

## Introduction

### *The Origins of State Capacity in Latin America*

States are crucial to nearly every aspect of our lives. The ability of state institutions to effectively exert authority throughout the national territory underpins variation in access to economic opportunity, the provision of public goods, and the protection of legal rights. Yet in Latin America, variation in state capacity has only recently become an object of serious scrutiny. Much of our understanding of the state has come from studies of its origins in Europe, where a vigorous debate among scholars has generated extensive cumulation of knowledge in both theoretical and empirical terms.<sup>1</sup> This school of research has been complemented in recent years by a growing literature exploring the “failure” of some contemporary states to fulfill even their basic functions.<sup>2</sup>

This dual focus on the world’s strongest and weakest states ignores much of the contemporary variation: no state in Latin America, for example, could be described as a Hobbesian Leviathan or a Scandinavian cradle-to-grave provider, nor is any as vestigial as those of Chad or Somalia. Yet within Latin America, state capacity varies quite widely across countries. Some countries, like Chile and Uruguay, provide basic public goods and security to their citizens, and are able to extract revenues and enforce laws. But illiteracy in Bolivia is about five times as high as in Uruguay. For every child not vaccinated in Chile, about ten go unvaccinated in Ecuador. While the 2011 census in Uruguay was administered effectively, the 2005 census in Peru was so flawed it had to be

<sup>1</sup> Among the many important contributions to this literature, some central works are Tilly (1975), Tilly (1992), Ertman (1997), Downing (1992), Spruyt (1994), and Gorski (2003).

<sup>2</sup> Herbst (2000); Bates (2008).

repeated two years later. The homicide rate in Venezuela is about ten times as high as that of Uruguay. How can we account for this variation in the state's ability to carry out a set of core functions?

Even more striking is the territorial unevenness in state capacity in the region's weaker states, which is concealed by national average measures of state capacity (Snyder 2001b). In Colombia, for example, the national literacy according to the 2005 census was 85.9 percent, but schooling only reached 60 percent of the residents of La Guajira, and 78.4 percent of the residents of Córdoba. By contrast, in Chile, which had a national literacy rate in 2002 of 87.5 percent, every province's literacy rate was more than 80 percent. In Bolivia, the national vaccination rate for children in 1997 was 74.1 percent, but at the department level, vaccination rates ranged from more than 95 percent in Chuquisaca to less than 50 percent in Pando.<sup>3</sup>

This subnational variation in the provision of basic services reflects a crucial aspect of stateness: the state's reach over territory and ability to implement its chosen policies. Today, Latin America's states share many features of institutional design, a certain degree of bureaucratic professionalism in the halls of ministries and executive agencies, and enjoy basic stability.<sup>4</sup> The most striking difference across states in the region is in the performance of basic functions, and in particular, in the reach of the state agencies that provide those functions over a territory.

The goal of this book is to explain why in some Latin American countries, state institutions reach across the national territory and operate with a degree of capacity, while in others, the state is vestigial and ineffective. Rather than assuming that contemporary variation has contemporary roots, I begin by examining the historical record. I show that contemporary rankings of countries on various aspects of state capacity are very strongly associated with their ranking in 1900. This finding resonates with a central aspect of the scholarship on state strength more generally: nearly all research on this question points to historical causes (such as war, colonial rule, or early institutional choices) to account for

<sup>3</sup> Data are from Instituto Nacional de Estadística de Bolivia, 1997 data on immunizations by province. I generate average immunization rate figures as follows: average the number of each of five types (Polio first and third dose, BCG, and DPT first and third dose) given in each province, and divide by the number of one-year-old residents (estimated as 2.9% of total population, based on population pyramid in 2007 census).

<sup>4</sup> Both Dargent (2015) and Gingerich (2013) show that bureaucratic professionalism and institutional capacity vary more across agencies within states than they do across states within Latin America. The same is not true for the state's performance of basic functions and its reach across its territory.

contemporary variation. Thus in devising a historical account of contemporary variation in state capacity, the argument advanced in this book falls in the mainstream of scholarship on state development.

