The article takes issue with the way in which economics deals with the state and assumes homogenous capacity. Instead it argues that differences in growth rates between countries can be traced back to the capacity of the state and political system. A state that is relatively capable is able to provide a political environment conducive to growth. It highlights the role of the elite in the development process, the necessity for a competent and insulated economic bureaucracy, and the significance of ‘embedded autonomy’ for the state. These elements shape the nature and capacity of the state.

1. Introduction

The roots of economics in political economy have all but been forgotten. It has increasingly isolated itself from other disciplines in the social sciences, and has consequently become the poorer for this. Its treatment of the state is especially inadequate. The state is seldom studied in itself as a pivotal institution influencing the process of development. The state is surmised to operate in a vacuum, and economics has concerned itself with the technical details of economic policy, and the role of the state and market therein. But economics cannot ignore the fact that both the state and market function within a socio-political environment which permeates every transaction. This article attempts to move beyond the traditional state versus market debate which has been clouded in ideological dogma, and studies the state and its capacity as an endeavour in itself.

The article focuses on the state as a meta-entrepreneur in the development process. It attempts to identify the causes of success and failure in statist development and appraises the dynamics of the interaction between state and society. The concept of a ‘developmental state’ is introduced, and its role in development is outlined. Lastly, it sketches the necessary conditions (mostly socio-political) for a developmental state to exist.

2. The state in economics

One of the most extraordinary enigmas in economics lies in the area of the state. Economics assumes the state. Migdal (1988, p. 17) points out that the danger in taking the state for granted is that we begin to assume states in all times and places have had a similar potential or ability to achieve their leaders' intentions. Development economics, in particular, prescribes what the state should and should not do to facilitate the development process (ranging from the economic planners of the 1950s and 1960s to proponents of structural adjustment in the 1980s). It simply assumes that this, so
called, `state' is able to switch itself on and off to perform these functions adequately. It ignores the fact that the state has its own dynamics. Very seldom is the state ever clearly defined in economics, and almost never is it analyzed as a separate entity itself, although important strides have been made in recent years in investigating institutions via the work of Douglas North, in particular. Whilst the state's role in development has attracted much attention, its capacity to realise it, has not. The state operates within an interactive environment, and it must therefore be examined within that context. It is inadequate to deride state intervention. The real issue lies in studying the circumstances in which states succeed or fail. This is a crucial concern for economics, not just political science.

Max Weber saw the state as an actor able to formulate and pursue its own goals. Migdal (1988, p. 19), using a Weberian ideal-type perspective, defines the state as an organization, composed of numerous agencies led and co-ordinated by the state's leadership (executive authority) that has the ability or authority to make and implement the binding rules for all the people as well as the parameters of rule making for other social organizations in a given territory, using force if necessary to have its way. Real states vary considerably in how closely they fit the ideal-type. Tangibly, the state represents a set of governing institutions headed by an executive body. Martinussen (1996, p. 256) explains that the state can be described with the help of four analytical dimensions: it is as a product of conflicting interests, it is as a manifestation of structures which lay down the framework for its mode of functioning, it is an arena for interaction and conflict, and it is as an actor in its own right. The first two dimensions represent a society-centred approach focusing on the state as a product of societal structures and social forces - be it economic structures, social classes, or interest groups. It assumes social forces have a greater impact upon the state than the state upon society. Martinussen's latter two dimensions represent a state-centred approach in that they focus on the actual behaviour of the state apparatus tending to emphasise concepts such as `state autonomy' and `capacity'.

This article sees the state primarily as a Weberian actor, able to formulate and pursue its own goals. But, and this is an important qualification, this approach does not imply that society has less of an impact on the state than the state has on society. Although the state is an actor able to influence its environment, it is also a product of its environment. It is vital to acknowledge this, because state concepts tend to be extremist, seeing the state as either omnipotent or impotent. States are usually neither - their capacity and autonomy fluctuate, and at times they are more able than others. But state capacity and autonomy cannot be assumed.

