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State of the State: Does the State Have a Role in Development?

CHAPTER SUMMARY

Arguably, the state as an instrument of the public will is at the centre of most development debates and action. The state is the arena where political, social, and economic debates and conflict are played out in terms of which public policies are adopted and implemented. The state is highly controversial, with some seeing it as an instrument for preserving the concentration of benefits, while others believe it is the sole instrument capable of leading a nation forward for the collective interest. This chapter explores the role of the state in economic development through historical, discursive, and empirical analysis. Contemporary issues such as globalization and the call for better governance are central to this discussion. A number of case studies exemplify questions regarding whether the state can and has been a positive force for economic development in the South.

VIDEO RESOURCES

Tyler Cowen: The Rise and Fall of the Chinese Economy

<https://www.youtube.com/watch?v=fZwEDa9TrfE>

Time 12:24

A very poor country turned modern economy, China is now facing economic hardship. How did this happen? What led to its astonishing economic growth and what's fueling its current woes? Join Tyler Cowen as he dives into the rise and fall of China's economy.

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Poverty Alleviation India—Programs and Policies

https://www.youtube.com/watch?v=FZeSl_BVJMs

Time 13:48

This video consists of one short snippet of approximately nine-hour long story: *Development experience of Indian Economy*. In this story, Rahul asks his grandfather a lot of questions related to economic development experience of India and its current challenges—questions like, What are the main causes of Poverty? What is the importance of rural development for inclusive growth? Even after 60 years of independence, why is India ranked so low in Human Development Index? How does growth impact environment and endangers our sustenance? Has socialism helped or ruined the early years of development? Why did India face a bankruptcy situation in 1990? How have reforms transformed the Indian Economy and many more questions like these. The quest of this story is to uncover comprehensive answers to these questions, and it forms a solid base for understanding development economics.

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Building Social Business: Muhammad Yunus

<https://www.youtube.com/watch?v=6Dq4vj9arXk>

Time 1:34: 21

Nobel Peace Prize winner Muhammad Yunus is a global leader in anti-poverty efforts and a pioneer of the use of micro-loans to provide credit to the poor. He delivers a Beatty Memorial Lecture at McGill.

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Thomas Friedman—*The World is Flat*. UChannel.

<http://www.youtube.com/watch?v=UcK3b9qlBfk&feature=relmfu>

Time 1:49:46

Thomas Friedman, *New York Times* columnist, speaks at the Lee Kuan Yew School of Public Policy at the National University of Singapore, 9 September 2005.

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Fazle Hasan Abed on Poverty Alleviation in Bangladesh: Lessons for Africa and Asia

https://www.youtube.com/watch?v=kcAbK_d8ZfE

Time 56:59

Fazle Hasan Abed draws from his notable career to speak about success stories in development and what some countries in Africa and Asia can learn from these examples. Abed has received numerous national and international awards for his achievements in founding and leading BRAC, such as the Asia Foundation's Chang-Lin Tien Distinguished Fellow Award and his recognition as one of Ashoka's "global greats."

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The Developmental State Experiment in Africa: The Experiences of Ghana and South Africa

<https://www.youtube.com/watch?v=jiN2xRZQBx0>

Time 1:12:05

Using Ghana (considered to be a non-developmental state) and South Africa (considered to be an emerging developmental state) as case studies, the lecture examines the extent or the degree to which

the two countries have met or achieved the key eight features of the developmental state. Some recommendations are also made with the aim of consolidating progress thus far and deepening or accelerating the process. In doing so, it is hoped that the lecture will make a contribution to the literature on the concept of the developmental state.

REVIEW QUESTIONS

1. In the era of globality, “The state is more important than ever to development today.” Discuss.
2. What is meant by the terms “capacity” and “autonomy” of the state? How is this important in the context of development?
3. Provide the conventional definition of “state” and briefly discuss the problems associated with this definition in a development context.
4. Briefly contrast compradorial and Weberian views of the state.
5. Discuss the case of the Chilean miracle.
6. Briefly explain the meaning of the term “governance.”
7. What is the meaning of rent-seeking and state capture?