But this book diverges from existing scholarship in an important way: I argue that we must explicitly separate the theoretical accounts of the factors that cause state-building efforts to *emerge* and the factors that lead to *success* or *failure*. Making this separation, the framework I develop charts three paths to contemporary outcomes: those in which state-building efforts never emerged, those in which state-building efforts failed, and those in which state-building efforts succeeded. As I discuss later, accounting for all three paths is necessary for a theoretically complete explanation of variation in state capacity. Most existing scholarship falls short of this goal because it tends to limit itself to explaining why state-building efforts emerge, and fails to theorize the set of causal factors underlying state-building success.

This book follows the evolution of the state in four Latin American countries during the Liberal era, running from the end of the post-independence crises in each to the early twentieth century. Colombia followed the first path described previously, and Peru the second: these are two logically distinct routes to contemporary state weakness.<sup>5</sup> I select Mexico and Chile as my two cases of successful state building because the many differences in historical, social, economic, and political terms between these cases help me to isolate the factors they had in common that were necessary for state-building efforts to succeed. These three trajectories leading to the outcomes of state strength and weakness account for variation in state capacity in Latin America, and are the topic of this book.

## TWO QUESTIONS

The theory developed in this book is designed to answer the two key questions about the development of state capacity: What are the factors that cause state-building efforts to *emerge*? And what are the factors that lead to *success*? The answers I develop to these questions, which I preview in this brief discussion and present in Chapters 1 and 2, are shown in Figure 0.1.

<sup>5</sup> As discussed later, Peru saw some gains in state capacity during the Aristocratic Republic (1895–1919): the contrasting trajectories of state development during two historical periods in Peru helps isolate the factors necessary for state building to succeed.

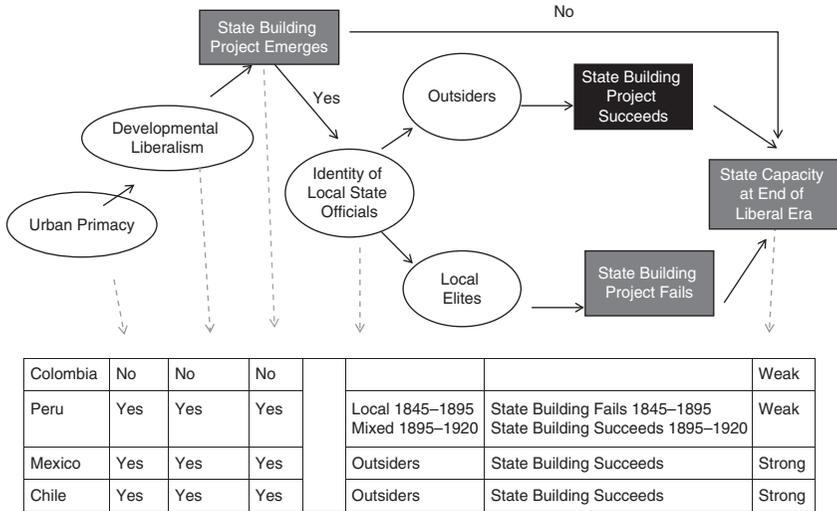


FIGURE 0.1. The emergence and success of state-building projects in Latin America.

**The Emergence of State-Building Projects**

The first puzzle is why state-building projects emerge. In the absence of the wars that force state leaders to mobilize resources and manpower or risk defeat and devastation, we cannot take for granted the decision to undertake major investments in extending the reach of state institutions. Here, I focus on the role of geography and broad ideas about development. I argue that in a climate of relative stability that emerged after the post-independence crisis eased, state leaders opted for state building if and when they saw it as a means to the developmental goals they sought – economic growth, social peace, and political stability.<sup>6</sup> Whether state building seemed propitious depended, in turn, on the nature of political and economic geography: where a single dominant urban core existed and development was seen in a center-periphery dynamic, an elite consensus about the importance of extending central authority for

<sup>6</sup> In pursuing state building as a means to seizing on an opportunity, I argue that Latin American state leaders acted more like Olsonian “stationary bandits” (Olson 1993) and that state building was largely proactive rather than emerging as a reaction to threats, whether internal or external. Internal threats do enter into the explanation for success and failure of state-building projects, as discussed later – where they were present, they affected the design of administrative institutions in ways that impacted state-building efforts – but I argue that they did not spur state-building efforts in Liberal-era Latin America.

development could take hold. By contrast, where multiple regional centers each sat astride a distinct regional political economy, the construction of central state authority did not seem a propitious development strategy. This was so for two reasons: first, elites clashed because each region had distinct public good preferences. Second, where regions had self-contained economies and could generate sufficient economic production on their own to maintain and even increase standards of living without the need for national integration, visions of development centered on the promotion of regional progress, which did not depend on the extension of the authority of the central state.