3. The state in society approach

Migdal (1988), using a rational choice approach, examines the issue of state capability by looking at how the structure of society affects state workings. He starts off by condemning the high expectations associated with the concept of the `state' in the Third World, in the 1950s and 1960s, during the period of decolonisation:

Anticipation of the capabilities states could develop and what they could achieve with those newfound capabilities ran high, as Third World societies threw off the shackles of colonialism. These hopes were fuelled by a cultural artifact of their former masters, the social sciences.... Social scientists were thought able to unlock the secrets of social engineering ... (burning) with an excitement about what was `do-able' through policy interventions. Social scientists from all the disciplines were not content merely to observe and analyze; they became advocates of state activism, tending to obscure failures and limitations even more.

(Migdal, 1988, pp. 10-11)
In recent years there has been a growing disillusionment among many social scientists with the capacity of even industrialised states to plan and transform their societies. How much more so with Third World states? Increasingly, it has been realised that state organisations in LDCs have been exceedingly weak and corrupt. Whilst the newly independent states had lofty visions of moulding their societies into prosperous, equitable, and grand socio-economic orders, they have instead seen very little progress, and the state's incapacity has come to the fore:

Planning new social orders has taken on a surrealistic quality in societies where ... `governments simply do not govern'.... Planners begin by attempting to transform their environment and end by being absorbed into it. (Migdal, 1988, p. 7)

This section examines how the interaction between state and society may affect the state's capacity to promote development and create a new socio-economic order.

State-centred theories generally assume that the state has significant capacity to realise its goals and has sufficient autonomy to pursue them unhindered. The state is the dominant actor orchestrating the development process. Society is seen as a building block available to the state as an input or resource. Migdal (1988) and Migdal et al. (1994) have vociferously challenged this view, and maintain that the state must be examined within its social setting, because although the state may impact on society, the reverse is also true. Thus the state's power to govern can be severely curtailed by a militant society, and a weak state may be unable to manage a strong society. Given that states have seemingly unprecedented resources at their disposal (revenue, security forces, and so forth) and yet are still so ineffective in accomplishing their visions, it may be necessary to look at a country's societal structure to explain this paradox. In reality, states have very definite limits to their power, and society plays a large role in this.

Migdal (1988) contends that within a single generation, the new states of Africa and Asia have insinuated themselves into their societies. The state media have sought to reinforce the omnipresence of the state, often representing the top leaders as the actual embodiment of the state. But, in fact, the relationship between state leaders and other parts of the state is much more problematic. It is therefore important to disaggregate the state. Not only is state power at the apex seldom monolithic, but the further one moves away from the centre, the more one can focus on power distribution within a state, and hence its capacity to implement policy.

State leaders face an unenviable puzzle: to try and counter domestic and international dangers they need to strengthen their own state agencies, but doing this holds its own perils as these agencies may become future challengers to national power. Migdal (1988, pp. 208-226) explores this paradox through a model of centrifugal and centripetal forces. State leaders must find centripetal forces to counteract the centrifugal tendencies of their agencies if they are to keep the state acting cohesively. Third World states remain weak, partly because of the actions of the provincially-based strongmen who possess parallel structures to the state, and are able to garner the support of the rural masses. Centre-periphery relations represent an ongoing tussle for social control between state elites and local power brokers. State leaders are thus forced to engage in a risk analysis, weighing the need for state effectiveness and security against the risks to their own political survival by creating agencies which can turn into competing power centres. Where leaders decide to forge forward and build institutions, they need to bring other centripetal forces to bear. For example, they can do this by counter-balancing two or more strong agencies against one another, regularly shuffling state officials around to prevent alternative loyalties from developing, making non-merit appointments to critical positions of officials having deep personal loyalties to the state leaders (cutting into the efficiency of
bureaus and supervision), and engaging in `dirty tricks' such as illegal imprisonment, deportation, strange disappearances, and death squads. Migdal (1988, pp. 236-237) calls this the 'politics of survival' - that has prevented the state from enhancing its capabilities, by not allowing the development of effective organisational structures. As long as the fragmentation of social control continues, rulers are reduced to 'ruses and stratagems'.

The 'politics of survival' outlined above, in turn, lead to the 'triangle of accommodation' between implementors, politicians and strongmen. Politics has thus come to reflect the bargaining strength of each of the actors. Implementors (the middle level bureaucrats responsible for implementing policy at regional level) seek to advance their careers, and are subject to multiple pressures from supervisors, clients, peer officials, and strongmen. They will weigh all these pressures up and do what is best for their own professional career. Strongmen have to rely on state resources, contracts, and handouts in order to maintain the dependency of their constituency. Their social control has allowed them to make certain demands upon the state. Hence, Migdal's 'triangle of accommodation'.

