BOOK REVIEW

State-directed development

Political power and industrialization in the global periphery

(Atul Kohli. Cambridge: Cambridge University Press, 2004)

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If life was hard for late-industrializers at the end of the nineteenth century, it became even more so for late-late-industrializers in the twentieth century. This seems to be the overall message that Kohli highlights in his impressive survey and comparison of industrialization in four large developing countries. There are many profound challenges involved in this process. First, it is impossible to promote economic development in a vacuum, since every country is somehow connected with the international system, especially countries that were formerly colonies of the main industrial core. Second, the stages of economic interconnectedness force these countries to promote several processes simultaneously: state and institutional building, economic growth, and, if possible, "catching up" with development in an international scale. Third, the shadows of previous institutions are legacies that may facilitate or hinder development projects. Finally, as Gerschenkron argued in the 1960s, as technological changes increase in the international system, the role of the state in promoting development (or at least inducing) becomes even more central (Gerschenkron 1962), generating, in certain cases, perverse incentives for bureaucrats to act without any accountability to the public at large.

Being aware of these limitations, Kohli focuses his research on four major developing countries: Brazil, South Korea, Nigeria, and India. It is not by accident that these particular countries are chosen to study – large developing countries have some distinct characteristics that distinguish them from smaller ones, being the main one the possibility of developing more or less autonomous economies and generating an industrialization process based on national borders. Small states, as Katzenstein (1985) argues, are more exposed to risk in the international system and more likely to suffer from the effects of systemic changes. However, having the potential for industrialization does not translate directly into having the capacity to promote it, or even the conditions to carry it through.

Kohli raises a question: what explains the wide variation in the rates of industrialization among countries? In other words, why some states have been more successful at the task of industrialization than others?

The four cases studied by Kohli present a lot of variations. South Korea has been the most successful of the four, promoting a vigorous export-oriented economy with high rates of innovation and sustained growth since the second half of the twentieth century. Brazil and India represent mixed cases: while Brazil was able to industrialize and grow at incredible rates only in certain periods, India presented a steady but mediocre industrialization and growth throughout the same period. At the other end of the spectrum, Nigeria was the most disappointing experience of the four: the country was never able to overcome its fragmentation and create a developmental state, in which personal and regional issues could be overcome for a national development strategy.

Kohli argues that the answer is the role of the state, more specifically, how the state is organized and how it defines and implements development strategies – "patterns of state authority", as he calls it (: 2). From his point of view, these patterns are more important to explain the success or failure of industrialization than specific policies adopted.

His main argument is that three ideal-types of state patterns define whether developing countries will be able to implement rapid industrialization or not. These types of states cannot be found in a "pure" form, but combinations of them can be observed in every developing state in some historical periods. Kohli stresses that changes in state types are very rare because they are usually a product of a colonial past experience, built specifically with colonial interests in mind. Institutions leave a series of legacies that are hard to change, except in moments of historical junctures or, as he calls it, "big bangs".

These state types are set as a continuum ranging from the most to the least favorable to industrialization. The first state type, a *cohesive-capitalist* state, is the most efficient state to promote rapid industrialization (: 381). It is the most likely to create consensus among the business elites, defining priorities and implementing strategies without major opposition. This type of states have trained and professional bureaucracies, national ideologies of development, and are completely rational-legal states in the Weberian sense, although they are normally difficult to institutionalize for long periods of time. This type resembles fascist states and is usually authoritarian in nature as they need to discipline and tame the labor forces, rural leaders, regional forces, or any other groups that oppose industrialization. The most concrete example of this type of state is South Korea with Park Chung Hee (1961-1979) and Brazil during the "Estado Novo" (1937-1945) and the military dictatorship (1964-1985).