As the left half of Figure 0.1 indicates, Colombia diverged from the other three cases at this point: its trajectory of state weakness across the century after independence can be explained by its polycentric economic geography. Fragmented into multiple regions, it saw the consolidation of a strikingly laissez-faire elite consensus that brought to power a series of efforts to pursue development by dismantling, rather than building, the state. In the other three cases, the broadly liberal consensus after mid-century had a developmental core, and concerted state-building efforts ensued.

### The Success of State-Building Projects

But accounting for the emergence of state-building projects is insufficient to explain the variation we observe in state capacity. Among our cases, Peru saw major state-building efforts, yet its state is quite weak by regional standards. We need, therefore, an explanation for why only some state-building efforts succeed, and some fail. The failure of such efforts is not only a logical possibility but a historical reality, yet explaining why state-building efforts fail has been almost completely neglected by political scientists and historical sociologists. For more than three decades after 1845, state leaders in Peru presided over a concerted effort to extend the reach of the state across the national territory, and funded this effort with immense revenues from the guano monopoly the country enjoyed. Yet despite consistent policies and more than adequate spending, the results were minimal. How can we explain why state-building efforts succeeded in Mexico and Chile, but failed in Peru? In answering this question, the greater success of state building in Peru after 1895 provides an opportunity for contrast within a single country over time, in addition to the analytical leverage gained from analytical comparison.

Relying on both cross-national and within-nation comparison, I argue that the fate of state-building efforts depended on the design of the institutions of local administration that extended the state's reach into the national periphery. More specifically, I argue that state-building efforts failed where local elites were tasked with administering them, but saw more success where local administrators were outsiders in the communities in which they served. Two logics underpin this claim: I argue that local elites were both less invested in state building, and less accountable to their superiors in the national bureaucracy. In Peru, especially before 1895, state leaders delegated administration to local elites, and the result was that the state-building initiatives emanating from the center bore little fruit. By contrast, in Chile and Mexico, state leaders deployed bureaucratic outsiders across the national territory; this led to greater success in state building.

In combination, then, the account I develop for variation in state capacity in Latin America is causally complex in two senses. First, variation cannot be accounted for in a univariate model: it depends on ideational factors (and their geographic underpinnings) and the design of local administrative institutions. Second, these two sets of factors are not analytically equivalent independent variables: instead, the former set accounts for the emergence of state-building efforts, while the latter, causally relevant only where state-building efforts emerge, accounts for success and failure.

This book traces this account through the four cases highlighted in Figure 0.1. It is based on material in the voluminous collection of national and regional histories of these cases, and on extensive primary source research in archives of various government ministries. In the Conclusion, I use this framework to consider the state-building trajectories of other Latin American countries, showing that they can also be explained by this argument. I begin in this chapter by defining state capacity and collecting systematic data to substantiate the broad regional trajectories. I then develop the research design and describe what is to come in the chapters that follow, which focus on the four cases in detail.

#### STUDYING INTRA-REGIONAL VARIATION

Studies of state capacity in the developing world can be crudely sorted into two categories. A first set of works, such as Centeno (2002), explain why the states of a particular region differ from those in early modern Europe, and downplay or set aside the determinants of intra-regional

variation. Although he does devote part of his account to explaining intra-regional variation in the capacity of African states, Herbst (2000), too, focuses on explaining why African states do not resemble those of Europe. These studies have made important contributions to our understanding of the limits to the scope of theories derived from European history, but in logical terms, regional characteristics cannot account for the intra-regional variation I seek to explain.