Migdal (1988, pp. 264-266) argues that many Third World states are still infants in historical terms, but rejects the idea that they will necessarily become strong with time, and believes that the perpetuation of fragmented social class is likely. The state has become an arena of accommodations due to fragmented social control, having to develop trade-offs with local strongmen: resources in exchange for social stability. This has all led to the 'enfeeblement of the state'.

Migdal's assumption that because many developing societies exercise undue control on the state, that this refutes a state-centred approach, is flawed. A state can, because of its very weakness, affect development, as this may necessitate it adopting particular strategies. Freedom from societal pressure need not in itself amount to actual state capacity. A strong state could well be one where co-operation takes place between the state and its civil society. The American state is a relatively competent one, and yet American politics resembles a pattern of accommodation, with powerful interest groups exercising enormous pressure on state leaders: witness the abortion or gun control debate. Nevertheless, the state, despite all these flurries, continues to perform. Migdal (1988) does reluctantly acknowledge that strong states can still be created, but this requires that the existing patterns of social control be broken. Migdal's analysis is important, because his 'state-in-society' approach emphasises that although states may assist in moulding societies, they are also continually being moulded by the societies within which they are embedded. State capacity thus will vary depending on its ties to other social forces. State capacity is hence not merely an economic issue, but more importantly a sociological and political issue.

It is useful to develop a typology of state-societal strengths and weaknesses to better comprehend the complexities associated with Migdal's analysis. Figure 1 (in Appendix 1) illustrates the permutations involved with these two dimensions.

Strong states and strong societies: Most Western industrial countries fall into this category. The modern state has a long history and has evolved as an outcome of struggles within civil society. As such, the state possesses a high degree of legitimacy and its authority is firmly embedded in social structures. The state system is relatively stable and reflexive. State agents can act in ways which are both informed and appropriately responsive. The liberalisation and subsequent democratisation of these states entailed the 'establishment of a set of abstract rules characterised by formal neutrality and disinterestedness' (Fedderke et al, 1999). State accountability is institutionalised through classic checks and balances, namely, the horizontal,
temporal, and vertical divisions of power. State forms of this kind have high levels of social capital of an inherently rationalised form which allows for cooperative outcomes rather than coercion.

Strong states and weak societies: An example here is South Korea. The Korean state is a hard one, in every sense of the word. This concentration of `sufficient' power came with the ascension to power of Park's authoritarian government in 1961. Various factors assisted the progress of this government through the effective consolidation of socio-economic power. These factors include the constant military threat from North Korea, poor natural resource endowment, and the memory of the extreme poverty in the past, all of which contributed to the tolerant attitudes toward sacrifices of freedoms and civil liberties if these losses secured a more prosperous future. Another factor which facilitated the authoritarian government had to do with the lack of opposing social and economic power. Land reform took place in the late 1940s and 1950s, after the socio-political upheaval of decolonisation and civil war, with land being redistributed to the tiller, effectively eliminating tenancy. This led to a relatively equal income distribution. Land reform was also accompanied by the erosion of power attributable to the landlord class, which made future Korean development less hampered by opposition forces and contributed towards political stability. Future governments felt no urgent pressure to undertake redistributive policies and could hence focus on growth-promoting strategies. Hence, the situation in 1961 was one where the land elite had been undermined, the peasantry had no motivation or the power to revolt any more, and the capitalist class had come to rely on state subsidies for growth promotion. Industrial workers and student leaders were, in turn, heavily repressed by Park. This all meant the lack of power of the various social protagonists which enabled the Korean state to consolidate its position and to pursue growth at all costs. The Korean state's financial capacity (controlling virtually all sources of capital accumulation, be they fiscal, financial or foreign savings), together with its relative autonomy from civil society and its bureaucratic capacity, contributed to it effectively implementing a state-led, export oriented development model.

