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Unpacking States in the Developing World: Capacity, Performance, and Politics

Miguel Angel Centeno, Atul Kohli, and Deborah J. Yashar

Capable states are essential for promoting broad-based development; states must perform certain roles for any society to function. This proposition is now widely accepted. However, this general claim raises a set of other critical, complex, and poorly understood issues that deserve further attention. First, we do not adequately understand either the conceptual content of state capacity or its causal relationship to state performance. We need stronger and more plausible hypotheses about what explains state performance, in general, and why states are more effective in some parts of the developing world than in others, in particular. Moreover, we do not fully understand why, even among the more capable states, the ability to provide some valued goods is often in tension with the ability to provide other valued goods – resulting in varied levels of state performance across policy domains; in other words, why state capacity is not necessarily fungible across issue areas is not well understood. In what follows we initiate an analysis of these issues, delineating both what we know and what requires further research.

The contributors to this volume take for granted that states matter, nay, matter deeply, for the pursuit of a variety of valued outcomes in the developing world. Thus, we shift our scholarly attention to the origins and types of states capable of promoting these valued goals. Our starting point is the fairly obvious observation that states in some regions of the

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developing world, say, East Asia, tend to be more effective than states in other regions, such as sub-Saharan Africa, with a variety of other states in Latin America and South Asia falling somewhere in between on the performance continuum; we want to know why. We also begin with the premise that states pursue many political projects but may not be in a position simultaneously to achieve all of them successfully. We are especially interested in the ability of states to provide legitimate *order*, facilitate effective *economic development*, and promote *social inclusion*. As important, we ask: Can these goals be successfully pursued simultaneously or are there inherent tradeoffs between these important goals? While our normative commitments lead us to hope that these goals can be achieved simultaneously, our scholarly commitment is to evaluate this question empirically and theoretically.

For the purposes of this volume, we understand states as a set of governing institutions embedded in their respective societies. They are classically understood as a form of organized domination that delivers order and public goods – whether we reference Hobbes's Leviathan, Marx's committee for managing the common affairs of the bourgeoisie, Weber's legitimate monopoly of the use of force, Tilly's protection racket, or Olson's stationary bandit. Thus, to advance the public good, states are supposed to rise above the variety of private interests that constitute any society. At a minimum, this involves centralizing the use of coercion and extracting resources that can then be used to provide public goods.

As Tilly (1990) taught us, it took warring European states a few centuries to develop these minimal state capacities.[1] In the more demanding conditions of the contemporary developing world, however, the timeline for forging these capacities has been compressed. In part this is because developing countries have pursued the creation of Weberian states in the context of relatively recent postcolonial regimes (where states were imposed on them) with limited economic resources, and mobilized societies that demand full citizenship rights. Thus, while developing countries often do not command significant fiscal, social, or political resources, they are held responsible for simultaneously facilitating prosperity, redistribution, and/or inclusion – a point highlighted so powerfully, if differently, by Marshall (1963), Huntington (1968), and O'Donnell (1993). The demands on developing-country states are thus formidable and their respective

[1] See Tilly 1975, Olson 1984, and Spruyt 1996 among many others for related arguments.

capacities to deal with these demands, at best, uneven. The scholarly challenge is to understand the considerable variation in state capacity across developing-country regions, within regions, within states, and across policy domains within states, with the hope of discovering some general, underlying determinants of state performance.

In the rest of the chapter, we will favor the broadest of concepts having to do with what states actually do, what we call *state performance*. This is what, for good or for ill, the state is able to accomplish. Performance is actually a more analytically neutral category than simple effectiveness, as the latter presumes an agenda. We take *state capacity* to mean the organizational and bureaucratic ability to implement governing projects. In this opening chapter, we discuss this organizational-bureaucratic variable as analytically prior to state performance, although we revisit this linear claim in the conclusion. The relationship between capacity and performance, however, is not automatic. Politics matters. A political sensibility requires that one consider the political actors that set agendas and prioritize among competing goals; that deploy particular state agencies to implement those agendas; that mobilize social forces to support these agendas; and that confront opposition and conflict. In short, *both* state capacity and politics must be studied if we are to explain state performance – especially in the developing world.

In this introductory chapter, we first discuss the conceptual and methodological challenges that emerge as one pursues the systematic study of determinants of state capacity and performance. To start, we review the competing definitions of state capacity that exist in the broader social science literature. We then disaggregate state performance in terms of major state goals: order, economic management, and inclusion. We summarize what we already know about the political conditions under which states might facilitate these valued goals, as well as what we do not adequately understand and what needs further exploration. This general discussion sets the stage for substantive chapters that probe these underexplored issues and that constitute the body of the volume. We return in the concluding chapter to summarize the key new insights generated by these chapters and to point to areas where further research is needed.

