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AN INTRODUCTION TO MIDDLE CLASSES, DISCIPLINE, AND DEVELOPMENT

The Middle Classes and Economic Growth

One of the most commonly held assumptions in the field of development is that middle classes are the bounty of economic modernization and growth. As countries gradually transcend their agrarian past and become urbanized and industrialized, so the logic goes, middle classes emerge and gain in number, complexity, cultural influence, social prominence, and political authority. Yet this is only half the story. Middle classes *shape* industrial and economic development, rather than being merely its product; and the particular ways in which middle classes shape themselves – and the ways historical conditions shape them – influence development trajectories in multiple ways. This is especially true in late industrializers. Whether they choose rapid and successful export-oriented industrialization (EOI) grounded in an integrated and robust sectoral development based on strong forward and backward linkages, or whether they remain overly wedded to industrial policies that protect import-substitution activities (ISI) and reinforce sectoral imbalances and a disarticulated domestic economy careening from one economic crisis to the next, will depend on the alliances, character, composition, and political sway of their middle classes, both rural and urban, and the extent to which these forces and conditions engender strong state disciplining of capitalists and laborers in the service of national development.

This claim rests on several interrelated premises, themselves built on a definitional understanding of middle classes as comprised of three basic occupational categories: 1) *salaried employees* in commerce, services, industry, and the professions, as well as those employed by the state;[1] 2) *self-employed* artisans,

[1] In Marxist terminology, salaried employees would include both semiautonomous wage earners and managers, two different categories of middle classes defined by their contradictory class location between capital and labor. See Wright, *Class, Crisis, and the State*. For more on this, see Appendix B.

craftsmen, and other independent rural and urban-based producers, who in developing countries are frequently called petty commodity producers (or yeomen farmers in the rural sector); and 3) owners and operators of *small enterprises*, including family firms, in service, industry, and agriculture.[2] Granted, nothing raises the academic red flag faster than the concept of the middle class. Perhaps the best statement on this comes from Loic Wacquant, who charges that the "epistemic ambition of defining, once and for all, the 'real' boundaries of the middle class is doomed to failure because it rests on a fundamentally mistaken conception on the ontological status of classes: the middle class does not exist ready-made in reality."[3] And I agree. Still, if one is interested in understanding this particular occupational range of difficult-to-categorize social forces that are pervasive in most late industrializers, it is necessary to begin analysis from some vantage point. I chose the notion of middle classes and use the above definition because it is the most consensual and inclusive in accommodating this occupational range while also spanning the classificatory lexicon of multiple theoretical perspectives. (For more on this logic, and further discussion of "middle classes," see Appendix B: Defining the Middle Class.)

The first leading premise of this book is that under certain historical, cultural, political, and discursive conditions, key actors in one or all three of the above classified occupational groupings will see themselves, their social and political dynamics, and their economic policy priorities as sufficiently distinct from large industrialists and wage laborers to suggest some form of "middling" class identity. When they do, they will enable the state's use of a variety of measures to politically and economically *discipline* capitalists and laborers for the purpose of generating national prosperity and balanced growth. With capitalists and laborers strictly disciplined in this manner, the economy is less prone to distortion and waste, industrial policy decisions are more likely to be made with long-term frameworks in mind, national industrial growth objectives are more apt to be achieved, and sustained macroeconomic development is more likely to materialize. We call administrations that pursue these policies *disciplinary regimes*. In contrast, where middle classes are absent or politically weak, states are less likely to impose discipline and more likely to accommodate the demands of capital or labor in ways that allow rent-seeking, short-term profit maximization, higher wage rates, and/or protectionist measures that in

2 For a general theoretical understanding of the middle classes, both new and old, I draw upon the important work of the following authors, among others: Abercrombie and Urry, *Capital, Labor, and the Middle Classes*; Wright, *Class, Crisis, and the State*; Carchedi, "On the Economic Identification of the New Middle Class"; Goldthorpe, "On the Service Class"; Ross, "Marxism and the New Middle Classes"; Burris, "The Discovery of the New Middle Classes"; Hindess, *Politics and Class Analysis*; and Wacquant, "Making Class."