Weak states and weak societies: The African post-colonial scenario best encapsulates this situation. The post-colonial state in Africa was essentially derived from the colonial state. Chabal (1994, pp. 72-73) points out that the post-colonial state possessed all the formal powers and attributes of the colonial state but that it was not subject to the constraints of colonial political accountability. It was overwhelmingly the most powerful actor in the new political dispensation and as a result politics in Africa revolved around the control of the state. Coups, assassinations, violence, and ethnic strife all arose geared to capture state power. The post-colonial state was imposed from above and was not rooted in African society the way the state was in European society. Chabal (1994, pp. 74) correctly maintains that `In this respect, therefore, it is soft: weak in foundations, structurally deficient, without deep legitimacy and generally lacking the political means of its putative power over civil society'. In the fight for independence, nationalist movements did not question the nature of the colonial state but rather fought to gain control over it. This is true for the post-colonial state too. The African experience has been about gaining hegemony over the state which has resulted in perverse forms of inter-ethnic competition. African politics is thus fundamentally about the struggle for supremacy between state and society. The African state has been shown to be less powerful than initially perceived. States have either dissolved absorbed piecemeal by civil society (as in Chad, Sudan, Zaire and Somalia) or turn to absolutism and tyranny in opposition to civil society (as in Guinea under Touré, Uganda under Amin, Equatorial Guinea under Nguema) (see Chabal, 1994, p. 82). The African state has resorted to piracy and coercion to survive which reflects its weakness. Civil society in contemporary Africa seeks to evade capture by the state and has turned to the politics of counter-hegemony. The state has attempted to gain
power over civil society through cooptation, clientelism, patrimonialism, and mass coercion. This competition between state and society has resulted in the further weakening of both, and the collapse of production.

Weak states and strong societies: This category is more enigmatic than the others and three cases can be identified.

a) The African case where the competition between state and society has degenerated to such an extent that the disintegration of the state has resulted. Somalia is a case in point. The result has been general anarchy, the rise of warlords and the return to a more primitive society.

b) The Latin American case: These states, although not insulated from societal forces, nevertheless are in certain respects able to pursue policy albeit not always consistently. Their internal state structures are, however, still fragmentated and unstable. Brazilian politics and economics has been endemically unstable, vacillating between authoritarianism and democracy, between populism and neo-liberalism, and between strong and weak states. The vulnerability of the Brazilian state dates back to the 1930s, when the politics of incorporation was adopted, and the state became an instrument of patronage, lacking the necessary autonomy to pursue policy unfailingly.

c) Switzerland, where the extreme devolution of power to the cantons has rendered the central state rather more symbolic than functional. Switzerland is the closest example to a direct democracy with government by the people. Its long and 'natural' evolution has resulted in one of the most stable contemporary societies with extraordinary levels of social capital.

Outside the Swiss example, all successful cases of economic development have gone hand in hand with a strong state. This is not to say that state-led development is the only route but rather that even if a neo-liberal strategy is pursued a strong state remains an important element of its success. A weak state creates a power vacuum which invites societal competition for hegemony.

4. Bringing the state back in

Myrdal (1968) insisted that the state is the most important engine of economic progress and structural change. He did not believe that the state, as it exists in most LDCs, would be capable of this, but the state could be recreated through political discipline and comprehensive administrative transformation (see Martinussen, 1996). In this regard, he differentiated between 'hard' and 'soft' states. Hard states are able to enforce policies on civil society without much resistance. Soft states are, however, heavily pervaded by rent-seeking interest groups, which are able to frustrate and even reverse the state's agenda. These weak states lack the capabilities to carry out intended policies. Myrdal saw most Third World states as soft, and therefore not yet in a position to manage development. The majority of Third World states tend to be ineffective and lacking in their capacity to govern, because the state is overpoliticised, fragmented, and open to corruption. But Myrdal believed that these political, institutional, and socio-cultural barriers could be overcome through deliberate state building.