STATE CAPACITY AS A CONCEPT

We have suggested that state capacity is critical (alongside a discussion of politics) to any explanation of state performance. Since the literature often conflates capacity and performance, we first discuss how the

literature discusses this essentially contested concept before elaborating how we use the term (Gallie 1956).

The notion of state capacity has existed in the social science literature for decades. Yet even after significant time and empirical research there remain competing definitions, competing hypotheses, and competing methods of measurement. The debate indicates that there is a broad consensus regarding the importance of institutional and organizational competence but, without further theoretical and empirical development, capacity will cease to be a productive, analytical concept. The political and sociological literature regularly uses the concept *state capacity* and often uses it interchangeably with related terminology and ideas, such as *strength*, *power*, and *institutions*. The notion of capacity is apparently self-evident and deceptively simple. The problem comes from attempts to use it in a systematic manner across a variety of cases. Capacity is in danger of becoming a classic residual variable called upon to explain unexpected outcomes given particular combinations of causal factors.

One view of state capacity looks at *implementation*. That is to say, scholars have analyzed whether state agencies can fulfill their commonly accepted mission and mandate in terms of organizational design, training, cohesion, and reach. Fukuyama (2004, 7), in his definition of capacity as "the ability of states to plan and execute policies and to enforce laws cleanly and transparently," makes clear that coordination, planning, or coming to a consensus is a part of a state's capacity. In this regard, capacity is understood as a function of the organization in question. Implicitly this focus on the organization is understood relative to its autonomy from civil society and its ability to pursue and impose outcomes without societal interference. The range and implementation of state actions are thus decided internally within the state.

Another view of state capacity might look at the *scope* and/or *content* of what a state pursues. What are the goals of the state and how expansive are they? Lowi (1964) long ago analyzed state policy functions in terms of whether they regulate, distribute, and/or redistribute. Mann (1984, 188) argued that "despotic power" is "the range of actions which the elite is empowered to undertake without routine, institutionalized negotiation with civil society groups." Here, the range of state action is curtailed by civil society and the notion of capacity is embedded in notions of democratic rule. Such a scope moves us away from implementation to the negotiations within the state and between it and other actors regarding the level, type, and form of intervention in society. An alternative perspective on scope is exemplified by the World Bank's "quality-of-governance"

approach, which focuses on the process of decision-making, the implementation of decisions, and the legitimacy thereof (Holmberg, et al. 2009, 137). In other words, state capacity in this regard is concentrated on a specific mandate, or perhaps even an ideology.[2]

A *relational* approach is adopted by those who look at state capacity in terms of power. Of course, there are many ways to analyze power. But among the most influential have been those articulated by Dahl (1957) in comparative politics and Baldwin (1979) drawing on Dahl in international relations. The assumption in this literature is that power (or state capacity) refers to the ability to get others to do things that they might not have done otherwise. This forms the basis of a relational understanding of state capacity. Kugler and Domke (1986, 39), for example, defined power in international politics as "the ability of one nation to exercise control over the behavior or fate of another." Migdal (2001, xiii) defined capacity as "the ability of state leaders to use the agencies of the state to get people in the society to do what they want them to do." Lukes (1974) expanded the discussion to include three levels: policy choices, agenda setting, and discursive hegemony. Skocpol (1979) has argued that state strength comes from autonomy from civil society and its power holders. Later, she argued that state capacity is a function of state autonomy, integrity, bureaucratic refinement, and resources (Skocpol 1985). Geddes (1994) adds concerns with political consensus and ideology. She argues, "If one wants to explain a state's preferences regarding development strategies, for example, one needs to know who has power and what they want and believe" (ibid., 6). Mann (1984, 189), moreover, has defined infrastructural power as "the capacity of the state to actually penetrate civil society and to implement logistically political decisions throughout the realm."

Perhaps the most prevalent approach reclaims Max Weber. It analyzes the organizational competence of the bureaucracy. Evans and Rauch (1999) are instructive here. They assess the *quality of bureaucracy* in select developing countries by a series of reputational surveys. There is much to applaud about this effort. In contrast to many other studies

[2] At present, crossnational scholars measure state capacity either subjectively – by asking those familiar with a country if the state in that country is more or less efficacious and then assigning a number to that assessment – or in terms of its impact, say, on the tax revenues a state may generate. Neither of these approaches is without problems, even serious problems. For example, some scholars use the World Bank's "governance measures" to measure state capacity; doubts about the quality of these measures, however, are growing (Kurtz and Schrank 2007). For a full discussion of related problems, see Enriquez and Centeno 2012.

(including subsequent efforts by the World Bank Governance Indicators), the authors are careful to separate capacity from outcomes. They collected scholarly expertise into a measurable set of indicators. This measure is neither recent nor readily available for a large set of developing countries, although there have been some recent efforts to update them (Dahlström, et al. 2012). We find this "quality-of-bureaucracy" approach compelling and use it as a springboard for our subsequent discussion.