A second set of studies have set aside comparisons with Europe to focus on explaining intra-regional variation. Holding regional characteristics constant where possible, these works have sought to account for the distinct trajectories taken by individual countries. Slater (2010) and Vu (2010) explain the evolution of state-making in postwar Southeast Asia. Downing (1992), Ertman (1997), and Gorski (2003) identify differences among countries in early modern Europe that account for the distinct trajectories taken by their states within a broadly similar regional context marked by intensified military competition. Fernando López-Alves (2000) engages in the same sort of intra-regional comparison within Latin America. Like this book, he focuses on the nineteenth century as the crucial moment in which variation in state capacity emerged among Latin American countries. López-Alves argues that the nature of internal conflicts in the aftermath of independence was the crucial factor underlying variation in the subsequent evolution of states, although the ultimate goal of his study is to explain the type of regime that was consolidated. This book differs from his in two crucial ways. First, I argue that the crucial moment in which state building was possible occurred only after the post-independence conflicts came to a close and a modicum of stability emerged. Second, I do not explore regime dynamics at all in this book; my focus is on the power of states, independent of the regimes that rule them.

Kurtz (2013), Saylor (2012), and Paredes (2013) also explore intra-regional variation in state capacity within Latin America, although both Kurtz and Saylor also extend their argument to cases outside the region. Saylor and Paredes argue that commodity booms are windows of opportunity for state building, moments in which state capacity can be built if certain conditions hold. Both emphasize the nature of elite coalitions in explaining when commodity booms spur the state's creation of new public goods: Saylor argues that state building occurs in the context of commodity booms when insiders (members of the ruling coalition) seek new public goods in order to maximize their gains from commodity exports, or when booms benefit outsiders sufficiently to scare insiders into state building to lock in their distributional advantage. Paredes also

emphasizes the divisions between existing elites and newly rising sectors that benefit from commodity revenues in preventing coordination around concerted, planned, state-building efforts.

Kurtz, too, focuses on relations among societal actors, but in addition to relations between elites, he argues that interest in state building on the part of rural elites depends on rural labor relations: where agrarian labor is marketized, he argues, elites will be more amenable to state building than when it is more akin to serfdom. My account differs from these important studies in two fundamental ways. First, whereas Kurtz and Saylor focus on the political motives for state building, I also unpack its administration. As I argue in more detail in Chapter 2, to explain the breadth of elite support for a state-building project is insufficient to account for variation in state capacity; a full theory of variation in state capacity must also explain the fate of the state-building projects that are undertaken, and that fate (as I show in this book) is determined by factors independent from those that determine the choice to build state capacity. Second, I see the motives behind state-building projects as shaped more by ideology and less by the narrow elite interests emphasized by all three authors. As I show in Chapter 1, the onset of state building was propelled not by narrow interests in the provision of particular public goods, but by a belief that increased state capacity would serve a broad range of interests in the long term.<sup>7</sup> I argue that state building was a *state* project rather than a sectoral or class project.

Explaining variation within a single region has both advantages and limitations. Restricting the analysis to Latin American cases truncates the range of state capacity being investigated. At first glance, this may be seen as a disadvantage in terms of generalizability. Yet the extent of intra-regional variation to be explained is still sizable, and it is quite striking, especially given that the cases shared similar (if not identical) experiences under Spanish colonial rule, similarly low levels of international war, and similar trajectories of integration into the global economy. Exploring this more fine-grained variation, which emerges in the presence

<sup>7</sup> As I discuss further in Chapter 1, this should not be misread as a claim that state leaders were benevolent rather than self-interested. I simply claim that their interests in stability and economic development, which would serve both their interests in generating legitimacy and a hold on power as well as broader societal interests, are not reducible to interests of particular social actors. Underlying, perhaps, my differences with Kurtz and Saylor's accounts is the fact that I attribute more autonomy to Latin American state leaders than do either of my interlocutors, who see the state as serving the interests of a ruling elite coalition. My position here echoes that of Mahoney (2001), who studies the Liberal era in Central America. This issue is discussed in Chapters 1 and 2.

of so many similarities in historical and structural conditions, allows us to identify causal factors that remain obscured in comparisons of cases with a wider range of scores on the dependent variable. Thus, this book eschews claims of global generality to focus on careful comparison and within-case analysis of a set of countries that diverge on the outcome of interest without representing extreme cases (Slater and Ziblatt 2013).

