

**UNRISD Project on
Poverty Reduction and Policy Regimes**

**Developmental states, effective states
and poverty reduction:
The primacy of politics**

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Abstract

A series of prevailing errors in much developmental theory and practice, on left and right, has characterized much of our thinking over the last 40 years, with each error somehow compounding the others. Such errors include the following: that ‘socialism’ in poor countries can be built without industrialization; that ‘capitalist’ development will reduce poverty when markets are given their freedom; that industrialization is possible without an effective and involved state; that building such a state is largely a top-down and technical process of institution-building; that developmental states and state-led development is possible in all contemporary states; and that the reduction of poverty is a matter of steering enough of the right resources to the right places and the right people.

At the root of most of these errors has been our failure to recognize the centrality, if not the primacy, of politics, of political processes – both internal and external, and their interaction – in shaping state goals, capacity and developmental outcomes. The challenge for policy-oriented research is thus not simply to explore the profoundly difficult problems of state-building or the design and funding of welfare regimes, but how to identify, support and encourage the political forces and coalitions which alone will create and sustain the institutional arrangements of effective states (at least, and preferably developmental states) dedicated to both growth and poverty reduction, whether democratic or not.

Poverty reduction and general improvement in welfare, in short, is not simply a matter of enhancing aid flows, designing appropriate policy regimes and supporting institutional development. For we have seen that very different policy regimes and institutional set-ups in diverse socio-economic contexts can promote poverty reduction, as the very different cases of Uganda, Viet Nam, Mauritius, the Republic of Korea and Cuba all illustrate (World Bank 2005; UNDP 2006). Poverty reduction is a matter of politics. But where the politics are not equal to the task it is, first and foremost, a matter for donors to identify, nurture, encourage and support those social and political forces which are necessary for forming the kinds of growth coalition which will demand, design and implement the institutional arrangements which will deliver pro-poor growth and social provision.

In this paper I elaborate, first, what is to be meant by politics here and go on to suggest that the politics of growth and development is a special and difficult kind of politics, most dramatically reflected in what have come to be called developmental states. I suggest that only effective states and preferably development ones – whether democratic or not – are capable of elaborating the institutions which will establish poverty reducing growth and associated welfare regimes. But I also argue that building such states cannot be had to order and that their evolution will depend on the political processes that have everywhere and always established them. Current anti-statist and pro-market orthodoxies, though somewhat on the decline, and pro-democratic concerns, do not make building effective development states a straightforward matter. I conclude by suggesting that the challenge for donors is a difficult one, but that it is time to start thinking how they move into new areas of assistance and aid so as to be able to invest in, and support, the *political processes* which contribute towards the negotiated construction of effective developmental states.

1. Introduction and argument: Bringing politics back in

Reduction of poverty in recent and contemporary history has generally been attributable to two processes: economic growth which creates opportunities and jobs, and political processes which develop and sustain institutional arrangements that provide both safety nets and redistributive provision (welfare regimes, broadly). Neither have been possible without direct intervention and action by effective states and both have only occurred quickly where such states have not only been effective but developmental. On its own, rapid market-driven (or even state-driven) transformative economic growth can leave many people or regions out of the process and generate profound inequalities. The work done by the UNDP International Poverty Centre in Brazil provides ample evidence of this, and indeed the history of the growth ‘miracle’ in Brazil itself from the 1960s or in post-war South Africa illustrates precisely how growth is not automatically or necessarily inclusive, and that it does not always contribute directly to the reduction of poverty or inequality. Moreover, narrow sectoral growth, however significant in terms of its contribution to national income, as with diamonds in Botswana (Selolwane, Siphambe, Ntseane, Maipose, Balogi and Nthomang 2007) may contribute little to poverty reduction if its contribution to job creation is limited. Moreover, the 14-country study of pro-poor growth trajectories in the 1990s under conditions of liberal reform found that despite growth, ‘In the 1990s within country inequality rose in every region except North Africa and the Middle East’ and that included some of the fastest growing economies in East Asia (World Bank 2005: 16). Equally, dedicated redistributive practices through the tax system can reduce poverty but can also suffocate growth and compromise capital accumulation – as can a redistributive system of pervasive patronage through neo-patrimonial politics (Callaghy 1988; Hyden 2006; Bratton and van de Walle 1997).

In principle, it is of course possible for either growth or redistributive politics to contribute to poverty reduction, but having both is preferable. And it is that idea which lies at the heart of social democratic politics, in which democratic political processes are used to restrain and ‘tame’ the excesses of capitalist growth and, at least, to contain inequality, if not reverse its trend (Przeworski 1985). But this chapter is not concerned with a discussion of the forms which these institutional arrangements may take, for they may vary. Rather, I am concerned with what I argue is the fundamental condition for all conceivable forms of both growth trajectories and social justice – that is, *political processes* which shape effective (or better still, developmental) states that are capable of establishing and maintaining the institutional arrangements which deliver the benefits of both. As I shall suggest later, that is in essence how the modern state arose, and why it arose, in the course of the ‘great transformation’ (Polanyi 1957) from agrarian to industrial societies (initially in Europe). For the fundamental and defining role and function of the *modern* state (as distinct from imperial, feudal, princely, absolutist or other pre-modern states) has been to promote, organize, protect and sustain this economic and social transformation. On the one hand this has meant the provision of the institutions which guarantee the necessary public goods of peace and security plus the economic institutions and incentives – whether socialist, mixed or capitalist – which enable economic activity to proceed. On the other hand, this has meant devising the institutional rules which define the welfare regime, according to level of economic development and

need, but in a manner that contributes to the first objective of growth; that is, where the welfare regime is also a constituent part of the developmental regime (Mkandawire 2001; Kwon 2005) and also contributes to popular support and legitimacy as housing policy has done in Singapore (Lee 2001).

I argue therefore that we need to bring politics back in, centrally, to the analysis and promotion of pro-poor development and welfare regimes. If we do not understand the politics which determine how these processes of growth and distribution are brought about or hindered we will continue, in vain, to look for ‘missing links’ (Grootaert 1998), such as social capital or, before it entered the intellectual firmament, ‘social development, ‘institutional reform’, ‘policy reform’ (of any, but most recently, the liberal kind), ‘human capital and skills’ and ‘physical capital’, to name but some (Kenny and Williams 2000: 4).

