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State Formation Dynamics and Developmental Outcomes

As the new millennium unfolds, the state is rising again in public and scholarly imagination. Two decades ago, the dramatic end of the Cold War fueled speculations that the state was an anachronistic organization that soon would be swept away in the coming wave of liberalization and globalization.[1] Such speculations were not without basis. As once powerful states from Yugoslavia to the Soviet Union collapsed like dominoes, while liberal ideology, the consumer culture, and the Internet revolution expanded their reach across the globe, the days of state sovereignty seemed to be numbered. States appeared no longer able to hold out against the assaults from such global entities as the International Monetary Fund, Microsoft, Citibank, CNN, and McDonald's.

Nevertheless, a new global order superseding states has been elusive. Numerous studies in the past decade have found that global forces, rather than dismantling states, may have strengthened them (Weiss 1998; Migdal 2001, 137–42). In the industrialized world, states continue to regulate markets in ever more sophisticated ways (S. Vogel 1996). Far from being pushed aside, state bureaucrats in many newly industrialized nations are leading the information technology revolution in their countries (Evans 1995). Whereas some states have responded to the global challenge through adaptation, others have launched dramatic counterattacks. After the initial shock following the 1997 financial crisis, the Malaysian government reimposed capital controls, while a new prime minister in Thailand kicked out the IMF. These telling examples suggest

[1] Notable examples include Fukuyama (1992); Lyons and Mastanduno (1995); Shapiro and Alker (1996); Strange (1996); and van Creveld (1999).

that the doctrine of state interventionism is still alive, and global capital may need to learn how to live with it.

A renewed appreciation for the continuing salience of states also stems from the rise of civil conflicts where states are absent or have collapsed. Frustrated efforts by the United States and its allies to keep peace in stateless Somalia and establish functioning states in Afghanistan and Iraq sharply underscore what is at stake for a stateless global order and how difficult state building is. As Theda Skocpol warned twenty years ago, states cannot be taken for granted for their role in national and international life. Questions of state origins and state power are back in the spotlight, guided by the accumulation of comparative knowledge about state formation and the complex relationship between state and society in various contexts.[2]

Such changing perspectives about states in a globalizing context provide the stimuli for this book, which seeks to demonstrate how state formation politics was responsible for the emergence of developmental states in some Asian contexts. Defined in the literature as states with cohesive structures and strong commitments to growth-conducive policies,[3] developmental states in Japan, Korea, and Taiwan have attracted significant theoretical interest not only among Asianists but also among analysts of other regions.[4] These states appear to hold the answer to a fundamental question in political economy that has been around since Adam Smith: why are some nations rich and others poor?

The central question that motivates this book concerns a narrower issue: what gives, or gave, developmental states their cohesive structures? The voluminous literature on developmental states has rarely tackled this question systematically. Through a simple comparative framework built on case studies from Asia, this book argues that patterns of intraelite and elite–mass interactions – especially but not necessarily during state formation – determine whether emerging states possess cohesive structures required for implementing developmental policies effectively. In particular, certain patterns of interactions generate cohesive structures, whereas others do not. Among elite alignment patterns, elite polarization and unity are conducive to the creation of cohesive states, whereas elite

[2] See Vu (2010a) for a recent review of this literature.

[3] This definition follows Kohli (2004, 10). "Commitments to growth-conducive policies" refers to state elites' narrow focus on the goal of industrialization while disregarding the social welfare of working classes if this hampers that goal (state investment in human capital that benefits industry directly is another matter).

[4] For literature reviews, see Wade (1992); Kang (1995); and Woo-Cumings (1999).

compromise and fragmentation are not. For elite–mass engagement patterns, controlled mobilization and suppression have a positive impact on state cohesion, but mass incorporation does not. More generally, accommodation is not conducive to structural cohesion, yet confrontation is.

This chapter begins by critically examining the literature on developmental states, which, I contend, sheds much light on the roles of states in late industrialization but lacks historical depth, overlooks ideologies, and fails to include socialist states. Then I offer a theoretical framework, which provides a useful background for a detailed outline of my argument. Finally, I discuss the six case studies presented in the book.