3 "Making Class," p. 57.

the long run limit firms' capacities to compete domestically and abroad. We call these *accommodating regimes*.

A second main premise of this book is that among the fractious groupings that comprise the middle class(es), it is those in rural as opposed to urban locations who endow the state with its greatest disciplinary capacity vis-à-vis capital and labor, thus making rural middle classes especially critical to a nation's developmental prospects. Rural middle classes are defined as those self-employed, salaried, or small-scale producers whose economic livelihood is structured primarily around agricultural activities. Whether directly involved in agricultural production on small or family farms, or in town-based activities linked to trade, exchange, or even processing of agricultural goods produced on farms, folk are considered rural if they see themselves and their economic priorities as spatially and socially linked to agriculture and the development of the countryside more than to industry and the development of cities.

It may seem counterintuitive to suggest that successful patterns of industrial development rest in the cultural orientations, social networks, and political relations between rural populations and the state. After all, in the social sciences these forces are more likely to be identified as critical in studies of revolution, not macroeconomic development;[4] and if they are seen as central in the latter body of literature, they are more often than not conceived as "fetters" on development, an idea that can be traced to Marx but has reappeared in a variety of forms since his time, especially in modernization theory. The failure to examine rural folk generally and rural middle classes in particular is also due to the fact that most contemporary development scholars who study late industrialization focus primarily on the state alone or its relations to urban classes, since cities are where one encounters what are generally thought to be the principal protagonists of industrial development and thus modern economic growth – ranging from owners of large manufacturing firms and their industrial workers to more affluent folk who consume these processed industrial goods. Yet by focusing on cities to the exclusion of villages and the countryside, development theorists gloss over the rural context of industrialization and economic growth and the possibility that small-scale rural producers may influence or affect states in ways that can guide the overall contours of national development policy, be it ISI, EOI, or a hybrid combination of the two.

Several decades ago this urban bias in development studies was not so well entrenched. During the 1960s and 1970s, Alain de Janvry and others made great advances in linking the state of rural agriculture to national development trajectories by examining the negative impact of sectoral disarticulation (i.e., insufficient articulation of agricultural and industrial production) on both rural progress and national economic growth. One of the most popular claims

[4] The best statement on this can still be found in Skocpol's *States and Social Revolutions*. The seminal equivalent in the developing country context would be Paige's *Agrarian Revolution*.

associated with this school of thought was that truncated or distorted industrial development owed to the inordinate political power of large landlords whose capacities to set the basic terms of macroeconomic policy in their favor through exchange rates, pricing policies, investment in infrastructure, subsidies, etc., disadvantaged industrial manufactures. Yet with a very few exceptions, including recent work by Cristóbal Kay,[5] the concern with agricultural growth and rural class structure has slipped off the research and policy-making agenda since the 1980s, perhaps because cities have continued to grow and industries continue to locate there, provoking many contemporary scholars to assume that these developments are the key to national progress.[6] This book attempts to bring the rural perspective back into studies of industrial policy making by highlighting its enormous significance for late industrialization in Latin America and East Asia.

In light of these aims, more recent work by Jeffrey Sachs is distinctive primarily because he is one of the few who focus on rural conditions as a key determinant of the ISI-EOI divide in late industrializers. Like Kay, who argues that without state policy measures that produce agricultural growth with equity, successful industrialization will not materialize, Sachs focuses on the economic problems posed by depressed agricultural conditions and how to counteract them. And, like Kay, Sach argues that sustained "rural influence" will tip the balance against inflationary import-substituting regimes by spurring the state to set "realistic" food prices and favorable exchange rate policies, thereby strengthening a country's balance of payments situation and reducing the likelihood of external debt.[7] Sachs, however, links rural "influence" to population distribution and the ways that demographic patterns uphold political power in the countryside, in a way that suggests that all one needs to know is whether more of a nation's populations live in rural as opposed to urban areas. This book offers a related but theoretically distinctive approach. It suggests that the key to understanding development lies not in a focus on rural-urban demographic balances more generally, or even the power of rural landlords, as suggests Kay,[8] but on the middle-class character and composition of the countryside, and especially the extent to which small-scale rural producers and suppliers wield political influence within the state.