Together, these four competing notions of state capacity – the ability of the state to achieve its own identified goals (*implementation*), the ability of the state to achieve an ideal set of goals usually determined by an outside party (*scope*), the ability of a state to impel citizens and other states to do what they may not have done otherwise (*relational power*), and the organizational competence of the civil servants (*quality of bureaucracy*) – represent the historical contours of scholarly studies on the subject. A more useful term may be capability, as it implies a potential use, but we will use the word "capacity" throughout – so as to facilitate dialogue with the extant literature.

Yet when we juxtapose these approaches, it forces us to consider whether we all too often elide these various components: conflating the concept with its causes and consequences. Much of the implementation and scope literature is explicitly concerned with the outcomes (what we have called performance). Scholars in these camps assess state capacity by considering the extent to which the state is providing social development or achieving growth. Is violence in check? Is there a functioning democracy? Do citizens have greater freedoms than citizens in other states? So, too, the relational approach also focuses on outcomes. Before making arguments for the contributions (or dangers) of state capacity, we need to be analytically clear about what it is that we are after. If capacity has any meaning in and of itself then it is something that a state should possess independent of its outcomes. For this reason, we focus on state capacity as the quality of its bureaucracy, independent of whether it is deployed and to what end; while normatively jarring, the test might be whether we can and/or should identify and compare state capacity across politically distinct kinds of states (democratic, developmental, communist, and maybe even the apartheid state of South Africa, for example) and issue areas (immunization, education, and genocide, for example). In this sense, state capacity as quality-of-bureaucracy is analytically neutral, although it can be used to achieve normative ends (both desirable and heinous in character). The Nazi German, South African apartheid, and Chilean/Pinochet states have often been characterized as highly capable. Politics, however,

determined how that state capacity was deployed and to what end. Indeed, history has all too clearly demonstrated the ways in which distinct sets of political actors have deployed these states for both normatively positive and more strikingly for normatively deplorable ends.

In analyzing state performance, therefore, we must analyze state capacity alongside the political actors who seek to deploy it. Even Weber was very much of a skeptic regarding "the state" acting autonomously and with its own agency. The surviving notes from his last lectures on the state clearly indicate, however, that Weber purged the state of all collective agency. Weber implies that the state, and particularly the rule of law, is a façade covering the reality of relations of power. The state is a form of organized domination by some over others pursuing a means to some end. According to Weber, the state is a tool for the purposes of domination. The state is an "enterprise" or an organization (*Betrieb*). As an instrument of power, the state can be used by different groups (including and in particular the state cadre) for a variety of purposes, but it is imperative to understand that it is an instrument, not a goal. The state is merely one possible organizational embodiment of social relations; it represents the institutionalization of relations of domination. In defining and analyzing state capacity, therefore, it is also critical to place a state within the appropriate political context.

We contend that the task before us is to discipline our discussion by disentangling what state capacity is from its causes and consequences. First, the *conceptual* challenge is to focus on state capacity as an organizational feature of bureaucracies. Second, the *causal* challenge (which ultimately motivates this discussion) is to articulate a template for analyzing "why" questions: Why do some states develop state capacity and why do they deploy that capacity toward different ends? Why do some efforts receive popular support while others do not? Why do we see differential performance, with some state efforts resulting in success while others result in failure?

UNPACKING THE STATE: DISENTANGLING CAPACITY FROM ITS ORIGINS, DEPLOYMENT, AND PERFORMANCE

A common critique of notions of state capacity is the danger of tautology or the blurring of the line between causes and outcomes. The threat of tautology creeps in particularly during attempts to operationalize the concept for empirical work. It is simple enough to conceive of capacity as a variable, with states having more or less capacity at any given time in any given area. However, when we seek to assess state capability

empirically – quantitatively or qualitatively – we often use outcome variables to judge capacity (for example, capacity to collect taxes), potentially introducing circular logic into the heart of our analyses.

How does one separate the conceptualization and measurement of state performance from the *causes* and *results* of capacity? We propose that the first step toward a better understanding of state performance is the explicit division between the organizational structures that define our notion of capacity (Weber's *Betrieb*), the conditions that may activate (or impede) it, and the results that it may produce. In more simple language, we believe that state capacity in and of itself is best understood when we exclusively focus on the organizational capability of the state. If we are to understand a state's overall performance (results), we have to recognize the forces that define the contours of state capacity (origins), how this state capacity is deployed, and how it is received in its political, social, and economic environment.