The second type is the *fragmented-multiclass* state. This type of state possesses a fundamental trade-off, according to Kohli, which is the lost of focusing and the need of incorporating, politically, the masses and the labor force. They need a broader definition of development, including issues as agrarian reform, inequality and redistribution in order to gather legitimacy and political support. Although more acceptable in moral terms, these states are less effective in promoting industrialization because there is a fundamental mismatch between what is promised and what is achieved. They can be democracies or authoritarian regimes, but they usually have weak institutions and strong mobilized groups. The temptation to gain support or appease certain groups undermines the efforts of industrialization. India resembles a fragmented-multiclass state, with its constant need to incorporate the masses.

The third type of state, and less likely to promote industrialization, is the *neopatrimonial* state. These states are characterized by chronic fragmentation, inability to overcome regional interests and to create a national developmental ideology or a coherent program of industrialization. There is no such a Weberian rational-legal state in this case: the bureaucracy is either weak or ineffective, giving grounds to plunder national resources rather than promoting indigenous industrialization. The small elite only control the territory and extract natural resources. According to Kohli, they are unable to produce "purposive power" and thus incapable of intervening in the economy in order to secure long-term investments (: 393). The state that most resembles this type is Nigeria, which in spite of (or because of) its large natural resources and size, could not overcome its fragmented nature.

The task that Kohli establishes for himself is to understand *why* and *how* these states became one type and not the other. In order to do so, he analyses in detail the four cases, aiming to identify which critical historical junctures helped to produce the institutional configurations that led to more or less industrialization in each case.

The Korean case is the most paradigmatic for Kohli's argument. Korea emerged from Japanese occupation in 1945 with a series of head start advantages. First, it inherited the full structure of a coherent state apparatus, molded by the Japanese: meritocratic selection of civil servants, centralized control of resources, a fairly equal society in terms of income distribution and a completed agrarian reform. Moreover, since Japan lost the war, they also inherited the Japanese technology and machinery that had been brought to Korea, providing the state with another advantage in terms of technological expertise. The state was, however, far from democratic at the outset.

Despite the slow start because of the concentration of resources being spent in the Korean War and the uncertainty concerning the status of their northern counterpart, a structure for long-term investment was set up. In 1961, with military support, Park Chung Hee took over and put in motion Korea's development strategy that would industrialize the country at impressive rates. He coordinated, together with the business elite, the state support required for the creation of the *chaebols*, large conglomerates that produced almost exclusively for the external market. The labor force was thoroughly repressed and technology transfers were bought with capital, which allowed industrial upgrade to flourish later in the country, without external dependency on foreign capital. Business was rewarded according to export targets, creating incentives for the most productive among these conglomerates to prosper.

Brazil is an intermediary case, but also presents the main factors that Kohli identifies in coherent-capitalist states. The effort promoted by Vargas to incorporate the urban middle-classes and to overcome the stagnation of the coffee market, generated a strong consensus among the elite over the need of promoting industrialization. In order to accomplish this task, the effort at state-building was paramount. A meritocratic bureaucracy was created and, despite some flaws and political influences, it remained the core of state action. The consensus for industrialization rested on the import-substitution formula, with protected business and mostly geared towards the growth of a potential internal market.

The democratic interregnum between 1945 and 1964 was also based, according to Kohli, on this narrow conception of industrialization. When the Brazilian society threatened to come alive as a more fragmented-multiclass state, this effort was aborted by a military coup that continued the industrialization project. Brazil's main problems were basically two: the difficulty of legitimizing a repressive regime for the sake of industrialization and the developmental bet that foreign capital would finance it indefinitely. With the pressures to liberalize politically and the inability to sustain investment, in the 1990's, Brazil came closer to a fragmented-multiclass state.

India is also a mixed case. It inherited from Britain a state structure that helped both industrialization and post-independence nation-building. From the 1850's Britain created a highly trained civil service that helped to integrate India at the top, despite the conscious British policy of dividing and ruling the bottom part of society. This state structure remained unaltered after India's independence, which main ideology was the union among different ethnic and religious groups and castes, with an emphasis on creating a broad political consensus and mass incorporation.