The key central conceptual and advocacy task is to *redefine* as robustly as possible our understanding of what politics is. For development and poverty reduction are not technical processes, but quintessentially political ones and both require effective (or developmental) states with the legitimacy, will and capacity to bring them about. Such states can not be had to order, but are the product of the interaction between internal and external political processes in the context of their historical legacies. Developmental states, *whether democratic or not*, have the capacity to enhance, orchestrate and manage *both* processes referred to above, the promotion of job-creating economic growth and the provision of welfare nets through redistributive practices. It is my contention here that, given the dominance of economists in aid agencies and development research institutions, we have devoted far too little attention to understanding the diverse political contexts, processes and practices which frame developmental outcomes, whether positive or pathological, and hence thus determine poverty reduction outcomes. But if political processes shape these outcomes, what are we to mean by ‘politics’?

2. What is politics?

It is of course the case that the forms and particulars of political processes in different societies (or parts of them) vary widely. These forms and their outcomes are both framed by, and help to shape, the structural environment (and especially the socio-economic environment), internal and external, the distributions and balances of power, ideas, ideologies, interests and, crucially, the formal and informal institutions through which they all work. Nonetheless, wherever human groups form there are necessary and universal processes which constitute what politics is everywhere.

If it is to survive and prosper, any human community – whether a family or a federation - must have a means for making binding collective decisions: that means is its politics. In most respects, such decisions are inevitably about how resources are to be used, produced or distributed. A resource is understood here to be anything which individuals or groups can use or deploy to advance their interests, material or ideal. So land and capital are resources, as are freedom and opportunity.

Politics is thus best conceptualized as consisting of *all the many activities of cooperation, conflict and negotiation involved in decisions about the use, production and distribution of resources*, whether these activities are formal or informal, public or private, or a mixture of all. Such a basic conception enables us to think of politics as a *necessary* activity which occurs wherever two or more people are engaged in making decisions about resources. It also facilitates ways of integrating both conventional ideas about *politics* (power, authority and collective decision-making) and *economics* (allocation of scarce resources) into a broader understanding of the relations between them.

In this light, politics is therefore best understood as a *process*, or sets of linked processes, which are not confined to certain sites or venues (parliaments, congresses, executives or bureaucracies) or specialists (such as princes, politicians or civil servants) or procedures (elections or the delegation of authority). Like 'economics', it is, rather, a universal and *necessary* process entailed in *all* collective human activity and it does not presuppose or require *formal* institutions of rule or governance. While formal decision-making in and around public institutions *may* (today) be the most important expression of politics (especially in established, stable and modern polities), it is nonetheless a process found in all human groups and organizations, well below the level of the state - and must be. The manner of the interaction of these more or less linked and more or less complementary processes of politics – private and public, national and local, formal and informal – is what shapes the polity and its policy outputs and effects.

It is an intrinsic feature of this view of politics as a universal and unavoidable process that it is found in families, farms, companies, churches and organizations; as well as in sectors (agriculture, health, education, irrigation) or in issue areas (gender questions, rights questions, child protection issues) and so on. Wherever collective and binding decisions are to be made about resource use and allocation, there is politics. Most obviously for our purposes here it is impossible to evacuate welfare regimes or concern with poverty from their political context and the political processes which shape and sustain them. Politics may be messy and it may be stable, it may get in the way of economic models and input-output ratios, but it is an unavoidable, necessary and pervasive process which is unique to the human species - though there are some suggestions that the chimps, too, are capable of some elementary politics as understood here (de Waal 1982).

But we have to go further than this to understand the centrality of politics for development, welfare and poverty reduction. And to understand this centrality it is important to conceptualize politics occurring at two levels.

3. Levels of politics

Of fundamental importance in understanding politics and its implications for development, is the recognition that there are *two distinct but related levels* at which politics and political contestation over policy occurs (Lindner and Rittenberger 2003).

- (a) The level which concerns the *rules of the game* (institutions); and
- (b) The level at which *games within the rules* occurs.

(a) *Rules of the game*

The rules of the game, agreement about the rules and agreements about the rules for changing the rules, are fundamental for any on-going political activity. Stable polities are characterized by lasting consensus about the central rules of politics which have seldom been established without intense contestation over long periods of time (Tilly 1992; Ertman 1997; Bates 2001). As one study has pointed out, for example, a ‘consolidated democracy’ is a political regime in which a ‘complex system of institutions, rules and patterned incentives and disincentives has become, in a phrase, “the only game in town”’ (Linz and Stepan 1996: 15).¹

In the modern world, these rules are normally expressed in *formal* institutional agreements, that is in constitutions, which specify formally the rules governing competition for, distribution, use and control of power and the procedures for decision-making and accountability. These may be federal or unitary, presidential or parliamentary; they may specify terms of office and timing of elections; and they may include Bills of Rights and the like.

However the rules of the game in a consolidated democracy involve much more than the formal constitutional provisions about access to power and its distribution, use and control. For all such *formal* institutions are always associated with wider *informal* institutional aspects expressed in the culture, political culture and ideology which can have a critical part to play in maintaining, preventing or undermining the consensus and adherence to the formal rules. Normally, informal conventions about commissions of enquiry, consultative procedures and selection or even succession practices, for instance, are part of the rules of the game (Helmke and Levitsky 2004, 2006; Lauth 2000), as are arrangements for discussion or cooperation between states and business associations (Maxfield and Schneider 1997), sometimes together – and sometimes not - with trades unions as in the typically corporatist processes of the Nordic countries and elsewhere after the Second World War (Cawson 1986; Lewin 1994).

Such rules and processes need not be formal or stipulated in written constitutions. Indeed, before the emergence of modern states, most human societies - from hunting and gathering bands through to complex feudal and imperial systems – had stable if often undifferentiated polities, for long periods, based on agreed and understood processes, embedded in structures of power, expressed in cultural institutions and legitimated by a variety of ideologies and beliefs – and no constitution.

