Human Development, State Transformation and the Politics of the Developmental State

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ABSTRACT

The concept of the "developmental state" has been transformed over the course of the last thirty years. Since East Asian successes brought the concept into vogue in the 1980's and 1990's, theoretical and empirical work has transformed the concept into a general ideal type whose relevance transcends East Asia. While debates on the developmental state are still marked by the original use of the concept to analyze East Asian strategies of industrial transformation, social scientists have begun to supersede these origins, just as the states themselves have superseded them. This paper is intended as a contribution to that task.

Development economics now acknowledges that expanding human capabilities trumps capital accumulation as a driver of economic growth as well as of development more broadly defined. Refocusing attention from capital accumulation to human development entails rethinking the role of the developmental state. Coherent state apparatuses, able to deliver collective goods have become more important than ever, but the state-society relations required for success have changed. Close ties with industrial elites are no longer sufficient and may be counter-productive. Diversely structured networks that create effective ties to a broad cross-section of civil society become essential and democratic deepening appears to have become a key feature of success.

In addition to reviewing the conceptual issues involved in theorizing the transformation of the developmental state, we bring three pairs of cases to bear on the argument. The parallel transformations of the key original cases – Korea and Taiwan – over the course of the last thirty years are used to make the case for the changing character of the developmental state. The differential success of two major developing countries in constructing effective developmental states – South Africa and Brazil – is used to support the proposition that the ability to deliver human development outcomes depends on democratic deepening as much as it does on technocratic capacity. Finally, examination of the performance of the two giants of the global South – India and China – serves to underline the hypothesis that the increasing political power of capital may undermine the capacity of the developmental state in the absence of countervailing increases in democratic engagement and accountability.

The idea of the "developmental state" has proved one of the most robust, charismatic concepts in development theory. In the 1980's and 1990's, the concept played two roles in developmental debates. First, it provided a coherent counter to the dominant neo-liberal narrative that portrayed the market as the master institution underlying both growth and welfare. Second, it focused attention on the extraordinary success of economic transformation in the East Asia region. By the turn of the millennium the application of concept had spread beyond these origins, but it is still useful to recall its beginnings.

Chalmers Johnson (1982) deserves credit for having used the concept of the developmental state to explain Japan's rebirth from the ashes of World War II as an industrial power, but Korea and Taiwan, especially as portrayed in the influential work of Amsden (1989) and Wade (1990) were the iconic cases. Korea and Taiwan were even more powerful cases for the transformative role of the state than Japan. Japan had been an imperial power with sufficient industrial capacity to undertake a world war before the period described by Johnson. Korea and Taiwan were former colonies with income levels below those of the more successful countries of Africa in the immediate post World War II period. When analysts like Amsden and Wade laid out connections between state structures and strategies and the ability of these countries to create globally competitive industrial sectors, the impact on developmental debates was fundamental (see the discussion in Lange introduction to this section, as well as Evans 1995).

We will not review these seminal formulations or the early history of the key cases on which they were based in any detail. Our aim instead is to focus on the more recent transformations of the developmental state. One task is updating understanding of original developmental states themselves by chronicling their historical transformation. The classic characterizations of the development state in Korea and Taiwan are focused on the period from the mid-1960's through the mid-1980's. Any contemporary discussion of the developmental must take equal account of the evolution of these iconic cases from the 1980's to the present.

Even more important, however, is looking at the developmental state as a theoretical concept rather than as a description of a particular set of state apparatuses

during a particular historical conjuncture. Removing traditional Anglo-Saxon blinders and admitting that successful developmental outcomes depend on particular configurations of the state apparatus itself and its relations to society is a start. One must then ask what are the particular structural characteristics associated with developmental success and what are the political and organizational dynamics of their evolution? This in turn requires locating the analysis of the developmental state within a more general theory of what outcomes constitute "development" and what inputs are most crucial to producing those outcomes.

We will begin with by setting out the general theoretical approach to development that underlies our understanding of the developmental state. Its core is "Senian," emphasizing the essential role of expanding human capabilities, not just as the ultimate goal of development but also as an essential means for generating the increased productivity that is the foundation of economic growth (Sen, 1999). We will then elaborate the implications of that perspective for re-conceptualizing the developmental state. The bureaucratic capacity of the developmental state looks even more important than classic analyses suggested. The analysis of the politics of the developmental state, however, requires serious revision. Rather than being a relatively simple politics of rational but authoritarian efforts to realize a national project of accumulation, the politics of the developmental state become the complex and often ambiguous politics of democratic deepening.

We flesh out this theoretical understanding of the developmental state by looking at three pairs of case studies. First, we will turn to the parallel evolution of the iconic developmental states during the last three decades – Korea and Taiwan. Then we will look at Brazil and South Africa – two major developing states that have been characterized as at least partial embodiments of the developmental state, but have taken divergent paths during the period under consideration. Finally, we will look at the two giants of the Global South – India and China. While neither of these two states has been traditionally considered a classic developmental state, they are key cases for any general understanding the connection between state structures, state-society relations and developmental outcomes. In the empirical analysis as in the theoretical discussion, our

emphasis is on the political complexities of connecting the state to civil society in a way that enables a broad-based expansion of human capabilities.

Development Theory and the Developmental State

Understandings of the role of the developmental state have changed, first of all, because development theory has changed. Amartya Sen's (1999) capability approach to development converges modern models of growth.[1] Sen's focus on expansion of human capabilities as both the paramount goal of development and the leading means of achieving economic growth dovetails with a variety of strands in "modern economics." It fits nicely with conventional econometric wisdom regarding the powerful role of "human capital" in generating economic growth. It also fits with the theoretical arguments and empirical evidence put forward by new growth theorists who have made the case that creating and utilizing new ideas was more important to twentieth century growth than the accumulation of plants, equipment and other tangible capital.[2]

Traditional, mid-twentieth century economic thinking was often read as arguing that the accumulation of capital was the driver of growth and growth was the cause of improvements in health, education and well-being. Current research on economic growth emphasizes improvements in human development indicators as causing growth in income. The evidence is rich, varied and incontrovertible.