ROLES, CAPACITIES, AND STRUCTURES FOR DEVELOPMENT

The literature on developmental states pivots on the notion that states can play critical roles in industrialization. For instance, Gerschenkron (1966) shows how states acted decisively as planners, credit mobilizers, and entrepreneurs in late-industrializing France, Germany, and Russia. This belief in states as agents for economic development has been vindicated by the success of many East Asian "tigers." These successful economies emerged in the 1980s as a few bright spots in a landscape inhabited mostly by developmental failures. Scholarly efforts to search for the secrets of these "miracles" have produced a set of hypotheses about state intervention that revolve around three central concepts: roles, capacities, and structures.

State *roles* in late development preoccupied earlier works on developmental states. These studies were primarily aimed at discrediting the prevailing notion at the time that industrialization in the Asian "tigers" originated from laissez faire policies. The goal was to show that states matter, and that they do so through aggressive intervention into two main policy areas. Industrial policies constitute one area, including subsidizing inputs, promoting exports, imposing performance standards on industries receiving state support, and creating industrial groups in dynamic sectors (Amsden 1989; Haggard 1990). The other area concerns limited social programs ranging from land reform to investment in basic education (Johnson 1987). In brief, growth results from policies that allow a state to play the developmental roles of custodian, demiurge, midwife, and shepherd in the economy (Evans 1995, 77–81).

The issue of state roles is closely related to that of state *capacities* to transform the economy. Most states intervene in the economy and often play similar roles, but only a few succeed. Even these successful

states do not always achieve what they want. Sound policies are clearly insufficient. State capacities are crucial. Without sufficient developmental capacities, states cannot play developmental roles effectively. Analysts of industrial policy particularly highlight three core capacities: to formulate and implement goals and strategies independent of societal pressures, to alter the behavior of important domestic groups, and to restructure the domestic environment (e.g., property rights and industrial structure) (Krasner 1978, 60).[5] These core capacities determine the success or failure of states' attempted roles in the economy.

Yet, if capacities explain success or failure in intervention, why do some states have more capacities than others? This question leads us to the way a state is structured internally and externally (Weiss 1998, 34). Rapid industrialization involves trade-offs, and a state's ability to formulate goals and implement them depends on centralized political will, bureaucratic autonomy, and coercive power. These in turn imply a state *structure* that comprises a centralized and stable government, an autonomous and cohesive bureaucracy, and effective coercive institutions (Johnson 1987). But internal cohesion is not sufficient to make industrial policies successful. State capacities to alter group behavior and restructure the domestic environment depend on the state's ability not only to dominate and penetrate society but also to establish growth-conducive relationships with particular classes. A developmental state structure requires an alliance between state elites and producer classes and the exclusion of workers and peasants (Evans 1995; Kohli 2004). This class basis enables a state, if it so chooses, to effectively formulate and implement strategies for industrialization with maximal business collaboration and minimal concerns about redistribution.

As the literature evolves through the three core concepts of roles, capacities, and structures, the conditions for developmental success have become clear. This success requires a state to play *developmental roles* effectively, which in turn entails a set of *developmental capacities*. Capacities in turn imply certain structural features of the state. A *developmental structure* includes cohesive internal organizations and alliance with capital at the expense of workers and peasants. Because capacities are largely derived from structures, we can simplify the essential requirements of developmental success to roles and structures. These two features are

[5] Weiss (1998) offers a systematic analysis of issues concerning state capacities and industrial policies.

interdependent factors that *together* explain successful developmentalism. Without developmental structures, states cannot play developmental roles effectively. On the other hand, structures do not guarantee that state leaders at any particular time are sufficiently committed to industrialization or that policies actually generate growth. As Peter Evans (1995, 77) summarizes succinctly, "Structures create the potential for action; playing out roles translates the potential into real effects."