¹ This point can be illustrated further with reference to a very substantial research programme funded in Zurich by the Swiss National Science Foundation as one of its National Centres of Competence in Research (NCCR). This important programme has a number research projects, each of which is devoted to analyzing some aspect of the democratic process in (mainly) Switzerland. What is interesting is that all projects focus on some feature of the way the democratic game is played within the rules and not on the debates about the rules. See the website at:

http://www.snf.ch/E/targetedresearch/centres/currentNCCR/Seiten/_xc_nfsdemokratie.aspx

Moreover, in all stable polities – whether past or present, traditional or modern - consensus about the *political* rules of the game has normally been part of a wider and more or less explicit consensus and settlement about socio-economic goals, policies and practices as are made clear in the ‘Directive Principles of State Policy’ in the Indian Constitution. Likewise, the South African Constitution of 1996 not only prescribed the distribution of power in the state but, in its Bill of Rights, made explicit the right to, and protection of, property (hence curtailing constitutionally more radical measures which any new government might have been expected to introduce, especially the ANC government given its ideological and policy history). Reaching such a settled consensus has seldom been easy or without conflict, as the many struggles in the course of state-building and industrialization in the West since the 18th century (and before) illustrate precisely (Tilly 1990; Bates 2001). And in those developing societies today where political and economic consensus has been reached, and where sustained growth has occurred (such as Malaysia after 1970, Mauritius since the 1970s or Venezuela after 1958), it has usually happened after periods of intense and threatening conflict (Bräutigam 1997; Karl 1986).

Each ‘settlement’, and its unique set of institutional arrangements, has differed interestingly between various democratic capitalist societies, as well as in the East Asian developmental states, as shown in the studies on ‘varieties of capitalism’ (Hall and Soskice 2001) and varieties of East Asian institutional arrangements in developmental states (Haggard 2004; Campos and Nugent 1999). This is not to suggest that settlements about socio-economic goals and institutions are unchanging, but that the agreement about political rules of the game enables change to occur without a fundamental challenge to the stability of politics.

One illustration of this is that, over time, the developmental shift to formally democratic capitalist politics is also a move to an increasingly consensual structure of political and economic relations in which both the *benefits of winning* and the *costs of losing* political (i.e. state) power are both steadily decreased. But early on that is not the case and hence the stakes are high and the politics can be more volatile, confrontational and, often, violent. Indeed the continuation of class struggle – expressed through and outside political parties - in Europe from the 19th century to well after the Second World War illustrates this precisely. And the ‘de-alignment’ of class and party politics since the 1970s illustrates what happens when the benefits of winning and the costs of losing come down. But where rules are not agreed, and the benefits of winning and the costs of losing (state power) *are* high, one is likely to see deeply entrenched forms of patron-client relations and neo-patrimonial politics become consolidated as incumbents try to cling on to power by distributing private goods to their supporters, thereby sacrificing the provision of public goods and hence developmental outcomes (de Mesquita 2007).

It needs, finally, to be pointed out that the rules of the game do not always work out as they are supposed to. Informal political processes – informal institutional arrangements, values and norms – may of course complement and merge with formal procedures. And the greater the complementarity, the more stable, consistent and predictable the politics

are likely to be (Helmke and Levitsky 2004; Lauth 2000). But they may also undermine or erode them as the claims about ‘neo-patrimonialism’ and complex patron-client relationships in many African – and other - polities suggest (Pansters 2005; Bratton and van de Walle 1997).² The manner in which ‘informal’ institutional arrangements, often anchored in the ‘real political culture’, can erode or divert formal rules of the game is well illustrated in recent studies of Malawi’s parliament-executive relations and its budget process where the formal process has essentially been a ‘theatre’ and where the real deals are cut backstage (Patel and Tostensen 2006; Rakner, Mukubvu, Ngwira, Smiddy and Schneider 2004). But sometimes, too, failed or failing formal institutions, which do not achieve their objectives, are replaced or supplemented by informal and even ad hoc arrangements as illustrated, for example, in the cases of ‘co-production’ – deals between public and private agencies or actors to get things done, as in the Citizen-Police Liaison Committee in Karachi which has worked to try to stamp out the levels of crime experienced in the city, and the Ghana Public Road Transportation Union’s collection of taxes from its members for the government (Joshi and Moore 2004).

(b) *Games within the rules*

This second level of politics – which might be understood as the level at which ‘normal’ politics happens - is where the daily debates and contestations over policy and practice occur. By ‘normal’ I do not mean that such politics is morally correct, proper and appropriate, or without contention, and that other forms of politics are abnormal or ‘wrong’, but only that ‘normal’ politics is in some sense *predictable* in that outcomes are very *unlikely* to produce radical shifts in the structure of wealth or power, and is only *unpredictable* within a limited but acceptable range of possibilities.

In ‘normal’ politics in stable polities (modern or historical), the fundamental rules of the game are broadly, if sometimes reluctantly, accepted and are seldom seriously threatened (as indicated above), even when they are changed (devolution, constitutional reform). Disagreement, debate and change all occur – both in political and economic terms – but through the medium of the institutional settlements and operating procedures which remain stable while changing.

However, it is important to recognize that the critical level of politics is the first level which, in essence, establishes the ‘regime’ type: it is the fundamental ‘settlement’. It is there that the basic processes are constituted which pertain to the formation, maintenance and enforcement of the institutions and standard procedures for conducting politics, for setting socio-economic goals, and for establishing the economic, administrative and judicial institutions which will facilitate growth and development and – for our purposes here – drive towards poverty reduction, or not as the case may be. ‘Normal’ politics can

² This is not a matter to be taken further here, but systems of patronage and patrimonialism have provided the basis for many entirely legitimate and stable regimes and forms of politics and indeed have been very common historically. From a developmental point of view however, one of their main limitation is that they are less likely to be efficient as processes for the accumulation of capital than other forms of politics, as Barbara Harris-White (2003:1) has recently pointed out so clearly, ‘Development, however it is defined, requires the production and distribution of a surplus’. Patronage and patrimonial politics tend to encourage consumption rather than accumulation.

not be played out where there is no effective consensus about the legitimacy of established institutions, just as a game of, say, hockey is unintelligible, unpredictable and rather difficult (if not dangerous) to play without established rules. And 'normal' politics may be quite stable and predictable even where it is constituted by a mix of formal and informal institutional rules.

What are the implications of this for the politics of development and for poverty reduction?

4. The politics of development

The critical point here is that development, whether fast or slow, is a transformative process (Stiglitz 2003). It is inescapably about change – economic growth, social transformation and political transition. And, in practice, it is commonly a radical and turbulent transformation which is concerned with often far-reaching change in the structure and use of wealth and power, and which - if successful – must transform it. That makes it quintessentially political and potentially deeply conflictual. Where it entails redistributive elements, it is even more so.

Thus if politics – as defined above – consists of all the activities of cooperation, negotiation and conflict in decisions about the use, production and distribution of resources, then *the politics of development* is about changing not only *how* resources are used, produced and distributed, but also about how decisions are taken about such changes and about the politics which sustain, implement and extend them.