In a series of econometric papers, Ranis, Stewart and their collaborators looked at the interactions between growth and human development.[3] Their data analysis "contradicts the conventional view that HD [human development] is purely a result of, as opposed to being a critical input into long run expansions in EG [economic growth] (Boozer et al. 2003, 25). They conclude that "HD [human development] improvements must precede growth-oriented policies if growth is to be sustained." This argument

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1 Sen (1999,18) argues that "well-being" involves more than increasing contentment or reducing suffering; it involves the capacity of human beings to do the things that they want to do. Thinking in terms of "capabilities" rather than just "well-being" draws our attention to the fact that human capabilities are both ends in themselves and the key means to intermediate goals, such as economic growth and the construction of democratic institutions that help us to "lead the kind of lives we value".

2 The "new growth theory" as put forward by theorists like Lucas and Romer, built on early work by Solow and has been subsequently developed by a range of economists like Aghion and Howitt (1998) and Helpman (2004).

3 See Ranis, Stewart and Ramirez, 2000; Boozer, et al., 2003; Ranis and Stewart, 2006.

expands on the classic work of Barro and Lee (see Barro, 1997) demonstrating the powerful growth consequences of investment in education. Recent work by Hanushek and Woessmann (2008, 2009) using cognitive skills rather than years of education shows how better measurements would further strengthen the dominant role of human capability expansion in propelling growth as well as development in its full sense.

The connection between capability expansion and growth is robust across a wide range of economic levels and strategies. On the one hand, as Nugent and Robinson argue (2010) even in agricultural economies, such as Central American coffee producers, more egalitarian economic orders that give peasants incentives to invest in their own capabilities have better growth records. At the other end of the spectrum, Huo and Stephens (this volume) chronicle the effectiveness of the "social investment state" in Scandinavia at promoting growth built around a shift to knowledge-intensive production and high tech industries. Obviously, the specifics of the capabilities being fostered and the strategies of fostering them are quite different depending on the kind of production involved, but the connection between capability expansion and growth is robust across a wide range of economic contexts.

The shift to capability-centered theories of development also dovetails nicely with the resuscitation of classic concerns with the relation between inequality and development. As Huber and Stephens (2012) point out, there is a strong correlation between inequality and poverty and more specifically between educational inequality and lower overall educational attainment. A large literature confirms the destructive consequences of inequality for individual and community well-being, even in the most affluent societies (see Wilkinson 2005; Hacker 2006; Zuberi 2006). Cross national data shows a relation between lower levels of inequality and increased longevity. There is now a wealth of evidence that inequality can slow and even negate the poverty-reducing impact of growth and the World Bank now recognizes that inequality has perverse effects on institutions and undermines "good governance" (*World Bank Development Report,* 2006). Shifting from an accumulationist to a capability-centered focus shifts attention to new kinds of political dynamics. While the relationship between democratic political forms and income growth remains a long debated and still unresolved theoretical issue, existing research comes down in favor of a connection between accountability from

below and capability expansion. At the most rudimentary level the connection is illustrated by Sen's proposition that independent countries with even modestly democratic political institutions do not suffer from famine. Over 25 years ago Caldwell (1986) famously argued that democracy and social activism positively contributed to superior health outcomes especially in low-income countries. More recently, a careful econometric study by Besley and Kudamatsu (2006, 1) concludes: "The data show a strong (conditional) correlation between life expectancy and democracy. This relationship is robust to controlling for the initial level of human capital as well as political histories. The data also suggest that health policy interventions are superior in democracies."[4] Likewise, McGuire (2010) provides both quantitative evidence and 8 careful case studies to demonstrate the link between democracy and health outcomes, a link he argues results from the heightened expectations that citizens in democratic societies have for broad-based provisioning of social services.

This empirically grounded theoretical revolution has profound implications for theories of the developmental state. If the first generation of research on the developmental state established the centrality of the state's role in economic growth, seeing development as capability expansion makes the state's role even more central and important. The "developmental state" that is central is, however, a very different sort of developmental state than the one that was lionized in the 1980's and 1990's.[5]

Re-conceptualizing the "Developmental State":

Once development is conceptualized as capability expansion, different kinds of problem-solving challenges confront the state. Incentivizing and supporting investment in industrial activity is a complex task, but delivering quality education or health care requires even more state capacity. Industrial growth can be achieved by aligning with a fairly narrow group, deploying well-known policy instruments (e.g. subsidies, interest rates, state procurement) and can be measured against certain hard indicators (e.g. exports, manufacturing output). Delivery of high quality services requires interventions

[4] Another recent paper by Kudamatsu finds that even in Sub-Saharan Africa, where most assume that the implantation of electoral democracy has had little developmental payoff, "democratization has reduced infant mortality" (2007: 34).

[5] See Evans 2010a, 2010b, 2012.

that are deeper and more socially and politically intrusive than industrial policy. Because capability-enhancement is about removing unfreedoms, it butts up directly against the forms of traditional authority and organized power of clans, castes, patriarchs and challenges the political hegemony of capitalist elites as well. A state that can deliver such services is one that must have both significant infrastructural power – the power to reach into society and deliver things – as well as significant authoritative power – the power to get individuals and groups to willingly obey commands.

Since more efficient administrative structures ultimately depend on new forms of embeddedness, state-society ties are inextricably linked to state capacity. The tradeoffs between different development projects are often acute in both social and material terms. How social preferences are formed becomes key, and this in effect puts a premium on deliberation and coordination, two functions that require intensive engagement with those impacted by decisions.[6] Therefore, we argue that it is certain democratic forms of embeddedness – a concept we elaborate in more detail below – that are most likely to strengthen capability-enhancing state interventions.

Without multiple channels to source accurate information and continuous feedback loops that allow for policy-corrections, the developmental state will end up investing inefficiently and wasting precious public resources. The centrality of accurate information makes deliberative institutions key contributors to development as well as building blocks for democratic politics. While organizational and institutional forms will vary depending on the cultural and historical context, effective mechanisms of deliberation that include a broad cross-section of society is the foundation of effective public policy (Evans 2004).