#### STATE CAPACITY: CONCEPTS AND MEASURES

Building on Michael Mann's concept of infrastructural power, the object of interest in this study is the state's ability to exercise control and implement policy choices throughout the territory it claims to govern.<sup>8</sup> Guillermo O'Donnell (1993) identified the importance of the spatial reach of state authority in a seminal article, which has formed the foundation of much concern about "stateness" in Latin America in the last two decades. Yet while many indices of state capacity exist, few capture this aspect of the state; few measure the territorial reach of state institutions, or the ability of the state to consistently and effectively perform a set of core basic functions throughout its realm.

Existing indices of state capacity are fraught with problems. This is particularly true of the industry of indicators of state weakness, state failure, and state fragility that has emerged in recent years. Among other problems, these datasets lack the historical data needed to trace state capacity over the long term, often rely on expert assessments rather than on objective data, and fail to make careful and transparent choices about conceptualization and scoring (Mata and Ziata 2009). As Kurtz and Schrank (2007) have shown, cross-national indicators of state capacity, such as the World Bank Governance Indicators, also suffer from problems of conceptual clarity and validity. The same is true of the Putterman Index of state antiquity, which has seen increasing usage in cross-national scholarship (Chanda and Putterman 2005).

Since even the most minimal core of state functions contains multiple dimensions, a single indicator of state capacity is too crude for all but the most general analyses. Thus single indicator measures of state capacity are also inappropriate for attempts to capture the overall concept (Hanson and Sigman 2011). This is true not only when the indicators are

<sup>8</sup> The concept of infrastructural power is first developed in Mann (1984). See Soifer and vom Hau (2008) and Soifer (2008) for a more detailed unpacking of this concept and approaches to its study. For stylistic reasons, I use the terms "state strength," "state power," and "state capacity" interchangeably throughout.

crude, like GDP per capita (Fearon and Laitin 2003) or state antiquity (Chanda and Putterman 2005), but even for indicators like road density (Herbst 2000) or the tax ratio, which tap a particular dimension of the state. In response to these concerns, I choose not to rely on existing indices or on single indicators of state capacity. Instead, my approach assesses state capacity by examining the presence of various state institutions across the national territory, and their systematization and efficacy in enforcing state authority. I focus on three categories of core functions of the state: the administration of a basic set of services (primary public education), the mobilization of manpower, and the extraction of revenue. These are, of course, closely related to Charles Tilly's (1975, 50) disaggregation of state power into regulatory, extractive, and coercive dimensions.<sup>9</sup> Because all states sought to perform these functions, assessing their performance on these dimensions captures the core content of Mann's concept of infrastructural power: the state's ability to implement its chosen policies. By focusing on these core functions, I ensure that my operationalization of state capacity does not conflate the state's strength with the scope of functions it performs (Fukuyama 2004).

Rather than capturing each of these three dimensions with a single indicator, I develop a more nuanced measurement scheme for each. These indicator-level measures are designed to capture the reach of state institutions over territory and their penetration of society, rather than just relying on national-level scores. They are also designed to measure as closely as possible the empirical *outputs* of the state, avoiding scoring based on the *de jure* content of legislation, the design of state institutions, or the outcomes of state policy.<sup>10</sup> The chapters that follow focus on a small number of cases and take a more nuanced approach to the measurement of state capacity, focusing on the service provision, extractive, and coercive dimensions in turn. The power of the state to provide and administer basic public services is assessed in the realm of primary public education. Chapter 4 evaluates the spatial spread of public primary schooling, as well as the systematization of education: textbook and curriculum standardization, teacher training, and the construction of centralized inspection and oversight. The extractive power of the state

<sup>9</sup> For a similar application of Tilly's three dimensions to measure state power, see Ziblatt (2006). Hanson and Sigman (2011) perform a factor analysis of more than thirty existing measures of state capacity and find that they cluster on the dimensions of extraction, administration, and coercion.

<sup>10</sup> On the trade-offs involved in using outputs, outcomes, and institutional design to measure state capacity, see Soifer (2008) and Fukuyama (2013).