

State Capacity for Development

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Outline

- Introduction: questions, argument, caveats
- State effectiveness and economic growth
- State effectiveness and human development
- Conclusion

Introduction: Questions

If one accepts the proposition that effective states are essential for promoting broad-based development, a number of complex and poorly understood questions follow:

- what are the determinants of state effectiveness?
- why states are more effective in some parts of the developing world than in others ?
- and what deliberate strategies might help improve state capacity to promote development?

Introduction: Argument

- **General:** Both politics and bureaucracy matter for state effectiveness.
- **Specific I:** States allied with business and staffed by competent technocrats are associated with success at growth promotion
- **Specific II:** Success at redistribution is associated with states with a broad social base and organizational capacity to reach deep down in society.
- **Specific III:** Growth and redistribution are difficult to reconcile because social democratic coalitions are difficult to institutionalize and because bureaucratic capacities that are both extensive and intensive are hard to build.

Introduction: Caveats

- State versus market pendulum
- Too technocratic versus too encompassing
- Levels of analysis
- Mode of analysis: building inductively from cases (Korea, Brazil, India and Nigeria for growth and China, India and Brazil for distributive issues)

State effectiveness and economic growth

- The case for states matter: quick check
- Determinants of bureaucratic effectiveness: some quick check on UN 'theories'
- Determinants of bureaucratic effectiveness, building from cases (Korea; Nigeria; India; Brazil):
 - (i) politics and bureaucracy
 - (ii) the case for career civil service, with an accent on hierarchy and discipline
 - (iii) the case for pockets of excellence

Table 1: Quality of Bureaucracy in Select Developing Countries*

<u>High</u>		<u>Medium</u>		<u>Low</u>	
<u>Country</u>	<u>Quality Score</u>	<u>Country</u>	<u>Quality Score</u>	<u>Country</u>	<u>Quality Score</u>
Hong Kong	11.0	Brazil	7.6	Argentina	3.8
India	10.0	Chile	5.0	Republic Dominican	2.0
Korea	13.0	Colombia	8.5	Ecuador	4.0
Malaysia	10.5	Costa Rica	9.0	Guatemala	3.0
Pakistan	11.0	Côte d'Ivoire	8.0	Haiti	4.0
Singapore	13.5	Egypt	7.8	Kenya	1.0
Taiwan	12.0	Mexico	8.5	Nigeria	3.0
		Morocco	7.0	Syria	3.8
		Peru	5.0	Zaire(Congo)	4.0
		Philippines	6.0		
		Sri Lanka	8.0		
		Thailand	8.0		
		Tunisia	9.0		
		Turkey	7.0		
		Uruguay	4.5		