The continuous monitoring and feedback of civil society sensors can radically reduce leakage and improve both the quality and quantity of delivery, especially for goods that can not be readily standardized (e.g. quality education, local planning). Active participation by citizens is in fact a key ingredient for many social policies. Education is co-produced by students (and their families). Health is "co-produced" by patients, their families and their communities (Ostrom 1996). Environmental regulation is effective

[6] This is what leads a long line of thinkers as diverse as Habermas (1996), Sen (1999) and Rodrik (1997) to identify democratic deliberation as *the* meta-capability.

only when the state has allies in civil society capable of monitoring and exposing environmental problems. Indeed, following the line of reasoning developed in the new heterodox theories of industrial policy that point to the need for continuous experimentation, feedback and bootstrapping (Rodrik 2007; Sabel 1995), it can be argued that intense state-civil society interactions are key to policy innovation (Baiocchi, Heller and Melo 2011).

Effective state-society linkages depend on the organization of civil society as well as on the capacity of the state, but the state can help facilitate the organization of "civil society." The twentieth century developmental state's interaction with industrial elites gave these elites a reason to become a more collectively coherent class. The twenty-first century developmental state needs to undertake a similar but more difficult task: constructing shared coherent goals whose concrete implementation can then be "co-produced" by public agencies and the communities themselves.

The importance of building engagement with a broad cross-section of civil society is increased by the contradictions between the increasingly globalized agenda of capital and a project of development as capability expansion. The old model of a shared national project of transformation uniting "national" capital and the state looks increasingly anachronistic. Even if the profit-maximizing strategies of capital were still nationally focused, the logic of private profit is harder to harness to capability expansion projects. The large "collective goods" element in capability-expansion makes it harder to construct productive alliances with private capital. Social returns to the expansion of human capabilities are substantially higher than private returns, and firms are likely to channel investment to areas where total returns are lower but private returns appear higher.

Our basic general argument can be reiterated in simple terms:

1) Competent, coherent public bureaucracies are even more important than we thought they were. Without them, capability-expanding public services will not be effectively designed, say nothing of delivered.

2) The ability of the state to pursue collective goals, rather than responding to the subjectively defined, immediate, particularistic demands of elites, is even more essential than earlier work on the developmental state suggested.

3) "Embeddedness" – the dense sets of interactive ties that connect the apparatus of the state administratively and politically to civil society – not only becomes more important but must focus on a broad cross-section of civil society rather than focusing simply on industrial elites.

4) State effectiveness is not so much a technocratic problem as a political problem and state-society relations are at the heart of the politics involved.

In short, the transformation of the state requires re-directing analytical attention from technocratic politics that are either internal to the state or connect it to a restricted set of elite allies and focusing instead on how the state apparatus is connected to that analytically problematic set of actors referred to as "civil society."

The Politics of the Developmental State

The character of society is as central to the politics of state-society relations as the character of the state. Sadly, we must abandon the notion that there is a single, coherent and potentially efficacious historical subject that can act as the interlocutor of the developmental state – whether the working class or a national bourgeoisie – and admit that the state's most crucial interlocutor is in fact that most ambiguous and ambivalent of actors – "civil society."[7] While an ideal typical civil society is at the core of democratic politics, the associational life that is at the core of civil society is not inherently democratizing. Some associations are clearly uncivil, formed for the purposes of denying other groups their associational rights (e.g. Hindu-chauvinist groups in India, the KKK in the US). Whether civil society expands rights-based conceptions of democratic inclusion, serves and an extension of state hegemony (Burawoy 2003) or devolves into involutionary forms of retrenchment (Castells 2003) is an empirical question.

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[7] We define civil society as the full range of voluntary associations and movements that operate outside the market, the state and primary affiliations and that specifically orient themselves to shaping the public sphere. This would include social movements, unions, advocacy groups and autonomous NGOs and CBOs. From a sociological perspective, actors in civil society rely primarily on "social (as opposed to legal/bureaucratic or market) modes of mediation among people [organizing collective action] through language, norms, shared purposes, and agreements" (Warren 2001, 8). This civic (Varshney 2002) or communicative (Habermas 1996) mode of action is as such distinct from the pursuit of political power, profits or the reproduction of primary ties and identities.

A strong civil society – one that is internally well organized and capable of autonomous action – can on balance be democratizing for two reasons. First, in an established civil society, one that is backed by the rule of law, the basis of legitimacy for all civil society groups is the pursuit of rights (Sommers 2008). Of course, rights can be expressed in exclusionary terms, but these are hard to defend as legitimate in the public sphere. Civil society in other words has a bias towards universalistic claims-making.[8] Second, a functioning civil society is one that allows for associational freedoms. These in turn give subordinate groups the possibility of collective action, a possibility enhanced by a more open civil society (Rueschemeyer, Stephens and Stephens 1992; Huber and Stephens, 2012).

Effective electoral competition is the *sine qua non* of any democracy and critical to an effective civil society. By holding those who control the state periodically accountable to electoral majorities, electoral competition holds the permanent capture of power by particular elite groups in check and creates the possibilities for challenges to the status quo. Nonetheless, elections and party competition are very blunt instruments of accountability. Absent party discipline or a vigilant civil society, the default mode of competitive politics is clientelism. While electoral democracies in the Global South have dramatically expanded the spaces for subordinate politics[9] pervasive inequalities between citizens and severe problems in preserving the chain of sovereignty between citizen and state have limited the effective representivity of democratic institutions (Törnquist 2009). These fundamental deficits of representative democracy in the Global South have hampered subordinate group collective action and severely restricted the possibilities for building effective welfare states.

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8 See also Tilly's argument that while some social movements often press particularistic claims, they nonetheless expand possibilities for subordinate claims:

> Social movements assert popular sovereignty… the stress on popular consent fundamentally challenges divine right to kingship, traditional inheritance of rule, warlord control and aristocratic predominance. Even in systems of representative government … social movements pose a crucial question: do sovereignty and its accumulated wisdom lie in the legislature or in the people it claims to represent? (2004:13).

[9] The increased mobilization of lower castes in India of the past two decades (Yadav 2000) and the dramatic rise of indigenous political power in the Andean nations (Yashar 2005) are only two examples.