While scholarship regarding developmental states is insightful, it suffers from three major weaknesses. First, the literature lacks historical depth. Most studies focus on proximate causes of developmental success but fail to address deeper links in the causal chain. In particular, many works are preoccupied with explaining economic growth or with identifying capacity requirements of developmental states while overlooking their historical origins. Although state roles and capacity requirements are important factors, this knowledge only begs the question as to why developmental states emerged where they did but not elsewhere. What gives, or gave, these states their cohesive structures? These historical questions have obvious implications for the contemporary debate about whether the model is replicable and similar policies are feasible in other lands with different historical legacies.

The neglect of ideology is another shortcoming of the developmental state model in the literature. Ideologies have been demonstrated to be causally significant in cases ranging from state consolidation in early modern Europe to social policies in modern welfare states (Orloff 1999; Gorski 2003). The scholarship on developmental states focuses on the "administrative infrastructure" of the state, or the networks and organizations through which state elites penetrate into society and regulate behavior. Little attention is given to the "ideological infrastructure," or the "symbols and identities through which rulers can mobilize the energies and harness the loyalties of their staffs and subjects" (Gorski 1999, 156–7). Besides centralized governments and cohesive coercive institutions, effective official ideologies and legitimizing discourses must be part of a developmental state structure.

The third weakness of the literature concerns its neglect of socialist states.[6] Two obvious differences exist between capitalist and socialist economic systems: the former relies mainly on private ownership and market mechanisms, whereas the latter does not (Johnson 1982, 17–24;

[6] Exceptions are Gerschenkron (1966); G. White (1988); and to some extent, Weiss (1998).

G. White 1983, 1). Another difference involves the class basis of the two kinds of states. Whereas capitalist developmental states rely on an alliance with producer classes and exclude working classes, their socialist counterparts draw power from direct control of productive organizations (e.g., cooperatives and factories). Here producer classes are dispensable. Rhetoric aside, working classes are treated similarly under this system as under capitalism.

I believe that socialist states, despite important differences, should be treated as a type of developmental state for three reasons. First, if Gerschenkron is right, the historical context of late development requires these states to play aggressive roles in their economies. Both South Korea and North Korea, for example, faced the same challenge of closing the huge gap with the industrialized world, a challenge that could be met only by coordinated efforts along a "broad front" (Gerschenkron 1966, 10–11). But Gerschenkron's view belongs to a minority in the literature, which frequently exaggerates the developmental roles played by socialist states relative to their capitalist counterparts. For example, in the 1920s Nikolai Bukharin, a Soviet leader and theorist of socialist development, wrote, "Capitalism was not built; it built itself. Socialism, as an organized system, is built by the proletariat, as organized collective subject" (cited in G. White and Wade 1988, 13). But we now have sufficient evidence that capitalism in late-developing countries did not build itself. More recently, Linda Weiss (1998, 66–7) argues that the task facing socialist states is *revolutionary transformation*, which involves breaking with an antecedent economic system, especially overthrowing the power of the dominant classes. For capitalist developmental states, Weiss claims that the task is less radical, requiring only *structural transformation*, namely the transformation from an agricultural base to an industrial one.[7] Yet Weiss overlooks the *counterrevolutionary transformations* that took place before structural transformations in capitalist developmental states such as South Korea and Indonesia under Suharto. These states relied on the political exclusion, if not repression, of working classes. As Chapters 2 and 3 show, peasants and workers had been organized by communist parties in both cases before structural transformations. Without counterrevolutionary transformations to defeat communists, capitalist structural transformations would have had little chance of success. The gap between

[7] Weiss (1998, 66–7) also discusses a third type of transformation, namely *sectoral transformation* (e.g., within industry from low to higher value-added industries). This is the task facing both industrializing and advanced industrialized economies. In this book, I focus on revolutionary and structural rather than sectoral transformation.

socialist and capitalist developmental states in terms of the tasks facing them is not as large as often assumed.