In the late 1980s a new breed of social scientists gained prominence, adopting a more analytical statist approach based on Myrdal's work (Chang, 1994; Evans, 1989; Leftwich, 1993). It emerged out of multi-disciplinary analysis conducted primarily by political scientists, sociologists, and economists. These interventionists maintain that late industrialisers, in particular, require the state to play a leading role in the development process as they attempt to catch up with and compete with industrialised countries. Gerschenkron (1962) earlier identified the state as a necessary agent in the economic development of the previous round of late industrialisers (France and Germany, for instance). The recent late industrialisers have
required a big push as perceived initially by Hirschman. In East Asia the state identified certain sectors which it would like to develop, but because of the huge costs and risk involved, the private sector was unable to initiate them without state backing. Only the state had the resources to effectively compete with the economies of scale of existent multinational corporations. The state thus had to initiate industrial state enterprises, provide subsidised capital to the private sector, and protect domestic industries from foreign competition (see Amsden, 1989). Yet the issue remains as to why the state was able to stimulate sustainable development relatively efficiently, unlike in other LDCs.

Many LDCs have very little to offer investors: they tend to have a poor infrastructure, underdeveloped financial markets, shortages of quality human capital, small domestic markets due to low incomes, and many are geographically disadvantaged. The reality is that many LDCs are in a position of stagnation at a low-level equilibrium. As Keynes argued in the 1930s, there is nothing inherent in recessionary economies to reestablish growth, and government investment may be necessary to activate the economy to higher equilibriums. This article holds the view that there appears to be a threshold in the development process. Below this threshold, markets are sluggish and no real stimulus is available to move the development process forward. The economy just ambles along, perhaps with 2-3% economic growth. But this is not enough to get the multiplier and accelerator interacting and generating the path to rapid self-sustaining growth. A big Hirschman-type push is required to overcome this initial inertia and get momentum going. What can possibly awaken these dormant economies, if not the state? If the state had to withdraw from the development process in many LDCs, private investment would not come flooding in. Instead a vacuum of inactivity would exist. Foreign investors first want to see evidence of growth before they are willing to invest (de Mello, 1997, p. 31). The state thus has to stimulate growth before investors will follow in a ‘herd-like’ movement, creating an environment of sustainable development. Real development may not begin in the Third World until the state ignites the economy and forces it over the development threshold. Beyond the threshold the economy possesses the inherent dynamics to generate its own growth and keep the momentum going. It is very likely that beyond this threshold, state intervention may become perverse, crowding out private investment and confusing the signals. But below this threshold, the state may be a fundamental requisite for development. However, as Myrdal (1968) pointed out, the Third World will have to build the state’s capacity before the state can lead socio-economic development. Given limited resources, the state may have to target its interventions strategically so as to maximise the multiplier and agglomeration effects.

The irony is that a free market often requires a strong state to enforce the market solution. The state is the only actor available to inaugurate, license, authorise, uphold, and protect the institutions of markets. In other words, markets exist, and function effectively, when they are embedded in the wider institutional network of strong states, with the appropriate infrastructure and capabilities. The state may therefore be required to move out of its comfort zone and actively engage the economy as a meta-entrepreneur. But does the state possess the requisite capacity or coherence for deliberate intervention? The issue should not be about the extent of state intervention but its quality. The question that then needs to be addressed is: What determines the quality of state intervention and its capacity to implement policy?

5. Conditions for a developmental state

Evans (1989) has developed a typology of different states, as they are not ‘standardised commodities’. He distinguishes between three primary forms: predatory, intermediate, and
developmental. The predatory state is characterised by incoherent policy and incompetent administration, with little ability to promote socio-economic development. It is manipulated by a small, powerful political clique (often an autocratic ruler) who abuse the state and plunder its resources to advance their own selfish interests. Zaire was a prototype of this type of state. The Zairian state was a kleptocratic institution which existed with the sole purpose of furthering the interests and wealth of the ruling elite. Mobutu developed the state as an organ for personal rule, by creating his own political aristocracy. The state became a highly contested arena for rent-seekers (see Luiz, 1997). At the opposite polar end is what Evans refers to as a developmental state: a state which possesses sufficient capacity, autonomy, and credibility to efficiently formulate and execute development policy. South Korea is an archetype of a developmental state. The state possessed a clear vision of its economic goals, an ability to control the economy with economic instruments and prodding, a willingness to share risks, an excellent track record of institution building, and flexibility. Between these two extremes lie the many intermediate states in developing countries (such as Brazil). Using this typology, it becomes essential to study the workings of the state before deriding it as a whole, as not all states are necessarily predatory. In fact, many developing countries have performed well under statist development by constructing a developmental state.