[5] See *Asia's and Latin America's Development*.

[6] Some of this may owe to the fact that de Janvry's 1981 book, *The Agrarian Question and Reformism in Latin America*, was rather pessimistic about the prospects for sustained rural development in capitalist economies. De Janvry's normative emphasis on the contradictions of commercial agriculture, even in the context of land reform, may in fact have pushed policy-oriented scholars to bypass the agrarian question altogether and, therefore, to turn their full attention to industrial policy instead.

[7] "External Debt and Macroeconomic Performance in Latin America and East Asia," p. 550.

[8] *Asia's and Latin America's Development,* pp. 27–28.

Of course, a countryside dominated by large landlords might be equally likely to push national policy makers to set realistic food prices and favorable exchange rates. But it also would be prone to rural poverty or rural class polarization, conditions that further limit self-sustaining rural development. Large landlords also would be less willing to push the state to invest in widespread rural credit, education, and other factor inputs that lay the foundations for longer-term productivity and growth. If it is smaller farmers and other small-scale agricultural producers, processors, or distributors politically calling the shots, however, not only do we generally see more government support for these types of policies, we also are more likely to see national policy limitations on luxury imports and other goods associated with higher income consumption and/or modernization. This is because rural middle classes are more likely to fashion themselves, their political allegiances, and their economic policy demands as distinct from urban-based capitalists than are affluent landlords – who in the late-developing world frequently are interlocked with the banking and industrial elite. In short, rural middle-class political influence translates into a different combination of industrial and agricultural policies than does rural elite or rural poor influence; and it is the particular combination of development policies grounded in rural middle-class political sway that is most generative of successful development trajectories.

State Discipline and Development

Equally central to the argument presented here are both the notion of state-imposed discipline and the ways that middle-class political sway sustains the late-industrializing state's disciplinary capacity. Some of the most ground-breaking work on East Asian development traces macroeconomic successes to the state's regulatory actions vis-à-vis industrial firms. In the terminology and thinking of scholars such as Alice Amsden and Robert Bates, it is the imposition of performance standards, and the use of these standards as a benchmark for determining future financial support or privilege, that most engender successful industrial development. When the state applies performance standards, there is no free ride for big industrial firms; rather, they are required to show evidence of productivity and economic success in return for continued state support or accommodation.[9] To be sure, it could be argued that all capitalist

[9] One way to assess the developmental outcomes associated with these disciplinary measures is to understand what happens at the microeconomic level when performance standards and strict control over banking capital are in fact absent. In such conditions, capitalists and laborers receive financial support, preferential treatment, or accommodation of demands (be they related to wages, prices, protection, financing, or lowered taxes) whether or not they meet sales, manufacturing, or productivity targets. Rather than discipline based upon performance standards, the state plays the role of benefactor no matter how successfully industrialists and

states impose regulations and, by so doing, discipline in some fashion. But most scholars who recognize this as a positive externality associated with state power do so only when these disciplinary measures are applied to labor. State efforts to regulate or interfere with private-sector activities, in contrast, are usually seen as obstacles to market growth and economic prosperity. And for many, it is market discipline that is considered most central to development success, with state action seen as getting in the way of this.[10] I take issue with this bias and argue that state actors can indeed be central protagonists in economic discipline, especially when they are middle-class-embedded.