The second reason to count socialist states as developmental states comes from their structural features. These states have stable and centralized governments, cohesive bureaucracies, and effective coercive institutions – internal structures quite similar to those possessed by capitalist developmental states. Third, and finally, it is true that the modes of economic intervention differ between socialist and capitalist states. Modes of intervention determine how efficient and dynamic the economy can be and whether development is sustainable in the long run. Socialist systems in the Soviet Union and North Korea achieved rapid industrialization, only to eventually fall behind their capitalist rivals. Nevertheless, if our central question is about the origins of developmental structures rather than about the long-term outcomes of success or failure, modes of intervention do not matter as much. Theories that leave out socialist states not only overlook important similarities between socialist and capitalist cases but also exaggerate the importance of policy factors such as flexible planning and export orientation. Historical and political factors that account for the emergence of similar state structures in both systems are underestimated.

In a major study that seeks to overcome many weaknesses in the literature (Kohli 2004), the cause of successful industrialization is attributed less to state capacity than to patterns of authority understood as relationships between states and social forces. Patterns of authority in turn are determined by the historical patterns of state construction under colonial, nationalist, or military rulers. For example, in the case of South Korea, Japanese colonial rulers modernized the traditional Korean state, established an alliance between the state and production-oriented dominant classes, and brutally oppressed lower classes. This framework for a high-growth economy was preserved from the end of colonial rule until the 1960s when military leaders fell back to it and led South Korea to successful industrialization. In Nigeria, another case in the study, the British set the long-term pattern of a neopatrimonial state whose power was entangled in and weakened by particularistic and personalistic networks. The nationalist movement was feeble and divided, while subsequent military rulers failed to alter what they inherited from the British. In Atul Kohli's conceptual framework, history – especially colonial history – played a decisive role in shaping developmental outcomes.

Although Kohli's study makes a major contribution to the scholarship, he neither includes socialist states in his cases nor discusses ideological

factors. Moreover, his typological approach aims to build *ideal types* of states ("neopatrimonial," "cohesive-capitalist," and "fragmented-multiclass" states) and tends to pay insufficient attention to the *historical processes* that produced cohesive East Asian states but wobbly states elsewhere. The resulting historical determinism is especially apparent in the Korean case. Here, Kohli emphasizes the colonial era (1910–45) and treats the early postcolonial decade merely as an "interregnum." Yet, as I argue in Chapter 2, the critical events that gave birth to South Korea in the aftermath of World War II not only transformed the Japanese legacy but also built new foundations for a developmental state that would emerge a decade later.

The discussion thus far suggests that the puzzle about the origins of developmental states has not been fully resolved. The search is still open for a theoretical framework that takes history seriously. Because the literature has overemphasized issues of state roles and capacities, it is time to shift the focus to state structures, as Kohli does. Ideology must be taken into account even if firm causality cannot be ascertained. Socialist cases, if included in the sample, also help to correct the bias in favor of policy factors.

THE ARGUMENT

This study hopes to advance this search by picking up where past studies left off. Like Kohli, I search for the historical origins of developmental structures as opposed to the policy causes of developmental success. Rather than constructing ideal types of states as Kohli does, I employ the comparative historical method to appreciate a fuller range of historical possibilities.[8] While acknowledging that colonialism is important, I disagree that it is the most important causal factor. Instead, I propose that colonial legacies are highly contingent on the politics of state formation in most cases. In analyzing the dynamics of state formation and the relationship between state formation politics and postcolonial state structures, I argue that states are born with different structural endowments; that patterns of intraelite and elite–mass interaction during state formation determine the degree of cohesion in emerging states; and that accommodation among elites and between them and the masses generates fractured and incoherent state structures, whereas confrontation produces opposite outcomes.

[8] See Mahoney and Rueschemeyer (2003) and George and Bennett (2005) for recent discussions of this method.