India was, therefore, born democratic and had to make sure that political support was as broadest as possible. Both Nehru and Indira Gandhi, although with different emphases, kept steady but low growth and industrialization rates. The government of Indira Gandhi (1965-1979) was also marked by growing populist appeals, *more* politicization of the state and de-institutionalization. The results were mixed: while India was able to industrialize, it did so at a slow pace and without solving its poverty problems, which were at the top of the fragmented-multiclass state's priorities. However, since the 1980's, India's state has been moving to a more cohesive-capitalist state type because of the growing influence of religious sectarianism coupled with a more market-friendly business environment, in which the software industry is a visible example.

Nigeria represents the effects of a neopatrimonial state in action. Despite having the same colonizer as India, Nigeria did not inherit the same type of state. British colonialism in Africa came in later and was cheap. The state was purely *laisser-faire*, concerned with nothing more than controlling borders and maintaining order. Britain took advantage of the division among tribes in Nigeria, while it delegated most of the commercial operations to private firms that were mainly concerned with extracting resources. Education was left to missionaries and civil service was never a realistic career for young uneducated Nigerians.

Gaining independence in 1960, the Nigerian state had to perform several tasks at once, but it never had any real state capacity to accomplish them. A national ideology of development was very weak, and the regional differences were still preponderant in the minds of Nigerian leaders. Democracy did not last for long – by 1966, a military dictatorship had colonized the state. Since there were no incentives to build a national development plan, given the abundance of oil revenues, the small elite appropriated these revenues in a classic rent-seeking strategy.

Kohli's state-based explanations are deeply rooted in a tradition of historical sociology that has never abandoned the model of the Prussian state for autarchic development and state building, something that can also be observed from International Relations realism authors. This way of looking at industrialization presents some weaknesses to his findings and effects that cannot be ignored.

The first one is related with an implied forced trade-off between industrialization and plural and open societies. Kohli's findings are connected to Samuel Huntington's argument that an effective – even if authoritarian – state is preferable to a democratic but ineffective state (Huntington 1968). This trade-off is misleading and normatively dangerous. Kohli is quite aware of it and stresses that, by his accounts, authoritarianism is not a sufficient condition for industrialization – the case of Nigeria (and many other developing countries) being an example of that. However, despite his historical concerns, Kohli's study incorporates the constraints from the international system only slightly. In the period covered by the study, both the Cold War and a Keynesian consensus over the conduction of the economy constrained the choices countries would have, and it was often the case that the options for developing countries – both in the realms of security and the economy – were narrow. Could industrialization flourish without authoritarianism in a different historical period? This is a difficult counterfactual question to answer and probably we will never know the answer.

The second weakness regards the systemic effects of globalization, both among developing countries and nationally. Although Kohli is only interested in a certain historical period and defines his argument only in terms of industrialization, it would be interesting to know whether his conceptualizations of states would hold in a globalized world. Could a cohesive-capitalist state survive in today's conditions of rapid information flows, dynamic innovation and constant technological upgrades? It seems that in the present historical period, a promising research path would be to analyze if the types of state that were effective in the past, according to Kohli, could perform as effectively nowadays. Are industrialization and development fundamentally different from what they were fifty years ago? That is very likely. Developing states are now competing with each other in the international economy and are under pressure to reform their internal institutions in order to achieve development. Opening their economies in a sensible way may be politically savvy and economically rewarding.

The last problem with Kohli's book is his emphasis on historical legacies as a main explanatory tool. Although he stresses that "history is not destiny" (2004, 363) with a well-taken point that institutions are resilient and leave their traces, it is still unclear how could a development strategy be thought and implemented when one does not have the "right" conditions. In some way, the argument is close to the fatalism preached by neoliberals and their obsession with identifying the "right" institutions. Both settings end up being hard to implement if a country is condemned with the "wrong" institutions.

Despite these issues, Kohli's preoccupation with the role of intelligent state intervention in order to promote industrialization and development is certainly relevant in a world where most developing countries seem to have more "catching up" to do than ever before. This is the major challenge ahead.

(Submitted for publication in May, 2006)
Review originally written in English. Revised by Leandro Moura

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