The political nature of development, therefore, can be summed up in two simple propositions:

- (a) *When people change the way they use, produce and distribute resources, they also change their (social and political) relations – relations of power - with each other; and*
- (b) *When people change their political and social (power) relations with each other, they usually change the way they use, produce and distribute resources.*

What this means is that, on the one hand, the extension of the franchise, the recognition of the rights of trades unions, the provision of formal legal equality for women and the abolition of slavery are all examples of how *political change* can affect the distribution of economic power and resources. On the other hand it means that *economic change* can, in turn, induce political change. Technological change, the development of trade and the emergence of an independent entrepreneurial class investing capital in new ways are just some sources of such social and political change. Land reform is another example of how the changed use and distribution of resources can alter the balance of rural wealth but also rural power and hence affect the structure of politics. Causal processes clearly can and do flow in both directions and often loop back and re-enforce each other over time.

However, in many developing countries agreed and enforceable formal rules of the political game are less common and less secure. Indeed, as suggested earlier, there are often multiple sets of overlapping or conflicting rules (formal and informal). In Ghana, as Price showed (1975) civil servants experienced profound conflict between the demands of bureaucratic (Weberian) rules and those appropriate for relating to kin and clan. Similar evidence comes from Malawi more recently (Anders 2005) and from wider anthropological literature (Maranz 2001). As a consequence, 'normal' politics is both much more difficult and much less likely, and the impulse and drive to growth, development and poverty reduction is much, much weaker where no political group is able or willing to define and promote a collective or nationally 'encompassing' interest (Olson 1993). And this absence of agreed rules (or conflict between contradictory sets of rules), the consequential uncertainty, the fear of serious loss by some interests, and the control of military power by others can induce constant unpredictability. The implications for sustained developmental momentum are not particularly good and hence the implications for poverty reduction under such uncertain institutional arrangements are poor.

So the problem in such societies is not only that there are seldom agreed and established rules of the game in place which can provide a stable context for developmental coalitions to emerge and for developmental choices and strategies to be made. It is also that the existing institutions of political and economic governance (or the mixture of them) do *not* promote growth and development – and certainly not pro-poor growth. Hence what is needed for transformative developmental activity is not only a set of agreed, consistent and coherent institutional rules of the political game, but rules which both encourage and allow a politics of development to gather pace and to be sustained, and the institutions to promote it.

Each country is different in terms of its historical legacies, its socio-economic and political structures, cultural patterns, ideologies and challenges – just consider the huge differences between, say, Botswana, the Republic of Korea and India, all discussed in this series for the research programme. A conceptual framework for the analysis of politics in developing countries is needed which will enable us to analyze and compare such differences and at the same time be sensitive to the varying patterns and interactions of formal and informal institutions and forms of power which together shape or hinder the emergence of developmentally-oriented rules of the game. Understanding welfare regimes and the realities of anti-poverty strategies simply cannot be evacuated from this context.

5. Developmental states

Though the provenance of the term 'developmental state' goes back to Chalmers Johnson's study of MITI, the Ministry of International Trade and Industry in Japan (Johnson 1982), there is now a substantial literature on these states (but in particular see Amsden 1988; Wade 1990; Leftwich 1996; Woo-Cumings 1999; Kohli 2004; Doner, Ritchie and Slater 2005; Kang 2002). There is of course debate as to when a state is a

developmental state and when it is not, and I have discussed this elsewhere (Leftwich 2000) where I define developmental states as those states whose successful economic and social development performance illustrates how their political purposes and institutional structures (especially their bureaucracies) have been developmentally-driven, while their developmental objectives have been politically-driven. Each sustained an annual average increase in its GNP of 4%, or more, during the last third of the 20th century. There are various forms of these developmental states (Leftwich 1998): some have been autocratic (such as the Republic of Korea and Taiwan Province of China), some democratic (such as Botswana and Singapore); and of the latter, some have been run by dominant single parties (Singapore) and others by shifting coalitions (Mauritius). My examples in this chapter will be drawn from all of them in the course of their 20th century history, including the Republic of Korea, Japan, Taiwan Province of China (in East Asia), Thailand, Indonesia, Malaysia and Singapore (in South-east Asia); Botswana and Mauritius (in Africa) and not excluding Finland, as an early European and extremely educative example.

It is not necessary here to go into the specific details of their formation and their structure but what is important is to identify (a) the conditions which seemed to be associated with their emergence and (b) the characteristics which they displayed. This is important because it shows that establishing effective states, the necessary basis for developmental states – intensifying ‘stateness’ (Fukuyama 2005) and extending state capacity to devise and implement policy - cannot be had to order, and that the historical circumstances which were associated with the emergence of these more or less effective states are not easily replicated.

In each of the paradigmatic developmental states of East Asia, and to some extent in the case of the second tier of South-east Asian developmental states such as Thailand, Indonesia and Malaysia, as well as those outside Asia, such as Mauritius and Botswana or even Finland (Jäntti, Saari and Vartiainen 2005) in the period after the bloody civil war there in 1918, a number of contingent historical factors have commonly been present at their emergence.

External threat. In all major cases, external threat was intense, thus providing very powerful incentives for concerted policy, cooperation amongst elites and commonly the encouragement of a nationalistic ideology (often given economic, political and cultural expression). Japan in 1870 was threatened by the intrusion of western powers in eastern waters and the danger of sinking economically after the second world; the Republic of Korea was not only under constant threat but attacked by its northern neighbour; Singapore saw itself sandwiched between Islamic Malaysia and Indonesia; Taiwan Province of China had the People’s Republic of China glaring at it across the straits; Finland was deeply aware, and had historical experience, of Russian and then Soviet intentions – and so on. In addition, internal threat – the insurgency in Malaysia and fear of it in Thailand - can also not be under-estimated.

The coherence of a coalition of internal elites, and hence political ‘will’, either of a dominant player (such as the military) or in the form of a compromise amongst elites

around a new set of rules, has commonly been shaped by these circumstances, and radical opposition has often quickly and effectively been neutralized or co-opted. That was certainly the case in the Republic of Korea after the military coup of 1960. But another, softer version of this kind of settlement, occurs (often in democratic contexts) where rival elites or interests have compromised around a new set of political and socio-economic rules – often underpinned by a ‘social contract’ – which enables growth to be promoted by the state without massively threatening the dominant interests. The case of Finland in the 60 years after its bloody civil war in 1918 is highly instructive. Historic and prevailing external threat from Russia, extending property rights to crofters, giving the state a major role in promoting pragmatic cooperation between state and business, a ‘social contract’ between business and labour and a steady stream of welfare measures were all part of the political processes which forged stability, promoted growth and tackled poverty in the course of the 20th century (Jäntti, Saari and Vartiainen 2005).