State Formation as a Critical Juncture

In the literature on state origins, "state building" and "state formation" are often interchangeable concepts.[9] This unfortunate conflation masks an important difference between the first modern states that emerged in Western Europe and most of the rest. The first modern states emerged over centuries by a process in which rulers built states gradually out of feudal domains and city-states (Elias [1939] 1982; Tilly 1990; Spruyt 1994). State structures, including organizations, bureaucracies, and territorial controls, were built commensurate with the functions and forms of what would be labeled a "modern" state. Modern state formation and state building were a long and incremental process.

In contrast, most states outside of Western Europe primarily emerged from imperial collapses or breakups. The Spanish, the Ottoman, the Chinese, the Austro-Hungarian, the British, the French, the Dutch, the Portuguese, the Japanese, and, most recently, the Soviet empires are in fact the mothers of the majority of today's states. Once founded, emerging states have been quick to adopt constitutional governments and claim full sovereignty over national territories. Yet the structures of these young states rarely match their modern pretensions: constitutional principles are not practiced, and government sovereignty often does not extend far beyond capital cities. For instance, while England has never had a written constitution, few states founded in the past two centuries were born without one. The English Parliament had centuries to negotiate working relationships with absolute monarchs before modern institutions such as party systems and mass franchises were introduced. Most late-forming states had no such experience.

Because late-coming states have sought forms first and structures later, the process by which they emerged and evolved has been radically different from the Western European experience. Speed replaced the *longue durée* and was a distinctive aspect of state-*forming* experience in non–Western European contexts. State formation comprised a series of rapid events triggered by the sudden collapse, or sometimes simply by a momentary weakening, of an imperial or colonial state. From a single empire, new states could break away one by one (e.g., the Ottoman and British empires), but they also could emerge with a big bang (e.g., the Austro-Hungarian and Japanese empires). The big-bang mode has indeed been the prevalent mechanism of state formation in the twentieth century.

[9] Whereas the verb "build" can only be used transitively (as in "someone builds something"), the verb "form" can be used both transitively (as in "someone forms something") and intransitively (as in "something forms" – i.e., develops gradually).

The rapidity with which most modern states were born has led some to classify state formation as a kind of "political crisis," defined as an "abrupt and brutal challenge to the survival of the regime, . . . most often consist[ing] of a short chain of events that destroy or drastically weaken a regime's equilibrium and effectiveness within a period of days or weeks" (Dogan and Higley 1998b, 7). There is some value in not separating state formation from crises that generate only regime changes. State formation shares with regime transition an extraordinary degree of uncertainty that makes "normal science methodology" less useful in studying these events (O'Donnell and Schmitter 1986, 3–5). In addition, an inventory of crises that range from struggles for independent statehood to breakdowns of authoritarian regimes contains a larger sample of critical events for comparative purposes (Dogan and Higley 1998b, 8–14). Yet excessive conceptual generality and the pretensions of objectively defined crisis situations introduce intractable conceptual problems and appear to outweigh the benefits of the approach (Knight 1998, 31–9).

In this book, state formation is used as a convenient analytical device that provides a clear-cut and useful starting point for the comparative historical analysis of state development over time. As mentioned earlier, intraelite and elite–mass politics during state formation – not state formation itself – is what determines the structural cohesion of emerging states. State formation enhances the impact of such politics because the occasion facilitates a wholesale institutional change, but state formation is not a causal factor.[10] Nevertheless, I highlight two differences between state formation and other kinds of crises. First, the outcome of the event is potentially more substantial than just regime change. Territorial boundaries, popular loyalties, communal identities, and political structures may be entirely remade, redefined, or renegotiated. The second difference concerns the event itself. The sudden imperial collapses that often precede state formation offer political and social actors rare opportunities to assert their will and exercise their collective power, which is normally suppressed. Generally, state formation involves a broader range of actors than regime change.

To be sure, there is no hard-and-fast rule that separates a state formation situation a priori from less severe crises. Political crises that involve a colony and claims of independent statehood, that occur in faraway corners of an empire (or a modern state that is structured or organized

[10] A disease analogy is useful here: viruses may cause more human deaths in winter than summer, but winter cannot be considered a cause of deaths. Viruses are.