To suggest that the relationship between the state and middle classes can shape development trajectories is to depart from the common view of the state and its relationship to classes in the late-industrializing world. Most scholars assume that "developmental" states are autonomous, not class embedded,[11] and that autonomy – be it derived from internal bureaucratic dynamics,[12]

laborers meet national economic development priorities such as achieving market competitiveness or increasing national wealth without producing inordinate deficits, inflation, or foreign exchange balances. Trust that capital and labor will work conscientiously to achieve national development goals, rather than actual performance indicators grounded in an environment of discipline, governs the state's expectations in granting developmental assistance in these accommodating regimes.

10 It is of course true that market dynamics, or discipline, can be used to prod performance gains or inspire capitalists' self-regulatory measures. After all, state controls on banking and the setting of performance standards, among other possible disciplinary actions, are frequently fueled by the state's desire to have key economic actors "work" the market to its greatest potential (and, by so doing, achieve performance goals). It is for precisely this reason that so many scholars assume that the East Asian tigers are developing their economies around free-market dynamics. But in many of those countries, as we shall see shortly, it is the state that is disciplining capitalists' and laborers' relationship to the market, not merely the market itself laying disciplinary foundations.

11 The argument was that *autonomous* states – or those not beholden to capitalists – were a key force behind successful development. Much of the work on this topic was inspired by *Bringing the State Back In*, coauthored by Rueschemeyer, Evans, and Skocpol, which contained several articles on the state and development in newly industrializing countries. Yet one of the best statements on the class context of state autonomy in late industrializers is still one of the first: Hamilton's *The Limits to State Autonomy*. A more recent and equally compelling work that situates East Asian state autonomy in class, cultural, and historical conditions is offered by Castells in "Four Asian Tigers with a Dragon Head," who argues that the destruction of the oligarchy and an attendant debilitation of the capitalist class – along with strong sentiments of nationalism and a disorganized and repressed working class – explain state autonomy and developmental successes in East Asia.

12 Among the best works that focus on the workings of the state as an automous bureaucratic institution are Amsden's *Asia's Next Giant*, Alam's *Government and Markets in Economic Development Strategies*, Haggard's *Pathways From the Periphery*, and Wade's *Irrigation and Agricultural Politics in South Korea* and *Governing the Market*.

world-systemic and geopolitical conditions,[13] domestic or international fiscal constraints,[14] and/or accelerated class conflict between capital and labor[15] – gives certain states the developmental capacity to introduce sound macroeconomic policies even as it prevents them from becoming predatory in terms of rent seeking or other economically disastrous policies. Among the few scholars who do choose to examine state-class articulations, the preferred partner for the state is almost always capitalists,[16] at least if the state is considered to be developmental. This focus on the positive developmental gains of state and capitalist-class embeddedness was first proposed by Peter Evans in his seminal book *Dependent Development*,[17] and later articulated even more expertly in a theory of state-capitalist class embeddedness in his equally groundbreaking study *Embedded Autonomy: States and Industrial Transformation*. Our model shares this appreciation for the notion of state-class embeddedness, but focuses on the state's embeddedness with middle classes as laying the foundations for economic progress or, in our terminology, for *disciplinary development*.

By examining the middle-class contours of late developmental states, like Peter Evans we proceed under the premise that some form of class embeddedness is necessary in order to prevent rent seeking and other forms of predatory behavior that often arise when the state is so institutionally autonomous that it acts with impunity and disregard. But our model presupposes a slightly different understanding of who gets disciplined, by whom, and why. To be sure, I acknowledge that the notion of state autonomy used by so many other

13 See Stallings, "International Lending and the Relative Autonomy of the State"; and Glasberg, "International Finance Capital and the Relative Autonomy of the State." One of the most provocative and compelling case studies available that links domestic state autonomy to global conditions, both geopolitical and economic, is Woo's *Race to the Swift*.

14 See Fitzgerald, "The Financial Constraint on Relative Autonomy."

15 See Anglade and Fortin (eds.), *The State and Capital Accumulation in Latin America*; and Gulalp, "Capital Accumulation, Classes, and the Relative Autonomy of the State."