Concentration of power and continuity of policy. In all the prime cases – the Republic of Korea, Taiwan Province of China, Singapore and even Botswana, as a milder developmental state - there was substantial concentration of political, military and ideological power in the hands of the state, at least in the formative stage. In the case of the Republic of Korea, Taiwan Province of China and Thailand (at least on and off) *de facto* military rule (or military-backed rule) ensured this. In the case of formally democratic Singapore, Malaysia and Botswana, the continuity of one dominant party, re-elected time after time, had the same effect, ensuring continuity of policy and the ability to adjust policy where necessary. Elsewhere – as in Finland and Mauritius – there was no such dominant party or concentration of (military) power in the state, but constantly shifting governmental coalitions. However, the long-standing commitment of all major parties to combining growth and equity has made for continuity of policy goals, across the shifting coalitions and party alignments (Jäntti, Saari and Vartiainen 2005; Bräutigam 1996). Indeed one of the more remarkable features of the political regimes in all developmental states – prime and sub-prime – has been their commitment to growth *and* equity, whether their reasons were ideological or based on political pragmatism, or whether they saw that ensuring welfare, increasing opportunity and containing if not decreasing inequality were necessary conditions not only for broad-based and effective economic growth, but for the political stability that would ensure it could happen.

Developmentally driven institutions. In each case, the circumstances outlined above enabled the regimes to impose, or negotiate, an agreed set of developmentally driven rules governing economy and polity in order to protect and promote national interest, if not survival. In short, their politics were developmentally driven and their development was politically driven because growth was seen as important for national autonomy and defence (in the slogan of the Meiji after 1870: ‘Rich country, strong army’). External threat, concern to avoid internal conflict, a need to ‘catch up’ and a recognition that growth and equity were not inconsistent but mutually re-enforcing policy goals were all part of the political dynamics which shaped their developmentally effective institutions.

These conditions, associated with their formation, gave rise to a set of characteristics which have distinguished developmental states, quite markedly, from most other states in emerging economies.

- The circumstances of their birth – especially internal instability and external threats – gave rise to either determined developmental elites, often with military backing, or to developmental coalitions committed to agreed socio-economic and political goals.
- Given the generally low level of economic development at the time of their formation (all these states were primarily agricultural and poor at the time of their consolidation as developmental states), there were (initially and generally) few powerful and independent economic interests in the society – at least in the East Asian cases. Moreover in these cases, given the firm grip of the regimes on political power, they were able to develop relative state autonomy in relation to these but, by hook or by crook, were able to build ‘synergistic’ relations – ‘embedded autonomy’ in Evans’ terms (1995) - with existing or emerging business interests. Though there is evidence to show that – in the east Asian cases at least – some of these state-business relations, unsurprisingly, at times bordered on the corrupt (Haggard 1994; MacIntyre 1994) and that ‘money politics’ was rife, these trends were never allowed to spin out of control to the point where they seriously threatened the growth strategy (Kang 2002). Unlike much of Latin America where powerful landed interests had long been dominant in the polity, the state in east Asia was for all intents and purposes the major if not only game in town. In the ‘softer’ developmental states, that is in the developmental democracies (at least formally democratic), such as Singapore, Mauritius, Botswana and Finland, these deals and relations between state and wider societal interest (of capital, class or traditional authorities) both required and involved more political negotiation, more ‘social contracts’ and more deals to establish the fundamental rules of the game and the legitimate authority of the state.
- Given the urgency of their goals, developmental states were quick to develop effective bureaucracies with the means to ensure infrastructural power (Mann 1986), that is the capacity to devise, implement and achieve socio-economic and policy goals. But also, these bureaucracies were generally well-trained and highly competitive with respect to entry and promotion (Evans and Rauch 1999).
- At the heart of each of these states and these bureaucracies located close to and protected by executive power and authority, most developmental states were able to build and maintain powerful, competent insulated specialist economic bureaucracies, highly trained and largely insulated from the cloying demands of special interests, avoiding, in the main, ‘capture’ by such interests (unlike much of the Latin American experience). The classic case was of course MITI (the Ministry of International Trade and Industry) in Japan, but this function has been performed in the same manner by the Economic Planning Board (EPB) in the Republic of Korea, the Economic Development Board (EDB) in Singapore and

the Ministry of Finance and Development Planning (MFPD) in Botswana. In Finland, an Economic Council was set up in 1946 to manage the complex politics of an incomes policy, part of the social contract in that country, and still to-day acts as the consultative context for major economic and social policy decisions between public and private sector interest.

- In most of the paradigm cases, whether formally democratic (e.g. Botswana and Singapore) or not (e.g. the Republic of Korea and Taiwan Province of China), at least initially, the corollary of an effective state with substantial infrastructural power was a relatively weak, subordinated civil society. But as economic growth occurred, there has been a proliferation of economic and other social interests and an expanding and demanding middle class, as well as an effective and mobilized trade union movement, acting to strengthen civil society and intensify its demands. And certainly, in the non-democratic developmental states, this was one of the factors that helped to shape the transition to democracy in the 1980s and beyond (Potter 1997; Kang 2002). On the other hand, in the formally democratic developmental states (Botswana, Singapore and even Malaysia) single party domination enabled the state to control, buy off or co-opt potentially hostile organizations in civil society (for example trades unions and business associations). And in the developmental states where coalition politics shaped the limits of the possible (Mauritius and Finland again provide good examples), the new rules of the game which were established acted as constraints on political behaviour amongst civil society organizations.³ They did so directing the actions and interactions of major social interests through the institutional arrangements for consultation and negotiation, notably the Joint Economic Council in Mauritius (Bräutigam, Rakner and Taylor 2002) and the Economic Council in Finland (Jäntti, Saari and Vartiainen 2005). This point illustrates starkly how critical distinct political processes – and the political opportunity frontier which they establish - are in shaping not only the character and capacity of the state but also its wider relations with civil society.
- The East Asian developmental states, in particular, exercised tight control over capital and finance. In the Republic of Korea after 1960, for example, all financial institutions were controlled by the state (Woo 1991) and hence it was able to direct loans to where it thought they would best serve national strategic goals, though this process was not always entirely innocent of patronage, cronyism or ‘money politics’ (Kang 2002). Elsewhere, cooperative relations with banks and finance houses through consultative councils were forged with similar ends in view. As a consequence, these states were able to establish close and often influential relations with emerging or aspirant private business and financial interests (to the point of disciplining them), both domestic and foreign, and hence engender a unified commitment to capital accumulation, sometimes ruthlessly so.