To connect electoral representation to substantive outcomes subordinate groups must be able to meaningfully practice formal political rights and to leverage them to demand social rights. Much as Polanyi (1944) argued that civil society represented a countervailing force to the market, a civil society in which disprivileged groups have developed effective mean of engaging parties and the state serves as a countervailing force to the deficits of representative democracy. Civil society can also have more mundane, but equally democratizing, effects by supporting continuous, detailed and interstitial feedback. The multiple associations, medias, issue networks and publics that constitute a vibrant civil society are in fact an array of highly sensitive sensors that both transmit information to states and transmit information about states and state actions back to society.

Focusing on "civil society" as the key interlocutor of a developmental state apparatus is less analytically comfortable than assuming that the state's societal counterpart is a unified political actor such as the working class or "national capital" but such a perspective is not without historical precedent. The developmental capacity of the European social democracies was founded on the strength of encompassing multi-class alliances. Solidaristic class politics did not emerge spontaneously, but were forged in the public spaces of bourgeois democracies, through a range of associations (from unions to book clubs) and through episodic periods of social mobilization. And many of the core ideas – both in terms of widely held norms and innovative social policies – that would eventually set the stage for social democracy had their origins in local government efforts to address labor-capital conflicts (Rothstein 1999).

The comparative literature on European welfare states establishes a fairly direct tie between developmental success and embeddedness: the degree, scope and encompassingness of working class mobilization is directly correlated with the size and depth of the welfare state, which is in turn directly correlated with more egalitarian economic and social outcomes (Huber and Stephens 2001). Remarkably, the model has prospered in the post-industrial, knowledge-intensive economy: increased social investments, including advanced and flexible human capital formation and new forms of social support have enabled social democracies to successfully adapt to the competitive challenges of globalization (Huo and Stephens, this volume; Kristensen and Lilja 2012).

This is not to say that the analytic frame used for looking at social democracies in the North can simply be transposed to capability-enhancing states in the 21st century Global South. The conditions of capitalist development in the Global South have never been favorable to a politics based on the formation of a traditional working class. Nonetheless, the link between subordinate class politics, robust civil societies and social development in the Global South does apply. Sandbrook, Edelman, Heller and Teichman (2007), for example, examine a set of cases of southern social democracies that have replicated significant aspects of the developmental state despite being tiny countries fully subject to forces of global markets.[10] Their politics were driven by subordinate class mobilization even though the mass protagonist was a quite diverse assemblage of subordinate classes, including, along with a small but active working class, landless laborers and small farmers. These class fractions converged into mobilized political forces through iterated political struggles that took place in what were relatively open civil societies. The key point here, and the parallel with the history of northern European social democracies, is that a politics of solidarity emerged out of civil society and became the basis for a broadly-based embedded developmental state.

Huber and Stephens (2012:253) make a similar argument with respect to the connections between class mobilization, party politics and state policies in contemporary Latin America, arguing that mass parties with "relations to civil society organizations, most prominently unions" are more likely to be "aggressively redistributive and universalistic in their policy proposals." From his rather unique vantage point, former president of Brazil and sociologist Fernando H. Cardoso reinforces this point when he notes that in "Latin America social democracy is a political response to the need for fast integration of poor masses, conducted through a broad and dynamic partnership between state and civil society, energized by an active public opinion … It is this diffuse public opinion, more than political parties or specific social classes, that stimulates government action and holds it accountable for reducing poverty and inequality" (2008, 312).

There are solid grounds for identifying civil society as the key interlocutor of a developmental state, but the complex ambiguities of civil society as a composite social

[10] Costa Rica, Chile, Mauritius and Kerala

actor undermine any simple formula for predicting how the politics of synergy between a potential developmental state and civil society will play out. The concrete examination of historical cases is the best vehicle for exploring the role of state-society relations in the transformation of the developmental state.

Empirical Variations in Development and State Transformation

In order to move from general arguments to more nuanced analysis of the political dynamics of the developmental state, we will examine three pairs of countries: 1) Korea and Taiwan: two archetypes of the twentieth century developmental state, which have evolved in parallel since their initial periods of industrial success and, for reasons still not fully understood, managed to deliver exceptional performance with regard to capability expansion in the neoliberal era. 2) South Africa and Brazil: two major middle-income developing countries that have experienced contrasting trajectories in terms of capability expansion over the course of the last two decades; 3) China and India: two giants of the Global South whose ambiguous trajectories with regard to capability expansion illustrate the complexities of the dynamics of the developmental state.

A. Korea and Taiwan as Capability Enhancing States: The state capacities exhibited in Korea and Taiwan's successful industrial transformations have been well-specified. The coherence and quality of the bureaucratic apparatus combined with the ability to create dense ties to industrial elites, made it possible for political elites to construct a transformative economic response to their geopolitical vulnerabilities. The centrality of capability expansion to the economic success of the East Asian tigers has, however, been relatively neglected. Even during their initial drives for industrial transformation, these states were pioneers in capability expansion, renowned for their levels of investment in human capital. They began their periods of accelerated economic growth with education levels that made them outliers for countries at their income levels and continued to invest in the expansion of education throughout the period of their rapid expansion.

If we refocus on these states in the last 30 years, the centrality of capability expansion to their development strategies becomes more explicit. As both Korea and Taiwan moved toward democratization in the 1980's, these states began a notable

expansion of social protection (see Wong 2004; Peng and Wong 2008; Dostal 2010; McGuire, 2010). The last quarter century has been a period of socio-political transformation that looks more than anything else like an effort to construct a 21st century East Asian version of post World War II Golden Age social democracy.

Over the course of the last 30 years, Korean and Taiwan stand out both in terms of their ability to preserve low levels of inequality[11] and in their continued improvements in terms of the basic indicators of capability expansion, education and health (Siddiqi and Hertzman, 2001). The comparison between China and Korea that is highlighted by Drèze and Sen (2002) provides a dramatic example of Korea's social development successes. Starting in the 1980s with levels of life expectancy comparable to China's, Korea ends up at the end of the first decade of the new millennium with levels comparable to the EU and higher than the U.S. The divergence in the performance of China and Korea in terms of basic health indicators is as dramatic as the divergence between Brazil and South Africa (Drèze and Sen 2002, 125). Infant mortality trends provide another window on divergent ability to deliver capability expansion. In the period from 1960 to 1981, when China's performance in terms of income growth was significantly inferior to Korea's, China outperformed Korea in terms of reductions in infant mortality. In contrast, in the period from 1990 to 1999, improvements in infant mortality collapsed in China, despite spectacular rates of income growth, while Korea's performance in terms of infant mortality accelerated despite lower rates of economic growth.