16 Exemplary in this regard were Eckstein's *The Poverty of Revolution,* and Waisman's *The Reversal of Development in Argentina*, both of which examined the relationship between capitalists and the state. The writings of Gary Gereffi, John Walton, and Alejandro Portes also took a similar view, although they more purposefully integrated a domestic focus on capitalists and the state with an analysis of global conditions. See Gereffi, *The Pharmaceutical Industry and Dependency in the Third World*; and Portes and Walton, *Labor, Class, and the International System*.

17 In this book, rather than pitting global explanations against domestic ones, Evans integrated a focus on global capital with an understanding of domestic capitalists and their relations to each other and the state. The book was very important at the time because it challenged some of the central tenets of dependency theory. Indeed, its main argument was that the global context of accumulation did not impede development because industrialization and some degree of economic progress were indeed occurring; rather it structured and limited the capacity of domestic industrialists to initiate development without the aid of multinational capital.

development scholars may appear to closely approximate what I mean by the middle-class-embedded state, at least to the extent that such a state will not be acting in the interests of capitalists. Generally speaking, however, the notion of state autonomy – at least as it has come to be defined – presupposes a state that acts independently of all class forces. Our disciplinary states, on the other hand, have identifiable class foundations – primarily rural middle class – that sustain a government's will and capacity to discipline capital and labor.[18]

How this dynamic works is well seen in one of the most effective forms of state discipline imposed on private-sector actors, which is government control of banking and investment capital. With such measures, the state holds the power to limit capitalists' capacities to spend themselves into or out of a market collapse or production dilemma. This constraint places considerable limits on individual firm strategies for weathering a difficult supply or demand situation, but it also limits inflation and the unproductive use of scarce financial resources in ways that may be good for the economy as a whole. This example is particularly relevant to the middle-class-based argument presented here because it reveals the way that state disciplinary measures (performance standards, government control of banks, etc.) frequently force big industrial firms to *behave like small producers*. That is, these measures generally insure that large firms work in the context of strict financial constraints and market unpredictability, turning only to their existent resources (and not a financial bailout) as they struggle to meet performance targets.

State discipline also can come in the form of macroeconomic regulation and not merely microeconomic restrictions on industrial firm behavior. Generally understood, macroeconomic policies are those that affect or establish aggregate demand conditions (while microeconomic policies affect supply conditions). States of the Keynesian variety traditionally have used macroeconomic policy to stimulate demand for productive investment with the expectation of drawing the private sector away from unproductive (or perhaps even speculative) activities, to great developmental success. A disciplinary state takes this logic even further by regulating and controlling conditions of demand across almost all fronts simultaneously, not just domestic and international but also

[18] Granted, most scholars have operated under the premise that autonomy is defined in terms of the state's institutional or policy-making independence from capital or labor, and thus what we see as a middle-class-embedded state they would see as an autonomous state precisely because neither capital nor labor is in the equation. It is important not to confuse cause and effect. One should not fall into the tautological trap of assuming that states which discipline capital and labor are autonomous. States may be able to cultivate policy-making independence from capital and labor, or discipline them, precisely because they count on middle classes as their principal source of legitimacy or political support.

rural and urban.[19] Measures intended to control demand conditions include agricultural and industrial pricing policy, the setting of exchange rates, and the establishment of interest rates to channel savings for national investment. The state's aim is not just to intervene in both domestic and international markets to bolster demand in some general sense but, rather, to link aggregate demand to the microeconomic management of supply conditions (and vice versa), and to relate both sets of measures to domestic production and consumption. Such robust state control of both supply and demand conditions is rarely understood to be a feature of capitalist states, since this practice is more commonly identified in communist states with centrally planned economies. What differentiates our disciplinary regimes from communist regimes, however, is not just the fact that both domestic and international markets serve as principal reference points around which microeconomic and macroeconomic policy measures for supply and demand management are crafted, but also the fact that profit making and capital accumulation are still principal aims. It is just that both are to be achieved within a framework that subordinates them to a hierarchy of class and social needs in which the rural middle class – rather than the usual suspects, "mass" society in communist states or big industrialists and perhaps even organized labor in their capitalist counterparts – leads the pack.