³ It would be wrong to suggest that such constraints were such as to eliminate conflict or outbursts of opposition, but – as in Finland and Mauritius – such events usually led back to the green baize table.

- Generally, especially in East Asia, human and civil rights were not well protected, and although was not as true in the democratic developmental states, their formal ‘democratic’ features (regular elections) were nonetheless more pronounced (despite many limitations) than their ‘liberal’ features.⁴ Even today, Singapore’s score in the Freedom House measurement of civil and political rights is lower than Mauritius, the Republic of Korea and Botswana, despite having a far higher GNP per capita. And Thailand, with one of the more dynamic economies of South-east Asia, has had a civil and political rights record that has fluctuated up and down as the polity has veered between democracy and military rule. And although civil, political and human rights scores have generally been low, it remains one of the more remarkable features of these states that their incumbent regimes appear to have enjoyed remarkable legitimacy. This is almost entirely due to their success in (a) providing the institutional arrangements and incentives that generated job-creating growth; (b) redistributing opportunities or resources (for example through land reform in the Republic of Korea, guaranteeing property rights for crofters in Finland and positive discrimination for native Malays, the *bumiputra*, in Malaysia); and (c) investing in social provision such as housing (Singapore especially), education or health care. I shall return to this point later, but what is important to suggest here is that in general the developmental states sought to legitimize their rule by economic development and ensuring a steadily rising standard of living. For some (Mauritius and even Singapore) this was driven by strong social democratic principles and commitments; for some, delivering material well-being and increasing welfare was a necessary condition for avoiding internal conflict in the face of external threat or internal conflict (the Republic of Korea, Malaysia and Finland are good examples); while for yet others social policy was seen as an intrinsic part of their economic development strategies (Kwon 2005; Mkandawire 2001). Even today, the literacy rates of Singapore, Botswana, Mauritius and Malaysia, remain consistently higher than those of, say, India, Pakistan and Nigeria, three of the largest non-developmental states. Moreover, life expectancy (a very good proxy for aggregating a whole range of welfare and development factors) in those developmental states (except that of Botswana which has plummeted because of the HIV/AIDS crisis) remain consistently higher than those of India, Pakistan and Nigeria (UNDP 2006).
- Finally, but most importantly, most developmental states enjoyed considerable moral, diplomatic and material (and in some cases military) support from major western powers in the context of the cold war. Technical help, financial help, military help and diplomatic cooperation – without contemporary governance or reform conditions – were given quite liberally to these states, even though they all were adopting economic development strategies which would have been entirely at odds with Washington consensus orthodoxy of the 1990s (Williamson 1990).

⁴ The best time series of data on political and civil liberties can be found at the *Freedom House* website, which confirms the above. It also notes that despite formal status as a ‘democracy’, Singapore scores badly with respect to both political and civil rights and is still regarded, politically, as ‘partly free’. The Freedom House website is at: <http://www.freedomhouse.org/template.cfm?page=1>

The full force of liberalization and ‘reform’ was only to bite after the end of the Cold War in 1990.

6. Summary of argument and implications

If the opening propositions of this paper are correct – that a combination of economic growth and investment in welfare and social provision are together most effective for the reduction of poverty – then I hope I have shown that the fundamental requirement for both is, at least, an effective state and, preferably, a developmental one. That is, a state capable of providing the institutions which not only allow and encourage growth, but (as in developmental states) directly foster it by a variety of active state measures of involvement, and also provide the social policy to generate and sustain the legitimacy which such a state requires, whether democratic or not. But such states cannot be had to order. Their formation and consolidation depend crucially on the politics and political processes which forge and sustain them – whether authoritarian or democratic, and whether run by a single dominant party or a shifting coalition of parties - and which establish the fundamental political and socio-economic agreements, or settlements, that is rules of the game and public institutions for the polity on which the state is anchored. These establish the political possibility frontier for any given state.

In the absence of such agreements, there is every incentive and probability that even formal institutions or commitments which are officially or publicly dedicated to developmental objectives will flounder because rules will be short-circuited, broken or ignored, whatever the formal and published rhetoric, as the case of Kenya shows so well (Jama 2007). But even where the rules of the game and the political settlement are basically secure, the internal politics and games within the rules may frustrate public policy directed at poverty reduction, especially rural poverty – in India, for example, the levels of poverty (80% earning less than \$2 per day), child malnutrition and pregnant anaemic women remain very high, despite six decades of planned development by an effective state (Nagaraj 2007).⁵

Ultimately, therefore, a minimally *effective state* consists of a set of public institutions, underpinned by widespread legitimacy, and which is authorized, limited, held in place and maintained by dedicated political and juridical processes. Thinking of the state in terms of the way political processes function to produce such outcomes helps to deepen our understanding of strong states, weak states and failed states and their respective capacities to promote growth and social justice, at least in the form of poverty reduction.

In short, poverty reduction is ultimately a function of *state formation and state capacity*; state formation and capacity is essentially an *institutional matter*; and the design and maintenance of such institutions is essentially a *political matter*. It is the latter point that is my focus here, for the specific policy details which states develop to promote growth, reduce poverty and enhance social inclusion will vary greatly from place to place -

⁵ It is important to qualify the general picture of the Indian case by noting that different states within the federation have achieved very significantly different levels of growth and poverty reduction – a further illustration of the role of politics in poverty reduction (Besley, Burgess and Esteve-Volart 2007).

consider the most recent innovation in the form of conditional cash transfers, such as the *Red Solidaria* in El Salvador aimed at breaking intergenerational poverty traps (de Britto 2007), and contrast that with the essentially job-creating strategies which are being pursued in Botswana (Siphambe 2003). Strategies, policies and programmes – whether aimed at job creation or social provision - will depend on the circumstances, level of economic development, endowments and the politics of the possible. But the necessary condition is an effective state and ideally a developmental one: that is a state that is able to achieve not only developmental momentum but ‘synergy’ (Lange and Rueschemeyer 2005) with the private sector and which can and does actively shape economic processes so as to promote growth, poverty reduction and inclusion, whether its reasons are economic, political, ideological or a mixture of all. But what are the prospects for building effective and developmental states in the new millennium? What are the obstacles and what means can donors adopt to facilitate the political processes that will build effective states?