Many states in LDCs have actively been involved in their economies with disastrous results. Predatory states abound in the Third World. Predatory states are often misperceived as being strong states because of their extensive intrusions. However, in essence, they represent an archetype of a weak, insecure state, reliant upon basic piracy to survive. Their only foundation of power is to engage in short-run tyrannical deeds. When weak states overextend themselves, the consequences are normally dire, and such states should perhaps settle on providing a stable legal and institutional framework. Misdirected state intervention is possibly worse than no intervention, and it may be better to simply accept the status quo whilst hoping for the 'magic of markets' to set in. However, sound state intervention is possible within the appropriate socio-economic and political environment.

Very few developing countries achieved annual rates of growth in excess of 4% between 1965 and 1990. Amongst those that did were Botswana (12.2%), South Korea (9.7%), Taiwan (9.7%), Singapore (7.8%), China (7.6%), Indonesia (6.5%), Thailand (6.4%), and Malaysia (5.8%). Leftwich (1995, p. 400) points out that this growth has occurred in democratic, quasi-democratic, and non-democratic polities. They are not a function of a common regime type. He suggests that they are best explained by the special character of their states, understood as `developmental states'. But the character of these states is not plainly a function of their administrative structures or principles of governance, but of their politics. He underlines the importance of political analysis in both development theory and policy. Economic development can both be promoted or retarded by the political environment of the country. The state is the most important single actor in the development process - it has the capacity to bring about success or failure. But, like the economy, it does not operate in a vacuum. It becomes essential to understand the politico-economic factors which explain the success of some states in realising development.

Leftwich (1995, p. 401) defines developmental states as states whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and direction of economic growth, or by organising it directly, or a varying combination of both. Hence, a developmental state is one in which the institutional environment is such that it allows the state to pursue a state-directed economic strategy unswervingly. Such a state has the
capacity to formulate and effectively execute its policy doggedly, overriding any conservative or radical interests, in favour of economic transformation.

Following on from Leftwich (1995, pp. 405-421) this article argues that there are three major components which define the developmental state model:

a) A determined developmental elite: for state-led development to succeed, it is important that the elite (which by its influence can hamper or assist government policy) be committed to the national socio-economic interests, rather than taking a purely myopic view. This does not mean that the elite should be altruistic. For them to subjugate their narrow wealth motives and luxurious consumption patterns, they have to benefit from this economic strategy. This is similar to the position that shareholders in a firm often find themselves in, namely having to accept lower dividends in the present, so that profits can be ploughed back into the firm, allowing for expansion, which then provides new profits and yields greater dividends in the future. Another example is to be seen in corporatist environments where trade unions, big business, and the state accept compromise solutions which may contradict their short-term interests, but by promoting the national interest above their own, they benefit in the medium term. The elite's political culture must be such that they are committed to the government's economic strategy and actively support it, as they have the capacity to sabotage it. This is in line with North's (1990) view that people have self-ordained codes of conduct which serve to bridle the pursuit of self-interest, and that they are more likely to 'do the right thing' when the cost of doing so is relatively low.

Leftwich (1995, p.405) believes that the core elite in developmental states have often been associated with a small clique of developmentally-oriented senior politicians and bureaucrats. They typically have been very close to the executive head of government who was instrumental in establishing the developmental regime and its culture. Examples include leaders such as Prime Minister Lee Kuan Yew in Singapore, Presidents Khama and Masire in Botswana, President Park in Korea. The bureaucracy have been put in a place where they can exercise an authoritative and pivotal influence in making development policy, commonly at the expense of the legislature. Developmental states have not exhibited the one-man 'sultanism' of many African states and have not been widely tarnished by instability, poverty, and stagnation.