The politics of increased state involvement in capability expansion in Taiwan and Korea fit our general argument nicely. First, there is a clear connection between the emergence of electoral competition and state initiatives to increase investments in human capabilities. Peng and Wong (2008, 74) observe that it took only 2 years after contestation from below led to more competitive democratic politics in 1987 for Korea to move from being a "laggard" on state supported health insurance to universalized coverage.[12] Likewise in Taiwan the state initiatives to provide universalized health

[11] There are, of course, countries that have consistency achieved even lower levels of inequality, with the Nordic countries being the prime examples, but in the set of countries considered here, Korea and Taiwan stand out.
[12] OECD data, which now includes South Korea (but not Taiwan) shows that social expenditure in Korea climbed from 3% of GDP in 1990 to 10% in 2010 (Adema, W., P. Fron and M. Ladaique 2011).

insurance began in 1986 "precisely at the time the opposition party, the Democratic Progressive Party (DPP), was formed" (Peng and Wong 2008, 75).

Along with increased electoral competition, engagement by civil society actors played a key role. Peng and Wong (2008, 77) note that in Korea,

> . . . . "organizations such as People's Solidarity for Participatory Democracy (PSPD), the Citizen's Coalition for Economic Justice (CCEJ), and the Women's Association United (WAU) played central roles in directly negotiating with the government in health care and pension reform, in the extension of family and child care, and in steering the government's attention toward gender issues in public policy more generally."

McGuire (2010, 300) notes that a network of "progressive doctors, academics, and former democracy advocates lobbied successfully for the introduction of single-payer national health insurance" in Korea in the early 1990's. Dostal (2010, 165) highlights "democratization and political mobilization" as the most significant factors in expanding social provision in both Korea and Taiwan (See also Wong, 2004.)

Despite the political specifics of the move toward capability expansion, skeptics might still argue that there is an inevitable "modernization" logic that pushes states in this direction once income levels pass a certain level. Huber and Niedzwiecki's (this volume) analysis of comparative dynamics across Latin America and East argues against such an interpretation. The contrast between Brazil and South Africa makes it even clearer that a shift toward more effective capability expansion is not inevitable even among democratic, middle income states in the Global South

B. South Africa and Brazil – Cases of Divergent Capability Performance:

Brazil and South Africa both democratized over the course of the last twenty to thirty years, overcoming historical legacies of extremely inegalitarian social structures and exceptionally high levels of economic inequality. Starting in the 1990's, newly-elected democratic political leadership in both countries shared the goal of remedying the injustices of historical inequality and expanding capabilities.

Despite their apparently similar political trajectories, South Africa and Brazil have diverged in terms of delivering well-being during recent decades of democratic rule. Instead of growth bringing greater social disparities in Brazil, as it had under the military

in the 1970's, it was "accompanied by rising average earnings, more formal employment, greater social protection for the population as a whole, greater equality in household income and wages, and a reduction in poverty" (Kerstenetsky 2009, 15). "Bolsa Familia," Brazil's conditional transfer program, was small in terms of overall expenditures, but transformed the lives of tens of millions of poor Brazilians, almost a quarter of the entire population. Access to health care and education expanded as well.

In South Africa, investments in health and education have not delivered the same kind of returns. In Brazil, the rate of infant mortality was cut almost in half between 1996 and 2006. In South Africa, infant mortality increased in the same period. In Brazil, the proportion of girls in primary school rose from 83% to 95% between 1991 and 2004. In South Africa, it dropped from 92% to 88% in the same period [see World Health Organization, WHOSIS Database, http://www.who.int/whosis/en].

The divergence was even more dramatic in terms of levels of inequality. By the turn of the millennium, Brazil relinquished its 400 year old claim to being a world champion of inequality. Brazil's efforts at reducing its historic levels of inequality have begun to show up in the Gini Index. In addition, data shows a reduction of inequalities in very basic measures of human capabilities, such as child-stunting. Monteiro et.al. (2010) report significant reductions in the ratio of stunting in the bottom quintal of the income distribution as compared to the top quintile. They conclude (2010, 309), "The Brazilian experience is an example of the critical effect that policies to promote income redistribution and universal access to education, health, water supply, and sanitation services may have on child undernutrition." In South Africa, in contrast, the turn of the millennium saw a disturbing shift from historically high levels of inequality to levels that were even higher.

What accounts for the ability of the Brazilian state to gain traction as a 21st century developmental state and the inability of the South African state to do likewise? It is probably not differences in traditional bureaucratic capacity. The South African state began the period with relatively high administrative capacity of the traditional developmental state type, certainly not clearly inferior to Brazil's. A variety of

explanations might be put forward,[13] but the relationship between "political society" [roughly the state as a political entity and political parties] and "civil society" is a very plausible candidate.

Despite the fact that both countries have vibrant civil societies in which subordinate groups have organized and made claims on the state, the relation between political society and civil society is quite different. In South Africa, the broad-based civil society organizations that emerged from the anti-apartheid struggle have "become estranged from political society" and (Heller 2011a, 15) as an electorally dominant political party, the ANC, sought to extend its hegemony over popular organizations. Participatory structures that were part of the architecture of South Africa's new democracy were dismantled or hollowed out after the ANC unilaterally embraced neo-liberal reforms in 1996 and turned to a much more technocratic and managerialist strategy of delivery. Consequently, subaltern civil society has more or less been sidelined from the political process and the past few years have seen a dramatic rise in often violent "service-delivery protests" by the urban poor.