7. Developmental and effective and states

As I suggested earlier, the modern state – in all its many variations and institutional forms – was both the product and agent of the ‘great transformation’. The defining and core function of the modern state has been to promote, organize, protect and sustain this economic and social transformation and the evidence is overwhelming that effective modern states and economic growth have gone hand in hand. The modern state was shaped by internal political processes through the interaction over time – often long periods of time - of traditional ancient regimes and emerging organized social and economic interests and groups forces (Tilly 1992; Ertman 1997; Bates 2001), but never without conflict. But just as with the developmental states of East Asia, the provenance of modern states in their primarily European context was also driven by external factors, and especially those of economic, military and other forms of competitive nationalism.

Moreover, in the course of their formation and consolidation, all modern states have, sooner or later, had to confront four main challenges: internal security and defence against external attack, the promotion and protection of the national economy, democratization and the associated demand for (or requirement of) the provision of social welfare. Simply stated, four main strategies or models were developed (though each contained a variety of forms). The first was the Anglo-American model (crudely, the liberal model) which required the state to ensure four prime conditions for the promotion of private, market-driven growth: secure property rights, a fair and efficient judicial system, an open and understood set of rules for economic activity and facilitating market entry and functioning. The second, often emerging and building from the first, has been the social-democratic model in which the democratic processes were fundamental in ensuring that fiscal and institutional arrangements have been developed to contain the worst excesses of capitalism, by redistributing opportunity and income and reducing over time the inevitable inequalities associated with the earliest forms of capitalist development. The third model was the Soviet model, of forced-march top-down industrialization involving pervasive state ownership, control and management of the economy. The fourth and final model was that of the ‘developmental state’ typified by

the East Asian examples, but elements of which may be found in many other societies, from Bismarck's Germany, post-war France and indeed in many small but important respects in many of the now developed economies, including the USA (Chang 2002). It is important to stress that *each* of these models or strategies embodied states that were effective for some particular social, economic and political purposes and each has undergone transformation over time.

Nonetheless, if economic growth is to be achieved, if poverty is to be reduced, if inequality is to be contained if not reversed, and if social provision to be assured, any emerging state in the developing world will need to be effective in terms of one of these models. It is clear that the Soviet model is now unlikely, to say the least: both national and global political circumstances are hardly propitious anywhere. All other models require that the fundamental rules (political and economic) of the developmental game be settled, and in many developing countries that is simply not the case. Indeed the institutions which define and constitute the state are insecure and many states (especially in Africa) themselves are without infrastructural capacity. In such insecure states, unsettled or conflicting sets of rules and latent or manifest conflict means that the fundamental political conditions for growth are absent or weak. Without growth there is unlikely to be much progress on the poverty or welfare front.

So two key questions remain. First, what are the prospects for developmental states to emerge? And secondly, if developmental states are not (as I shall suggest) likely to emerge, what can donors do that will, at least, enhance the prospects for effective democratic states to emerge, especially in those societies where weak or failing states prevail and where most of global poverty is concentrated?

8. Prospects for new developmental states

It is pretty clear that few, if any, of the circumstances and conditions (see above) for the construction of developmental states are present. External factors, in particular, are hardly conducive and the geo-political context is adverse, to say the least. The cold war is over, neo-liberal (Toye 1987) orthodoxies inform policy in all the major international institutions (World Bank, IMF and World Trade Organization) and donors, the commitment to planning which characterized the 1960s and 1970s (Killick 1976) has evaporated and the belief that democracy was likely to be the outcome of economic growth (Lipset 1959) has been replaced by the assumption that it is a condition of growth (DFID 2007). In short a new anti-developmental state orthodoxy defines the dominant development discourse (Leftwich 2005).⁶ It has involved the usual menu of actions: rolling back and slimming down the state, privatizing state-run industries (and some public services), liberalizing markets, reducing tariffs, tearing up national plans, democratization and attempts at far-reaching public administration reform – with very mixed results as a number of reports have indicated, and almost always for political

⁶ There were often good reasons for this. Obese states, inefficient planning and production, rampant rent-seeking, pervasive patronage politics, ruthless one-party regimes were all causes and conditions of the slow down, stasis or reversal of economic growth under statist developmental regimes in many (especially African) countries.

reasons (Levy and Kpundeh 2004; UNDP n.d., Polidano 2001). As a consequence building developmental states, on the classical model, has become very difficult, even where the internal conditions have been suitable. For example, given its history and ideology and its huge (and probably lasting) electoral majorities, the ANC in South Africa seemed poised to begin the construction of a democratic developmental state in the 1990s. But the rapid shift from its initial Reconstruction and Development Programme (the RDP), which had strong developmental and social democratic principles, to the Growth Employment and Redistribution Programme (GEAR), with a far more open and liberal economic strategy, suggests that strong external factors and influences simply foreclosed on the emergence of a democratic developmental state (Bond 2000; Moon 2002).

But if developmental states in any of the forms of the original pattern are unlikely, what of effective states? Some qualifications are first necessary. First, it is not possible to generalize about all states in the developing world, so my focus will thus be mainly on those 'least developed countries' (as defined by the United Nations) of which there are 50 (34 are in Africa, 10 in Asia, 1 in Latin America and the Caribbean, and 5 in Oceania) and where the lack of effective states remains the most critical problem. Second, there are indeed many long-established, consolidated and effective states (for example in Latin America), even if their politics have not been focussed on pro-poor growth or trying to reduce inequality (as in Brazil, Egypt and Pakistan). Even Botswana, often thought of as not only a stable, consolidated and effective state but also sometimes as a developmental one, has enjoyed remarkable and sustained economic growth along with deep pockets of poverty (47% in 1994 and probably reduced since then) and profound inequalities (Clover 2003). Third, there is no precedent for effective and consolidated states – built on agreed rules of the political and socio-economic game – to be established quickly, so it will inevitably take time.

What is to be meant by an effective state? For most aid agencies today, the key elements are a state which is capable, accountable and responsive the so-called CAR framework of DFID (2007), which is essentially a simple model of the liberal democratic state. But conditions for such a state involve much more fundamental elements, well understood by Max Weber and other political scientists since him. First, the state must have a monopoly on the legitimate use of force (there can be no private armies); second, the fundamental rules of the political game – the institutions of rule - must be considered to be legitimate by the people who live in and under it; and, third, the state must have the infrastructural capacity for its writ to run the length and breadth of the country. Few of the least developed countries qualify with respect to most of these characteristics even before questions of accountability and responsiveness (essentially the democratic elements of the definition) come into the picture. It is hardly surprising that almost all are the ones in which poverty is the defining feature.