Once we recognize that it is primarily the state's rural middle-class foundations that help politically establish this particular hierarchy of class needs and social aims, we further understand why these states are prone to apply their micro- and macroeconomic regulations on the basis of a sectoral logic as well, mainly for the purpose of nurturing the productive gains of rural producers. This can be done directly, through rural pricing and other policy prods and infrastructural investments, or indirectly by channeling the activities of urban-based capitalists and laborers to contribute to overall rural aims. Among the many policy measures that frequently are used to achieve such gains are those which guarantee the existence of small and medium-sized plots for self-cultivation (i.e., land reform), those which keep the internal terms of trade relatively favorable to agriculture, those which help generate forward and backward linkages in rural areas and between them and cities, and those which increase domestic and international demand for goods produced in and

[19] The distinction between the concept of disciplinary regime and those strongly interventionist states frequently called "developmental states" is also worth noting. Practically all late-industrializing states, whether democratic or authoritarian, autonomous or class embedded, protectionist or market oriented, are highly interventionist; and most have the capacity to impose some form of regulation or restriction on micro- and macroeconomic activity. But not all states with the capacity to intervene in the market will discipline both capitalists and laborers in ways that aid the development process, and sometimes their interventions make it easier for capitalists to sidestep market constraints.

by rural sectors. In the context of late development, achievement of these sectoral aims often requires considerable foreign exchange earnings and/or high savings rates, with both deposited in state banks or a state-regulated financial sector, as well as monetary policies and other measures to keep overall inflation rates low. Yet just as telling, the achievement of these goals generally presupposes aggressive state support for export-led industrialization rather than import-substitution industrialization, not only because the former would be expected to generate export earnings but also because it would not overly disadvantage rural over urban sectors of the economy even as it kept overall domestic consumption down and thus savings high, owing to the paucity of industrial goods for purchase.

Development scholars might be quick to note that many of the disciplinary measures and policy components I identify as comprising this *disciplinary regime of development* already have been promoted or implemented in the developing world, albeit perhaps under a different rubric; and some already have been identified as producing great successes. For example, the importance of recasting industrial policies to nurture exports rather than imports of processed industrial goods is one of the most popular ideas these days, seen as a magic bullet for many late-industrializing countries. The emphasis on rural development and the value of balancing rural and urban development have also had their day in the sun, two aims that are equally reflected in this model. As noted earlier, it was not that long ago that scholars such as Alain de Janvry argued that governments which supported agriculture along with industry were more likely to generate balanced economic growth and eliminate income extremes, with more recent work by Michael Lipton and his colleagues underscoring the positive economic impact of farm-nonfarm linkages on reducing rural poverty in ways that parallel the disciplinary regime's efforts to coordinate cross-sectoral gains.[20] So too Cristóbal Kay's emphasis on agriculture-industry connections as central to East Asia's economic success vis-à-vis Latin America seems consistent with my claim, although he identifies the timing of agrarian reform and the state's autonomy – not middle-class embeddedness – as key to this outcome.[21] Where my approach – and this model of disciplinary development – differs from these authors' is in its recognition of the fact that it is the

[20] The way this works is well specified in Hazell and Haggblade's "Farm-Nonfarm Growth Linkages and the Welfare of the Poor," pp. 190–204 in Lipton and van der Gaag's *Including the Poor*. They argue that "non-farm linkages generated by technical change in agriculture can enhance both growth and its poverty-reducing effects" because a "growing agricultural sector demands non-farm production inputs, and supplies raw materials to transport, processing, and marketing firms. Likewise, increases in farm income lead to greater demand for consumer goods and services" (p. 190).

[21] In fact, in Kay's conception of rural class structure, middle classes are practically absent, as evidenced by the subtitle to his most recent monograph on Latin American versus East Asian