b) Relative autonomy of the developmental elite: it is absolutely crucial that the state is able to formulate and implement economic policy relatively free from overbearing interest groups. However, this autonomy is different from the domination of the predatory state. Perhaps a more appropriate concept is that of `embedded autonomy', which indicates a state which is insulated from popular pressures, but not divorced from society, a state which has sufficient insulation to specify goals and realise them. Evans (1995, p. 12) stresses that states need to be embedded in a concrete set of social ties that binds them to society and provides institutionalised channels for continual negotiation. Only in this way is the state able to solve collective action problems (transcending individual interests). The state, in effect, needs to possess the right quantities of transparency and rationalisation (see Fedderke et al., 1999). To remain legitimate it needs to have two-way ties with society, and yet remain the ascendant governing authority. In Latin America, especially, experience has shown the crises resulting from governments operating without autonomy, being pushed hither and thither through popular pressure. Macroeconomic populism has become a regular part of the Latin American economic environment due to the state lacking autonomy and operating under constant duress. The state becomes unable to realise its long-term vision for the country. Instead, all its efforts are mustered to survive by appeasing those threatening to the left and to the right.
The developmental state has been able to achieve relative independence (insulation) from the demands of interest groups, and is able to override them in favour of national economic development. The state is thus able to co-ordinate economic policy and implement developmental objectives through its powerful state bureaucracies. Leftwich (1995, p. 410) contends that the single major political source of relative state autonomy has been the seizure of state power (from above or below) by a modernising developmental elite, which combines a potent political mixture of nationalism and developmental urgency. It also appears that regional competition and external threats facilitate state formation. Examples include South Korea's and Taiwan's fierce competition with North Korea and China respectively; ‘confrontation' between Malaysia, Indonesia, and Thailand; and China's competition with the West. External threats serve to mobilise nations, as individuals more readily sacrifice self-interest in favour of what is perceived to be the national interest. A nationalist developmental culture emerges as a result. This also explains why governments often pick international disputes when the domestic economy is in the doldrums, so as to muster nationwide support for government efforts. The state can enhance its autonomy by exploiting cross-cutting cleavages and, in that way, render society relatively docile.

c) Competent and insulated economic bureaucracy: for a state to lead the development process it need not only be able to formulate policy, but also effectively execute it. In this respect, it becomes reliant on its right hand, namely the country's bureaucracy. No matter how correct the government's proposed programme is, if the bureaucracy is weak, then it amounts to nothing. A strong bureaucracy can only exist if it is treated as an autonomous, professional body. The government must act as a buffer between this bureaucracy and civil interest groups intent on capturing the economic rents. However, for this to happen, the bureaucracy must command the respect of all parties, and this requires that it be composed of well-qualified, professional technocrats on par with their peers in the private sector. Yet, instead bureaucracies world-wide are known for their incompetence, often attracting those who could not succeed in the competitive corporate environment. In South Korea, on the other hand, top bureaucrats received foreign training, and are perceived to be progressive and motivated in their outlook. All the top government bureaus were staffed by top-quality bureaucrats. In April 1963, the National Civil Service Law was passed to serve as the legal base for professionalising the entire national bureaucracy. This is reinforced by the Confucian tradition of honouring scholar-bureaucrats. Bureaucracies must be able to not only advise government on necessary policy directions, but must also be in a position to effectively pressure the governing parties to bring about these changes.

Economic co-ordination and development in these states have been managed by particular super-institutions, which organise interactions between state and economy. The East Asian capitalist developmental states provide the clearest examples of these strategic economic bureaucracies (Leftwich, 1995, p. 412): Taiwan (Council for Economic Planning and Development, Industrial Development Bureau, Council for Agricultural Planning and Development); and South Korea (Economic Planning Board, Ministries of Finance and Commerce). Even in Botswana, the combined planning and budgetary functions are concentrated in the powerful Ministry of Finance and Development Planning, which has played an aggressive role in directing the development process. A key feature of these core bureaucracies has been their technical competence, with many top officials having received training abroad, thereby facilitating efficiency.

It is not enough for the state to be able to diagnose the correct type of intervention that is required and have the political will to do so, as it may not have the bureaucracy capable of actually implementing its instructions. States therefore need to invest substantial time and
resources in building up an effective bureaucracy, the fruits of which may only appear after a considerable time delay, as was the case with Korea and Taiwan. These two countries benefitted from Japan's reconstruction of its administrations, which later enabled them to take advantage of the modern international economy through statist development.