Yet external pressures – through aid conditions, international rules and diplomatic influence – seek to enforce democratic processes where both the institutional rules which define the democratic game are not established, agreed or applied; and where the players – especially the political parties and many other organizations and interests within civil

society - are often not fully aware of how the game is to be played. Trying to develop democratic politics where the institutions of rule, governance and the state are insecure or uncertain is 'democratising backwards' (Rose and Shin 2001). For in all other cases of successful democratization, the process has occurred in states which have already been solidly established, even if in the process of democratization there have been important transformations in the character of the state. The prior existence - and longevity - of a state appears generally to have been a significant condition for such democratization.

9. Conclusions: What is to be done?

The need for effective states as the necessary precondition for integrated growth, poverty reduction and inclusive welfare regime strategies requires donors and international agencies to move into entirely uncharted but critical areas of activity – investing in the political process. There is some evidence that donors are beginning to think their way into this difficult but important area (Unsworth 2007) but there is much research and exploration to be undertaken. The underlying hypothesis and principle is simple: effective states cannot be built by top-down institutional mono-cropping (Evans 2004). Indeed, much of the work on institution building in the 1990s was simplistic in its managerial and technicist assumptions that effective states could be built by top-down 'organizational overhaul and financial support to procure the requisite technical advice, training and hardware' (Levy 2004: 11). We know from the rich historical studies that *modern* states are not built from above, but from below, by political processes, either through (i) the interaction of social, political and economic interests and groups in society with older *ancient* and established regimes; or, with greater difficulty and much slower (ii) where there is no tradition of state or central authority longevity (as in much of sub-Saharan Africa) such interests negotiate, struggle and agree on the rules of rule, the institutional foundations of the modern state (Tilly 1992; Ertman 1997; Bates 2001). The fewer and the shallower the cleavages between them (whether regional, ethnic, economic, cultural or religious) the easier that task may be; and the greater the perceived incentives for collective action by more or most of the interests, the quicker the task may be. But whatever the context, and however difficult it may be, the critical need is for enough groups and interests to recognize a common or 'encompassing' interest and the long-term advantages of cooperation and hence the need for hammering out rules that will institutionalize such cooperation and therefore provide the *sine qua non* condition for economic growth to advance. Exploring the variety of equally legitimate forms which such institutional arrangements may take is a key task of engagement with the players

Investing in the political processes which may commence that process – or consolidate and secure it where it is under way – requires first that we understand in intimate analytical detail the political dynamics which work through the formal and informal institutional arrangements which constitute the current political status quo. There are already provisional analytical frameworks for doing so – such as the Drivers of Change, Politics of Development, Country Governance Analyses and Political Profiles of the United Kingdom's Department for International development and the European Union. Deepening and refining them is an important research task. Deploying these explanatory frameworks for the analysis of individual countries will help to identify not only the

political dynamics and overlapping rules of the game, but will also help to identify and understand the interests and groups, elites (and their followers) who constitute the players of the game. These will include incumbent or challenging political elites; legislators, executives and gatekeepers to power; ‘traditional’ leaderships with strong residual authority, support and following (for instance the Swazi royal family); ethnic, urban, or regional associations; formal and informal organizations of professionals, businesses (sectoral or federated), farmers or workers and also the civil society organizations and NGOs that abound in developing societies, albeit often in transient manner. Detailed and painstaking analytical work, drawing on the insights of national researchers and insiders in each country is required for a real understanding of these dynamics and the interactions of the players.

Once better understood, donors need to think about how next to engage with such groups and what resources and expertise from within developed countries might be deployed to interact with them. For these are the building blocks, the players, who will need to make the rules and institutional agreements that will constitute the foundations of effective states. For example, where business associations, political parties or trades unions are split on the basis of ethnic, religious and regional fissures, how can donors help them to consolidate and co-operate? How can they be helped to define and recognize the ‘encompassing interests’ (Olson 1993) that will ensure that all can be better off in the long run? What incentives can be deployed, what experiences (from other countries, perhaps) can be demonstrated, what interactions and discussions can be facilitated that will strengthen if not create more effective players? How can ‘*common interests*’ (but not collusive rent-seeking) or ‘synergy’ (Lange and Rueschemeyer 2005: 240) be forged in support of growth and social justice between the public and the private sectors, and within each? How can political parties and other activist forces which are currently structured around patronage, ethnic or regional bases be helped to transform into issue-or-interest-based and inclusive parties disposing of more effective power? How can the dispersed, often disaggregated and therefore weak effective political demand for better service delivery – whether it be water or schooling or rural roads - be consolidated and aggregated into movements that are strong and effective? Within developed, transitional and newly industrialized economics are many experiences which are illustrative and telling. Those who have been part of them have important and indicative stories to tell, examples to use and encouragement to give. The role of leadership – understood as a process rather than a property – and how leaders of different sectors and elites can work to form growth and developmental coalitions – will be no small part of this.

Investing in the strengthening and interaction of the players will contribute directly to help them shape and consolidate, from within, the institutions of rule and governance appropriate to their circumstances, which will make growth and poverty reduction a reality.

There are of course many obstacles – some petty, some substantial. Turf and bureaucratic competition between agencies within donor governments (for example between aid agencies and ministries of foreign affairs) is one of the more shameful ones. Respect for the sovereignty of developing polities has been another, but this has seldom stopped

international agencies from imposing economic and political conditions. The inevitable resistance from entrenched interests within developing countries – for whom institutional may reduce or limit their incumbency and power – is another.

The research and action-research agenda is lengthy. But without recognizing the primacy of politics in establishing and maintaining the institutional structure of the effective state, we will continue to skirt round and avoid engagement with the essential political dynamics which shape developmental outcomes and poverty reduction. Investment in research, interaction with, and help to inform the political processes that will create or strengthen the institutional rules that underpin effective states for pro-poor growth must be the critical next stage in the fight against poverty, as other work goes on. And if, in the process, substantive rather than cosmetic democratic processes can be encouraged, then it is not yet out of the question that economic growth and democracy can combine again to establish the social democracies in developing countries which they were able to establish for at least some developed ones.

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