In contrast, in Brazil, a relatively autonomous civil society that can effectively engage the state through a range of participatory institutions has emerged, generating clear instances of civil society projecting itself into the state to shape policy as well as the institutionalization of a wide range of participatory structures and the strengthening of local democratic government (Heller 2011a, 27). The "co-evolution" of party politics and civil society was the key to this process. Brazilian political parties at the time of democratization were notorious for being elite-dominated and ineffective (Baiocchi, Heller and Silva 2011). It was social movements and a vibrant sector of activist NGOs that drew the state in by demanding participatory institutions of engagement and then projecting themselves into the state. The key agent of welfare expansion in the 2nd phase of Brazil's social turn was a political party, the PT, but a political party that nonetheless

[13] It is tempting to point to the devastating effects of AIDS in South Africa as a simple explanation for the divergence. The divergent trajectory of AIDS in the two countries is, however, endogenous to differences in political institutions. Brazil's greater effectiveness at dealing with AIDS is in itself a result of very different relations between civil society groups affected by AIDS and the state, and consequently, sharp differences in policy responses. (See for example: Gauri and Lieberman 2006).

had its origins in civil society and that despite its increasingly professional and electorally-driven modus operandi (Hunter 2010) still maintains key ties to civil society.

In an important analysis from a different perspective, Arrighi, Ashcroft and Scully (2010) complement our argument by looking at the relationship between the South African state and capital. They start by making what is in effect an argument for the construction of a capability expanding developmental state, arguing (2010, 435) that without "structural reforms that re-invent the welfare state on foundations that can be generalized to the vast majority of the population, the economic and social performance of the South African state will continue to deteriorate". They then go on to connect the failure to move in this direction to the failure to challenge the political hegemony of the current alliance of national and global capitalists.

The current global boom in demand for natural resources has the potential to "provide natural-resource-rich South Africa with significant opportunities to generate jobs, incomes, and taxable surpluses, as well as preferential market arrangements." (Arrighi, Ashcroft and Scully 2010, 434). If appropriated and effectively invested in capability expansion by the state rather than left in the hands of capital, these revenues could "be used to promote and generate activities capable of re-inventing the welfare state on foundations that can be generalized to the vast majority of the population".

What has happened instead, Arrighi and his collaborators, argue is that the South African state ended up "betting on capital," focusing its demands on "Black Economic Empowerment," which meant making the capitalist elite more multi-racial, rather than claiming a larger share of the windfall profits from the resource boom. Thereby, the state (2010, 435) "forfeited the kind of investments in the welfare of the population (housing, public transport, health and, above all, mass lower and higher education) that would have been key developmental objectives in themselves and may well be the most essential, though by no means sufficient, condition of renewed economic expansion." While it built ties to capital, the state failed to enable civil society to engage in the "co-production" of capability expansion.

C. India and China: Two Developing Giants

In the post World War II era China and India looked like the obvious contrast to the East Asian Tigers. In India, the Nehruvian state had bureaucratic capacity, but its transformative ambitions were stymied by "a regime of clientelist machine politics, fostered by a flabby and heterogeneous dominant coalition preoccupied with an anarchical grabbing of public resources … " (Bardhan 1983, 221). China's egalitarian socialist model enabled massive, broadly distributed investment in health and education but there was no capitalist class to ally with at all. Over the course of four decades, China has become the epitome of economic dynamism and India is a close second. Yet, in recent decades as the original East Asian tigers have moved in the direction of capability expansion, China and India are seen by at least some analysts as incapable of delivering the capability expansion that helped provide the foundations of their current growth. Certainly these are telling trajectories from the point of view of any theory of the developmental state. We will start with China.

Few would deny the central role of China's creation of an educated populace with extended life spans in creating the foundation for its economic competitiveness in the last two decades of the 20th century. Hart (2002) contrasts the success of this more capability oriented Chinese approach to the economic costs of South Africa's neglect of capabilities. Yet, Drèze and Sen (2002) argue that just as China began to reap growth returns from its earlier investments in human development, its performance in terms of capability expansion began to falter.

One interpretation of this reversal can only be explained by highlighting the particular nature of the Chinese state's broad-based but authoritarian embeddedness. In the aftermath of a peasant revolution, embeddedness was secured through authoritarian structures, and particularly through the organizational prowess of a highly disciplined mass-based party that could reach into villages and factory floors to deliver results. But if this form of top-down command and control power was good at universalizing access to basic capabilities, in the absence of democratic checks and balances it lacked feedback mechanisms. This is how Drèze and Sen (1989) explain the paradox that a high capacity state could preside over the Great Famine that took the lives of millions even as local party authorities kept reporting bumper crops.

While China's overall levels of performance in terms of standard measures of capability expansion remains enviable, the rhythm of improvement in provision of key collective goods has slowed down with the transition to a more market-oriented approach, as Drèze and Sen's data on China's lagging performance relative to Korea with regard to reducing infant mortality in the 1990's illustrates (see discussion above). Bardhan argues that much of the poverty reduction in China took place *before* foreign trade and investment began to drive growth in the 1990s. New data from the World Bank in fact shows that poverty reduction in China was mainly due to agricultural growth, which itself was tied to huge infrastructural and social investments in the socialist period (Bardhan 2010, 93-94). In areas like health care, where a poor China delivered a level of health performance that was extraordinary for a country at its level of income, current performance has become a source of concern (see for example, Wang, 2004). Chinese society has also suffered from sharply-rising income inequality and a withdrawal of prior social protections (see Davis and Wang, 2009). Economically successful "communist capitalism" has erased China's exceptionally low levels of inequality and contributed relatively little to the high levels of social protection that had characterized China in the socialist period.

During the "communist capitalism" period, as a combination of foreign corporations and local private capitalist elite groups gained increasing access to the party and the state at the national level and at the local level in the most economically dynamic regions of the country. As a corollary of this political shift, the state (and the Party) increasingly withdrew from its traditional role of directly providing welfare. State-owned industries stopped providing workers with social benefits (*danwei*) and land privatization in rural areas undermined the basis of the local welfare state. As the party-state withdrew, access to housing, education and health has increasingly became dependent on the market.

Will the Chinese state shift in the direction of greater emphasis on capability expansion in the absence of democratic pressures of the type that prompted this shift in Korea and Taiwan? Hu Jintao's recent emphasis on the "harmonious society," the 2008 Labor Law and an apparent increase in tolerance for strikes, various efforts to re-invigorate public efforts to provide health care and a gradual shift of the state budget

toward giving "social and educational expenditures" a greater share all point toward more support for capability expansion.[14] At the same, time the continuing dispossession of the Chinese peasantry by urban land developers creates a powerful structural movement toward greater inequality and the refusal to tolerate organized challenges from civil society also makes it hard to believe that a real shift is underway.