6. Political regimes and state strength

The relationship between political systems and economic development is by no means a straightforward one. No clear inference emerges from theoretical discussions, as a case could be made to support either authoritarianism or democracy (see Sirowy and Inkeles, 1990). This article argues that the direct impact of political regimes on economic outcomes has been exaggerated. Developmental performance has not been a function of the regime type, but it has been decisively influenced by the ‘character of the state and its associated politics’ (Leftwich, 1993, p. 614). Thus, rather than investigate the state in traditional ‘regime type’ specification, this article maintains that our understanding of development will be enhanced by studying factors which determine the government's ability to intervene in the socio-economic order. A similar point has been cited by Leblang (1993, p. 106):

A good deal of attention has been focused on regime type, but the contrasts between democratic and authoritarian regimes may be less important than some more precisely specified institutional variables that cut across types of regimes.

The reality is that governments of all ideologies face comparable alternatives in their quest for economic development. The key is how they deal with those choices which, in turn, depends upon their governing capacity. Leblang (1993) attempts to construct an empirical model of governmental performance. He argues that in addition to the quantity and quality of land, labour, and capital, a country's growth rate also depends on the strength of its political institutions:

Rather than base the analysis on a description of a country's type of regime, ... differences in growth rates between countries can be traced to the capacity of the political system. A government that is relatively capable is able to provide the political environment conducive to efficient exchange leading to growth. By explicitly identifying the importance of state capacity in the process of economic exchange, we can explain why some countries grow at faster rates than other countries.

(Leblang, 1993, p. 109)

This article contends that states can build up their own strength and capabilities by reconstructing their institutions of authority. It acknowledges that states are partly fashioned by their socio-political environment, but maintains that the state is also in a position to transform its environment. There is an interactive, symbiotic relationship. If the state allows itself to be continually dictated to by society, it will find itself weakening, but by constructively confronting its environment, it will evolve into a stronger institution. In a Darwinian fashion, the weak state elements will collapse, but the state, as a whole, will be strengthened by flexing its muscle.

Lipton and Simkins (1993, p. 31) warn that a blanket distinction between hardness and softness, in terms of democracy and authoritarianism, is difficult to draw. Authoritarian political rule can be harsh on civil rights and labour organisations, while being soft relative to business interests in the fields of trade and industrial policy. They go on to say that whilst there are reasons for supposing that softness can slow growth, hardness is no guarantee of rapid accumulation. Studies of Latin America suggest that authoritarian regimes are no better than democracies in dealing with economic crises (Remmer, 1991). However, it is important to note the key difference in this respect between developmental states and the strong, authoritarian, but non-developmental states of Latin America. Hence, countries which are
authoritarian and appear to have `strong' rulers need not be developmental and may lack the necessary capacity, capabilities, resources, and political support for realising a constructive reshaping function. Domination does not necessarily translate into capacity. Capacity could well be dependent upon co-operation between groups. Developmental states are possible within a democratic framework, despite the fact that many of them are authoritarian. The danger of democracy is that it may reduce state autonomy by exposing it to short-term populist demands and influence by non-developmental elites, bureaucracies may become politicised, and state capacity may thereby be retarded.

Overall, it appears that it is not the political regime type which is most important. Good governance and state capacity are qualities which can be nurtured under different forms of regime. The crucial point is that these qualities need to be developed, as they are prerequisites for sustainable development. Over-ambitious development plans are doomed to fail, if the correct institutional environment is not in place.

7. Conclusion

One must guard against either glorifying state power or seeing the state as paralysed. State capacity cannot be assumed *a priori* and is contingent upon the state's institutional configuration. State failures do not always justify markets. In fact, the very dichotomy between state and market, as represented in the mainstream economic literature, is spurious. Markets are reliant upon the state to provide an enabling institutional environment.

The article has emphasised the fact that states do not operate in a vacuum, and are constrained by their societal and political contexts. As such, economists need to move beyond the mechanics of economic policy and the position of the state therein, and focus more on the capacity of the state to formulate and implement policy, given its environment. The role of the elite, the professionalism and insulation of the economic bureaucracy, and the embeddedness of state autonomy have been stressed as crucial in the enhancement of state capacity. This capacity must not be seen as destiny, but rather as a deliberately constructed entity.

Economics cannot separate itself from other social sciences. Economists need to grapple with issues in political sociology, because these have a direct impact on policy formulation and implementation. This article makes a convincing case for discarding mono-economic approaches to the highly complex issues involved in developing countries.

Bibliography