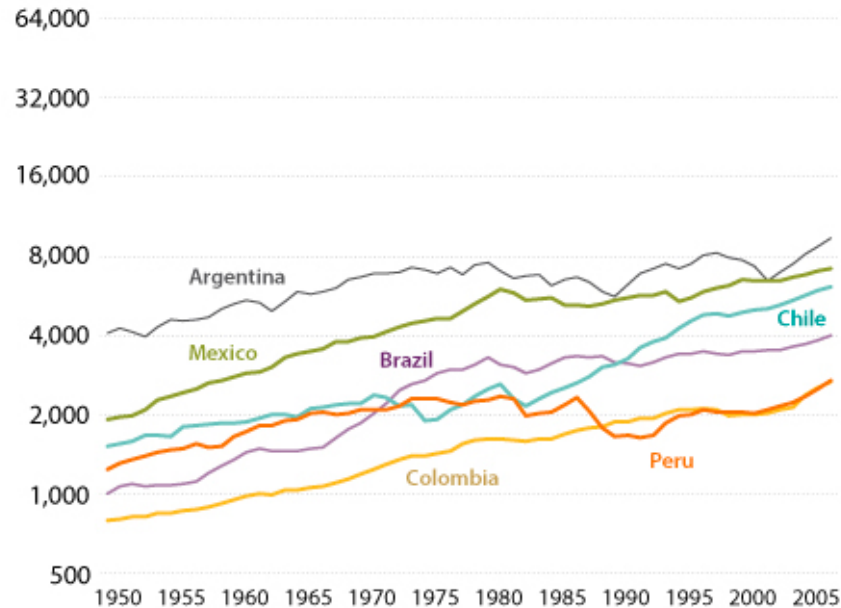
Constant 2000 U.S. Dollars



SOURCE: World Bank Global Development Indicators.

Figure 3  
Per Capita GDP of Latin American Countries

Constant 2000 U.S. Dollars



SOURCE: World Bank Global Development Indicators.

# Export-led industrialization

- Successful developmental states
- But also Philippines, Puerto Rico, etc.

# Investment and savings

- Rapid growth in domestic savings →
- High rates of investment (exceeding 20% of GDP on average between 1960-1990)
- High rates of private investment
- Successful allocation of capital to high-yielding investments
- Also high and rising endowments of human capital due to universal primary and secondary education
  - Page, John M. 1994. "The East Asian Miracle: An Introduction." *World Development* 22 (94): 615–25.

# Governed market

- State-corporatist political arrangements (e.g. control over financial systems) →
- State capacity to lead the economy through the use of incentives, control over unions, and mechanisms to spread risk →
- High levels of productive investments
- Combination of protectionism with export orientation
  - Wade, Robert. 1990. *Governing the Market*, Princeton, N.J.: Princeton University Press.

# State autonomy

- Concentration of power at the apex and use of state power to discipline society
- Authoritarianism
- Repression of labour
- Control over society
  - Atul Kohli. 2004. *State-Directed Industrialization: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.

# Embedded autonomy

- “*Autonomy* is fundamental to the definition of the developmental state but not sufficient.  
The ability to effect transformation depends on state- society relations as well. Autonomous states completely insulated from society could be very effective predators.  
Developmental states must be immersed in a dense network of ties that bind them to societal allies with transformational goals.  
**Embedded autonomy, not just autonomy, gives the developmental state its efficacy”**
- Necessity of the state—and highly developed, coherent bureaucracy—for the mobilization of capital and coordination of industrial development
- Embeddedness of the bureaucracy in informal networks
- Embeddedness provides sources of intelligence and channels of implementation that enhance the competence of the state
- Autonomy prevents state capture
  - Peter Evans. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press.



# International system

- Contra developmental states as highly autonomous entities
- Political elites only invest in developmental institutional arrangements when confronted with '**systemic vulnerability**':
  - Credible threat that any deterioration in the living standards of popular sectors could trigger unmanageable mass unrest
  - Heightened need for foreign exchange and war materiel induced by national insecurity
  - Hard budget constraints imposed by a scarcity of easy revenue sources
- Systemic vulnerability in Singapore, South Korea, and Taiwan, but not in Indonesia, Malaysia, the Philippines, or Thailand
  - Doner, RF, BK Ritchie, and Dan Slater. 2005. "Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective." *International Organization* 59: 327–61.

# Historical legacies—land distribution

- Relatively equitable land distribution in East Asia →
- Equitable distribution of wages and salaries →
- Little social conflict and inflation →
- High savings rates
  - Amsden, Alice H. 1991. "Diffusion of Development: The Late-Industrializing Model and Greater East Asia." *The American Economic Review* 81 (2): 282–86.

# Historical legacies—colonialism

- State intervention in support of investor profits as precondition of industrialization among late-late-developers.
- State institutions in developing countries as a product of colonialism:
  - Cohesive-capitalist states (developmental states): e.g. Korea
  - Fragmented-multiclass states: e.g. India
  - Neopatrimonial states: e.g. Nigeria
- Japanese colonialism as the source of South Korea's success:
  - Korean state was transformed from a corrupt and ineffective institution into a highly authoritarian, penetrating organization, capable of simultaneously controlling and transforming Korean society.
  - Production-oriented alliances involving the state and dominant classes evolved, buttressing the state's capacity to both control and transform, leading up to considerable expansion of manufacturing.
  - The lower classes came to be systematically controlled (and brutally repressed) by the state and dominant classes.
    - Atul Kohli. 2004. *State-Directed Industrialization: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.

# Complex sequencing

- Subsidization of business →
- Imposition of performance standards →
- Growth →
- State more committed to economic development →
- More resources for development →
- More growth
  - Amsden, Alice H. 1991. "Diffusion of Development: The Late-Industrializing Model and Greater East Asia." *The American Economic Review* 81 (2): 282–86.

# Are developmental states exclusively East Asian?

**Table 2.** *Average growth rates 1967–80 of the best performing countries*

Country	Average growth rate
1. Botswana	14
2. Singapore	10
3. Korea, Rep.	10
4. Brazil	9
5. Ecuador	8
6. Gabon	8
7. Hong Kong	8
8. Dominican Republic	7
9. Paraguay	7
10. Lesotho	7
11. Thailand	7
12. Kenya	7
13. Malaysia	7
14. Cote d'Ivoire	7
15. Indonesia	7
16. Seychelles	7
17. China	7
18. Belize	7
19. Mexico	7
20. Swaziland	6
21. Fiji	6
22. Costa Rica	6
23. Congo, Rep.	6
24. Rwanda	6
25. Guatemala	6
26. Colombia	6
27. Nigeria	6

# Developmental states in Africa

- ‘Developmentalist’ states in Africa in the 1960s and 1970s
- Destruction of state capacity through structural adjustment policies
  - Mkandawire, T. 2001. “Thinking about Developmental States in Africa.” *Cambridge Journal of Economics* 25 (3): 289–314.

# Developmental states in Africa