The case of India provides further evidence of how a lack of broad-based embeddedness can undermine the capacity of a state to translate growth into capabilities, albeit under democratic conditions. Over the past two decades, the Indian state has largely failed to translate the dividend of two decades of rapid growth into higher levels of social provisioning. New Delhi has embraced policies that are aimed at capability-expansion but delivery continues to be highly top-down, more or less monopolized by the "bureaucratic-politician nexus" and subject to massive leakage.

Historically, the Gini coefficient for India has been comparatively low, but it is climbing and by some estimates has now surpassed China (Bardhan 2010, 97). But other indicators leave little doubt that there is a disconnect between dynamic growth and capability expansion. Thus, despite very significant increases in educational spending and a now near-universal rate of primary school enrollment, teacher absenteeism remains chronic, caste discrimination rampant and school failure endemic (Ramachandran 2009). The most recent comprehensive national evaluation concluded that by the end of the 5th year of education, more than half of school children have yet to acquire a second-year level of reading (ASER Centre, 2012). Even as the upper caste/classes of India reap the rewards of the global knowledge economy, World Bank data (WDR 2006) shows that India continues to be beset by levels of inequality of educational opportunity that surpass almost all Latin American countries and even some African countries. Even more striking is the complete failure to deliver the most basic of capabilities – food and health. A recent assessment found that in 2006 48% of children under the age of 5 suffered from stunting (the highest level of malnutrition in the world), a condition that has severe long-term health consequences (Government of India 2009). Annual reports of National

[14] Estimates of budgetary shifts are based on unpublished analysis by Prof. Yuen Yuen Ang, University of Michigan, Department of Political Science of data from China Public Finance Yearbook 2004, PROC Ministry of Finance.

Nutrition Monitoring Bureau actually show a decline in the consumption of calories over the past 2 decades.

How do state capacity and state-society relations figure in India's failure to deliver capability expansion? The commanding heights of the Indian state enjoy significant capacity and some autonomy from particularistic interests, particularly in the realm of macro-economic policy. Yet as one moves downward from the centre through the sub-national state and into local government, state capacity deteriorates the more the state directly engages with society. The existence of subnational states that have demonstrated a marked capacity for enhancing capabilities, most notably Kerala, Tamil Nadu and Himachel Pradesh, while drawing on the same resources, institutional forms and bureaucratic structures of other states, suggests that the problem is more political – (the chain of sovereignty) than organizational (the chain of command) (Heller, 2011b).

The Indian state, and in particular the subnational and local state are deeply embedded in society but only through linkages of party representation. And party representation in India has become highly fragmented and highly particularistic, reducing the state to a patronage machine (Chandra 2007). Party politics have such an exclusive hold on how the state engages with society that civil society, in a pattern that resembles South Africa, has been almost entirely shut out (Heller 2009). The Indian state as such has few sensors, no effective feedback mechanisms and no co-producers. It can deliver on macro-economic policy and some mega projects, but it can't get teachers to teach, nurses to show up or municipalities to make their budgets transparent.

The counterfactuals are instructive. The dramatic progress in social development in the Southern states of Kerala and Tamil Nadu can be tied directly to their historical patterns of social mobilization. Broad-based anti-caste movements produced enduring encompassing political formations that not only strengthened the demand-side dynamic of civil society, but also created more competitive, redistributive party politics (Heller 2000; Harriss 2003; Ahuja 2010).

Our comparison of China and India brings more nuance to our understanding of the relationship between the capability-enhancing state and growth, and how forms of state embeddedness mediate that relationship. In the pre-market period, the Chinese state was deeply embedded through authoritarian structures in society. This form of

embeddedness facilitated rapid capability expansion and helped set the stage for China's dramatic economic take-off. Bardhan (2010) explicitly ties China's greater success in promoting capabilities and its more broad-based and diversified pattern of growth to the fact that China has much stronger and more developmental forms of local government (in our terms the greater institutional embeddedness of the state). But in the absence of democratic checks, there has been little to stop an increasingly business-oriented Party from pursuing growth at the expense of its traditional involvement in expanding capabilities.

India has also failed to capitalize on its growth dividend and inequality is also growing, significantly so in income terms but even more dramatically in human capability terms. In part, the state is increasingly constrained by its determination to promote accumulation. Kohli (2012, 213) concludes that "the narrowness of the ruling coalition helps explain both the forces that have accelerated growth in India and the disproportionate distribution of the fruits of that growth". In India's noisy and increasingly mobilized democracy however, the imperative to facilitate accumulation has to be balanced by the need for legitimacy. Thus the Centre has recognized the need to enhance capabilities and has made significant efforts to tackle India's massive deficits in service delivery.[15] But electoral imperatives in the absence of embeddedness undermine the state's developmental efficacy. In the absence of effective systems for delivery and local accountability, coordination remains poor and the rate of capture remains high. In urban areas, where much of the recent growth has been concentrated, efforts to develop urban infrastructure and social services have been stymied by the dominance of "land-grab" politics, as developers and politicians collude in capturing the rents of exploding urban land prices. Drèze and Sen (2011, 9) note that celebrations of India's growth have to be tempered by the recognition that "[t]he growing influence of corporate interests on public policy and democratic institutions does not particularly facilitate the reorientation of policy priorities towards the needs of the unprivileged." They go on to point out that in contrast to Brazil where public expenditures accounts for more that half of health

[15] It is notable that many of these new initiatives have been in part driven organized NGOs and expert-activists (such as Jean Drèze) and have included new laws on right-to-information, an ambitious new rural poverty-reduction scheme and food security legislation. But such engagements remain the exception, and in any event fall short of providing the continuous input and vigilance that co-production requires.

expenditure and has resulted in the universalization of access to primary care, in India public monies account for less than a quarter of health expenditure and that with the growing influence of commercial insurance companies the prospect of building a public health care system are not very good.