ANSWER KEY: REVIEW QUESTIONS

1. In contrast to conventional wisdom that the state is an obstacle to development, several points can be made in favour of a key role for the state: the state still sets rules for foreign investment and trade in its own territory; the state is still the dominant actor that choose whether to trade and creates international trade agreements; the state can still improve its ability to compete in global markets through strategic investments; and the success of the East Asian NICs points to the important role of the state (pp. 136–138)
2. Capacity refers to the ability of states to make effective and appropriate technical decisions. This stems from having well-trained personnel, up-to-date equipment, and smaller, more efficient budgets. Autonomy refers to the degree of insulation a state has from domestic and external social forces. Ideally, a state should be well-insulated and run along meritocratic, rather than politically-influenced, lines. State decisions and policies should not be made on the behalf of special interests that have the ear of leaders. Developing countries often face low levels of both capacity and autonomy, making it difficult for the state to perform a successful developmental role. (pp. 128–129)
3. The state is commonly defined as an entity that has a monopoly over the legitimate use of force within a specific territory. It enjoys legitimate support for its monopoly of force by a majority of the population within its borders and its control is recognized by other states. The citizenry of the state empower it to make public decisions on their behalf. However, this view is problematic, especially regarding developing countries. Such a definition is Eurocentric, reflecting the specific historical experience of the consolidation and centralization of power (state-building) in Europe, and of less analytical value for the developing world. Newly independent colonies were not able to follow a natural path to statehood and there-fore suffered from low legitimacy. At independence, most African states enjoyed *de jure* (legal) but not *de facto* (actual) statehood. In other words, they were recognized by other states as legitimate, but did not fulfill the other requirements of statehood. The artificiality of states in the developing world has contributed to poverty, exclusion, inequality, and conflict within and between countries. (pp. 125–127)
4. The compradorial state refers to a state run by an elite that has been “bought out” through its close association with foreign interests, having low legitimacy as a result. The Weberian state is one embodying a rational-purposeful nationalism and enjoying widespread legitimacy from the population as a result. (p. 128)
5. A 1975 military coup in Chile replaced an elected socialist government and quickly implemented free market, neoliberal reforms. The size and role of the state in the economy was reduced, labour unions were broken, and opponents of the regime were brutally repressed. The country’s economy was turned from import- to export-oriented. The economy was opened to foreign investment, and state-owned businesses were privatized. The country has since democratized, and has experienced poverty reduction and a successful export-oriented economic growth. Yet, economic inequalities and dependence on specific primary commodity exports remain. (p. 133)
6. For non-economists, “governance” has come to mean a wide variety of other things related to a supposed crisis of the state throughout the world. The crisis of the state in the North refers to the lack of interest and electoral participation among large segments of the population, as well as a supposedly growing cynicism about the increasing reach of the state over the course of the twentieth century. In the South, the crisis stems from the fragility of democracy, as well as from dissatisfaction with the ability of democracies to address long-standing structural inequalities. Therefore, the original economic definition of “governance” that focused on good regulation of markets is now matched with an emphasis on finding additional means of enhancing the partici-

pation of citizens, called “civil society,” as individuals and groups in collective decision-making through state co-ordination. (p. 135)

7. The term “rent-seeking” was coined to describe how states, even in the North, could become “captured” by special interest groups in the private sector, leading to policies that benefited a privileged minority. The charge of state corruption had broad appeal in the South and led initially to the success of neoliberal populists such as Carlos Salinas in Mexico, Alberto Fujimori in Peru, Fernando Collor de Melo in Brazil, Carlos Andres Pérez in Venezuela, and Carlos Menem in Argentina. State capture now often includes the idea that powerful private interests, such as, but not limited to, foreign corporations, can undermine the ability of the state to pursue national policies in the collective interest and thereby undercut the democratic process. (p. 134)