Organizational capacity is, then, only one factor that affects a state's overall performance. If we are interested in identifying how state capacity fits into a state's overall performance, we should recognize that state performance is a product of the following relationship – although in reality the relationship between these variables is highly interdependent and is neither linear nor teleological.[3]

ORIGINS → ORGANIZATIONAL (STATE)
CAPACITY → POLITICAL DEPLOYMENT → PERFORMANCE

Origins

We started off this project suggesting that deep historical processes (for example, patterns of colonialism, types of political economies, socioeconomic inequalities, wars, struggles of national liberation, and ethnic relations) have something to do with the development of state capacity. By contrast, some economists have put forward the general proposition that institutions originate and exist because they help capture gains from cooperation (North 1990). We do not share this theoretical stance; not only does such functionalist thinking ignore the deep causal role of coercion in the creation of states and state institutions (Thelen 2004), but it also tends to be too general and ahistorical. Rather, we focus on the

[3] Although we adopt a linear approach for ease of presentation in this chapter, the Conclusion to the book revisits this assumption by analyzing state capability and performance as a more dynamic and variegated process that can not only scale up but also deteriorate.

politics of creating institutions, recognizing the struggles that occur in the process. As such, we associate ourselves with the view that institutions originate at historically specifiable "critical junctures" where specific cleavages are politically addressed (R. Collier and Collier 1991). In turn, they tend to exhibit "path dependence" (Pierson 2004), although on this last point even North would agree. More specifically, one might propose that the process of state formation in the developing world has proceeded in a series of "big bangs," with formative moments few and far between, though incremental changes have certainly altered power configurations within states and, at times, even accumulated to yield basic changes (Thelen 2004). That the latter process is rare is understandable, given that state formation generally requires a preponderance of force in the hands of some to impose their preferred design on others for a long enough period that basic institutions take root. That is why wars are deemed to be so important an agent of state development, especially in the context of European countries. By contrast, the historical forces that have molded basic state forms in the developing world have, we contend, been colonialism, nationalist movements including radical revolutions, and other types of forceful regime changes, especially militaries moving in and out of power. Incremental changes have in turn been pushed by political parties, by social classes and movements, and, on occasion, by external actors.

In this introduction, we do not seek to identify whether critical junctures matter more or less than incremental changes. Rather we pose the question of origins as a "placeholder" to flag this crucial issue. Some of the following chapters analyze the origins of a broad variety of states and how the historical legacy of founding may yet determine a state's present capacity potential.

Organizational (State) Capacity

In its simplest terms, state capacity involves the bureaucratic, managerial, and organizational ability to process information, implement policies, and maintain governing systems. State capacity is thus a function of the organizational skills and institutions required for carrying out relevant tasks. In particular, we identify organizational capacity in terms of the following indicators:[4]

[4] Organizational capacity may be indicated by "outcome" variables, but is not determined by them. For instance, one might suggest that a state's resources depend on its ability to collect revenues but, without a competent and rule-following bureaucracy with high organizational capacity, these revenues will be plundered by venal government officials.

1. *Resources*: To what degree do states have the resources required to fulfill their stated mandates? While resources do not equal outcomes (indeed, we know that inflated budgets can reduce efficiency), there is a resource floor below which institutions cannot function. A state pursuing public education, for example, lacks organizational capacity if it cannot pay for teachers, books, or buildings.
2. *Presence of the state*: To what degree do states penetrate their societies? Mann (1993) highlighted the importance of the infrastructural reach of the state. Mann's critical insight came from recognizing that infrastructural power comes from increasing the level and quality of contact citizens have with the state. Organizational capacity is partly conditioned by productive interactions that take place throughout a country's territory.
3. *Mandarins*: To what degree do states have a trained and professional civil service? This entails an understanding not only of the level of education and training for street-level bureaucrats, but also the issue-area expertise of those who head these institutions. The question here is not only of the presence of trained personnel (from basic literacy to advanced degrees), but also that these personnel be stable and entrusted with appropriate responsibilities.
4. *Coherence*: Organizational capacity is also a function of institutional coherence, defined as inter- and intra-institutional communication and oversight. This entails both the coherence of mandates across and within institutions (meaning that institutions mandated to implement land reform are all committed to doing so) and the oversight to assure that civil servants pursue that mandate (meaning that corrupt, captured, or ineffective civil servants will be penalized if they do not pursue institutionally identified goals, while meritorious civil servants are recognized with rewards and promotions). It involves the system of controls and incentives created within the state bureaucracy in order to assure communication of directives, enforcement of rules, performance feedback, and general oversight. Lack of coherence is perhaps the most visible failure for many civil services. Our fourth component of organizational capacity may be the least analyzed and yet most important.

It is worth emphasizing that this conceptual understanding of organizational capacity is divorced from goals, mandates, and ideology. Yet if we fail to understand why and how organizational capability is deployed in certain ways and not others, we cannot fully understand the causes and