Counterfactual cases within India suggest that the problem lies less in issue of state capacity, than with the way in which the state's relationship to society is constrained by political dynamics. State interventions continue to be captive to narrow, patronage-driven political imperatives that are highly entrenched at the sub-national and local level. In the absence of countervailing civil society organizations that can hold bureaucrats and politicians to account and more broad-based forms of demand-making that would favor the provisioning of public goods, the prospects for successful capability-expansion in India remain limited.

In both India and China, the state has failed to fully translate growth into capability expansion. In China, this is a story of broad-based but authoritarian embeddedness that has narrowed without being replaced by a complementary democratic accountability to civil society. In India, a state that was democratically accountable, but narrowly embedded, has failed to develop even the most basic capabilities. In both cases, the limits of the state's accountability and responsiveness to subordinate groups are directly related to its increased ties to economic elites. The increasing political power of capital works in different ways in these two very different polities, but in both cases it works to undermine the engagement with civil society on which the effective production and delivery of collective goods depends.

CONCLUSION:

The conceptual analysis with which we began was premised on a sea change in development theory over the course of the last 25 years, one that has undercut the traditional preeminence of capital accumulation in favor of a perspective in which the expansion of human capabilities is both the ultimate goal and primary means of development. When applied to the developmental state, this perspective led to the

argument that if the developmental state is to play an effective role in promoting development as capability expansion the key lies in transforming state-society relations.

Our three paired comparisons of country cases reinforced the analytical argument. They revealed just how important the state is in organizing the relationship between a capitalist economy and capability-enhancing development. Because markets necessarily under supply public goods, the state plays a critical role in ensuring that growth can be translated into capability enhancement, and that capability enhancement and social investment more generally can in turn promote growth.

Promoting capabilities in the contemporary global capitalist economy requires broad-based embeddedness. In its optimal form, such embeddedness implies three things: links to a plurality of groups; multiple points of contact with the state that reduce the costs of transaction between state and society; modes of intermediation that promote co-production and coordination over domination, coercion or dependency.

In our paired studies, we have highlighted two sources of differences in the nature of embeddedness. The first has to do with how broad the state's engagement is with society. States can be linked to select groups, or they can be articulated with more a more encompassing set of social actors and interests. If 20th century theories of the social democratic state located the source of more "encompassing" embeddedness in the formation of the working class, revisionist accounts and our interpretation of 21st century cases suggest the importance of developing more nuanced understandings of the conditions under which civil society can produce solidaristic politics. The second has to do with how that form of engagement is mediated. It can take an authoritarian form in which the state enjoys despotic power, or it can take a democratic form in which the state must negotiate the terms of its intervention with civil society. The authoritarian form can be expedient, but in the absence of countervailing forces it can be subject to the problems that Scott identified in his critique of high modernism. Authoritarian embeddedness limits the effective functioning of the development state by short-circuiting the flow of information, disincentivizing cooperation and precluding the type of institutional fine-tuning that is so critical to building effective forms of intervention. Our argument thus reaffirms Mann's (1986) classic finding that states whose power is democratically

authorized have been much more successful in the long run in developing synergistic relations with society than authoritarian states.

Representative institutions by themselves cannot ensure that the state's engagement with society produces developmental outcomes. A competitive party system is critical to countering the problem of elite capture. But, as the case of India underscores, even in a highly consolidated and extremely competitive electoral system, representative mechanisms can still fail to secure accountability to citizens. Electoral calculations in a majoritarian system in a diverse society can favor the logic of clientelism over the logic of public provisioning. Movement toward a more universalistic logic requires civil society organizations with a capacity for engagement and political intermediation by parties able to avoid "embedded particularism" (Herring 1999).

From our six cases we can identify three configurations of embeddedness. Brazil, Taiwan and South Korea have all achieved a form of democratic embeddedness. Though the developmental state has actively pursued market reforms and helped build economic dynamism, it has also supported capability expansion. Though the pattern of democratization itself varied significantly, in all three cases this helped create the political support for extending social services.

We lack the same depth and variety of research on the role of civil society in Taiwan and South Korea, but some preliminary propositions are still possible. There is consensus that a combination of a cross-class anti-authoritarian alliance and working class mobilization drove democratization in South Korea. Conversely, the emergence of electoral competition was fundamental in expanding the political space in which civil society organization could engage the state. Nonetheless, it is also seems clear that an increasingly active role of civil society has been critical to promoting social reforms in both countries, especially when compared with the relative quiescence of political parties themselves on social issues.

South Africa stands as a cautionary tale. Because of the anti-apartheid struggle, democratic south Africa inherited a vibrant and organized civil society, one in which rights-based discourses were powerful and subordinate groups enjoyed significant capacity for collective action. South Africa might very well have travelled the same path as Brazil, except that the dominant party status of the ANC has more or less insulated the

state from subordinate civil society. In the absence of feedback mechanisms and countervailing democratic power, state power has increasingly tended towards a form of high modernism. This has produced both policy disasters, such as the refusal by the Mbeki administration to address the HIV-AIDs pandemic, as well as a more general policy drift that has favored capital over capability-expansion.

The ambiguous cases of India and China underline both the different dynamics associated with different kinds of state society relations and the continuing importance of the state's autonomy in relation to the agendas of capitalist elites. While it is possible to imagine paths from either India's democratically accountable, but narrowly embedded state or China's broad-based but authoritarian embeddedness to a more deeply democratic embeddedness that would be consistent with the effective promotion of capability expansion, it is even easier to envisage negative trajectories. These cases make it clear that there is no functionalist logic that insures the positive transformation of the developmental state.

In all three pairs of cases, as in the conceptual analysis that preceded them, politics are primary. Technocratic and organizational capacities are still fundamental to the success of the developmental state, but absent a complementary politics of encompassing engagement with a broad cross-section of society, technocratic capacity is sterile and ineffectual. In building a politics of capability expansion the state itself cannot be the only actor, nor can it rely only on elite allies. Absent an effective conglomerate of societal actors capable of embodying the roles intrinsic to "civil society" as an ideal type, the developmental state cannot deliver capability expansion. A continuous process of transformation in response to the challenges of development is the primary feature of states that succeed in remaining persistently developmental.

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