Figure 1: State Effectiveness and Economic Growth

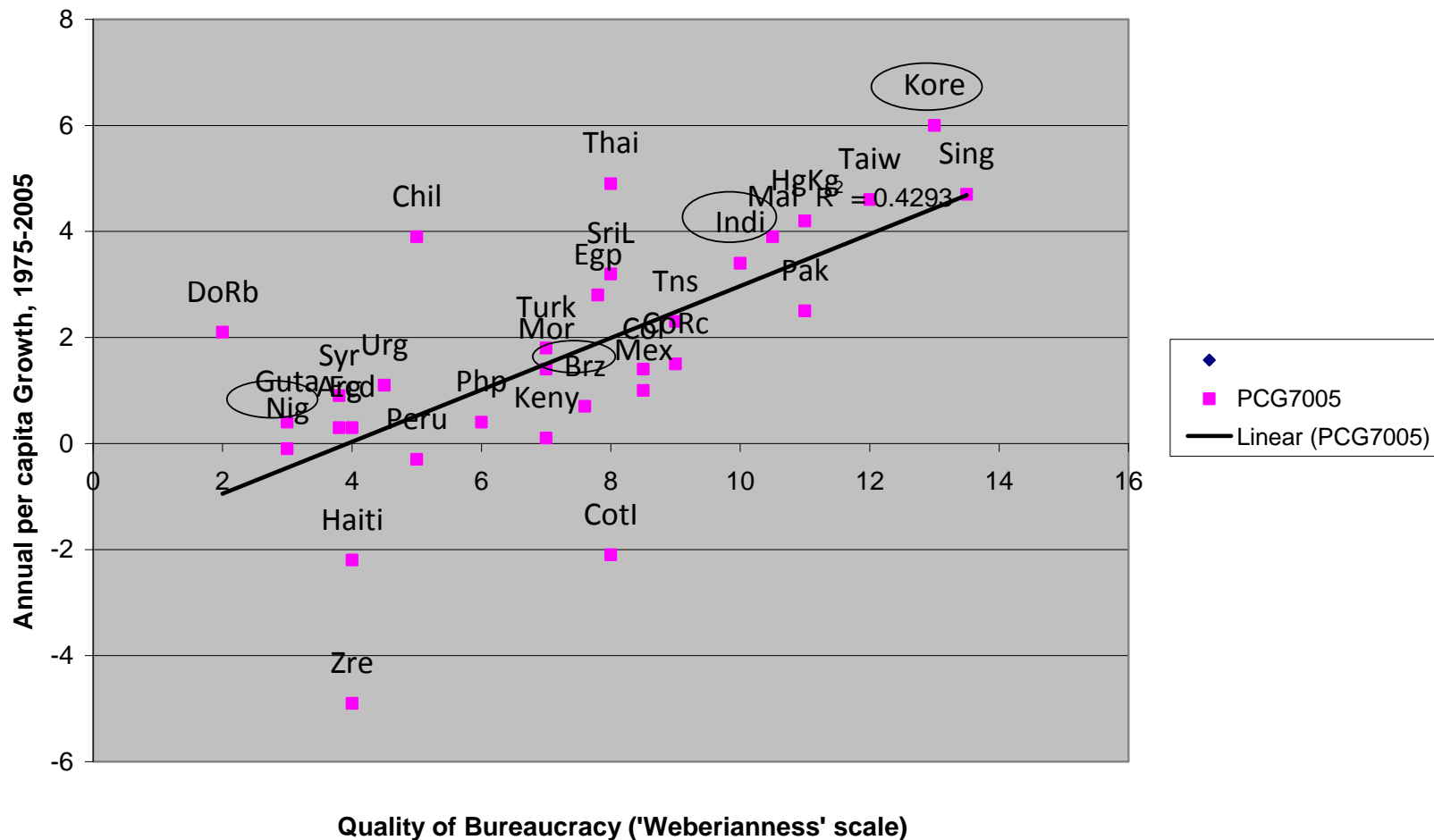


Figure 2: Level of Development and Quality of Bureaucracy

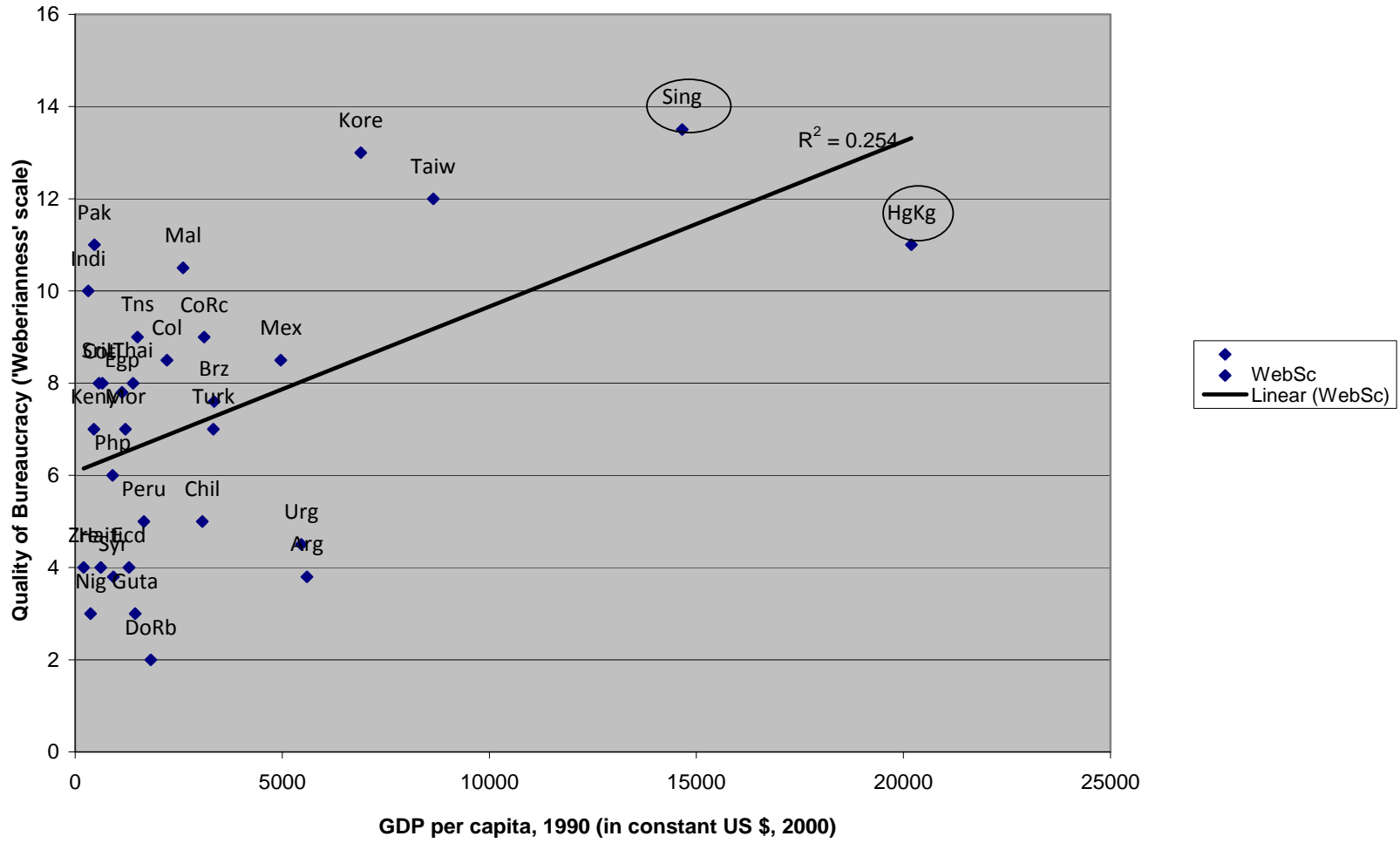


Figure 3: Higher Education and Quality of Bureaucracy

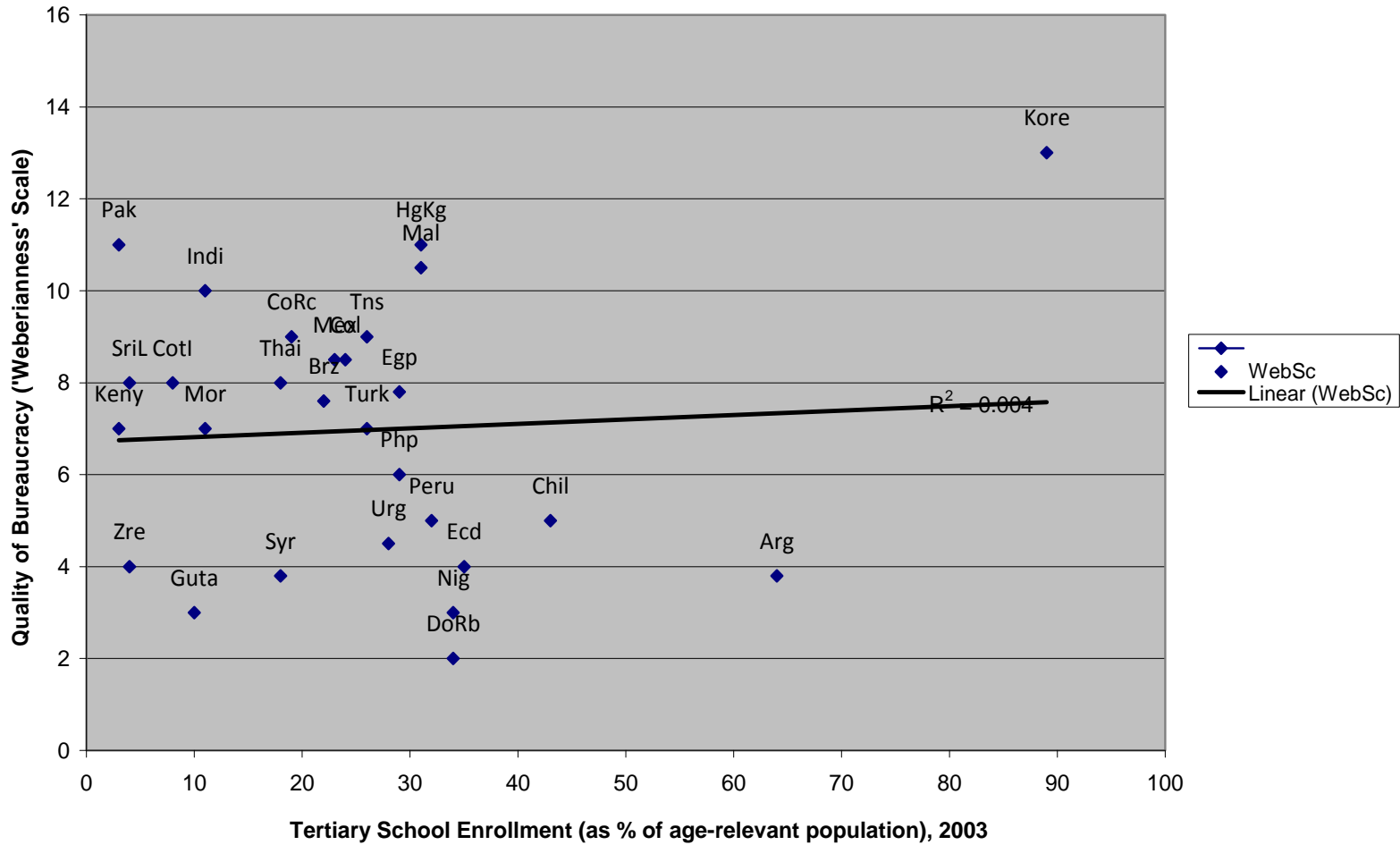
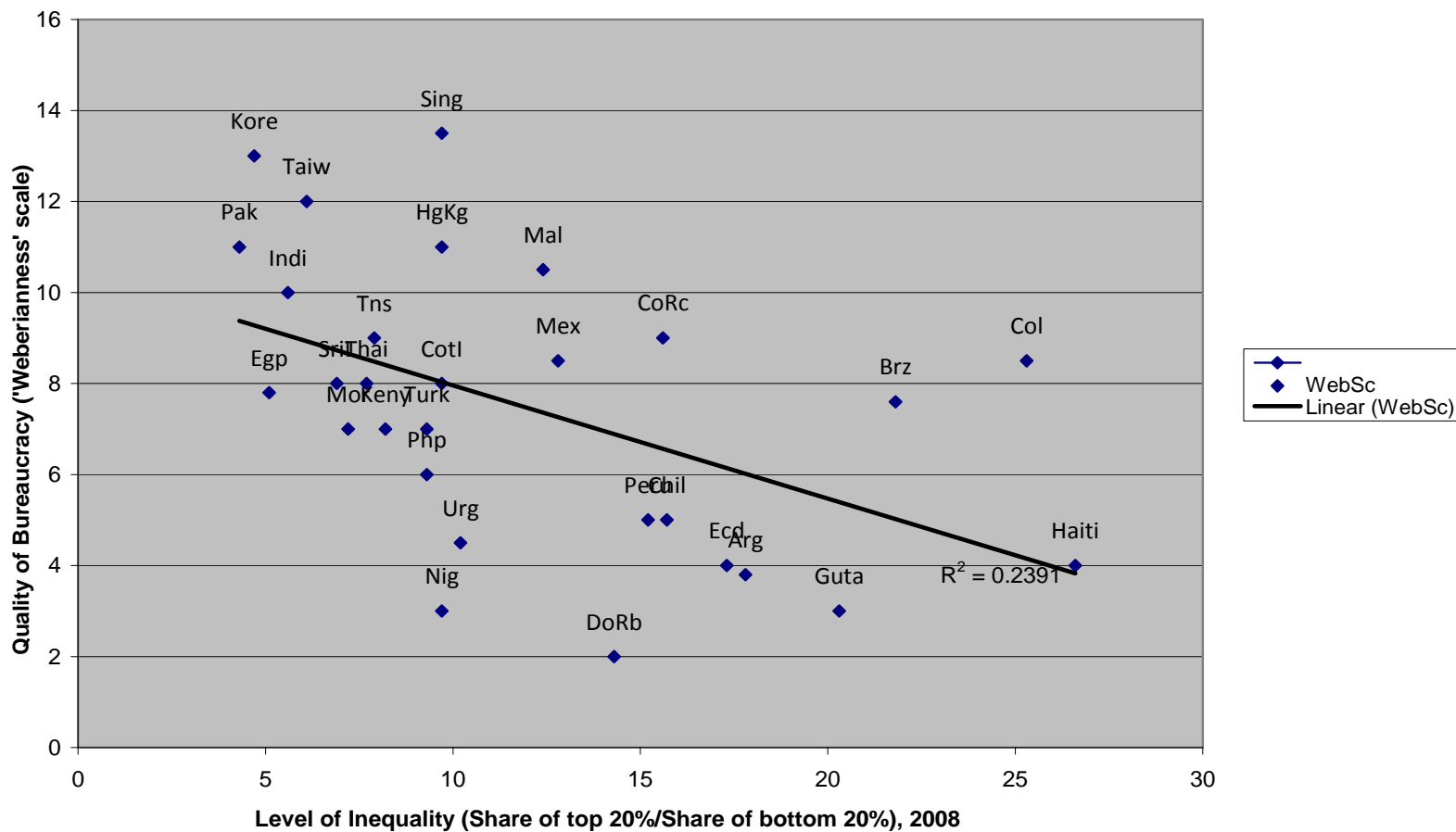


Figure 4: Inequality and Quality of Bureaucracy



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Korea

- Case of economic success with a developmental state; an activist state and large business groups allied for growth.
- The roots of an effective state lie deep in the past, especially Japanese colonial past.
- The colonial Korean state came to follow the lines of the Japanese imperial service: publically oriented; rational; bound by rules and regulations; hard working; and trusted.
- Sovereign South Korea inherited this bureaucracy, maintained it and built on it.
- Park Chung Hee expanded this civil service along Japanese lines and added army officers to it; the common theme was discipline, goal implementation by those well socialized into hierarchies and command-obedience behavior.

Nigeria

- A case of economic failure within the context of a patrimonial state; blurring of the private and the public.
- Roots lie in the past: traditions of statelessness; British ran it on the cheap (minimal goals); indirect rule; failure to centralize authority and to create an effective civil service; prevalence of patrimonial and localized pattern of rule.
- At independence, poorly constructed state; got more politicized rapidly; oil revenues fueled rapid growth of the state, bringing in bureaucrats with low education and low professionalism; same with the army; sectional and personal interests squeezed out any concern for the public good.

India

- A mixed case of economic growth in the context of mixed state capacity, with a meritocratic and professional higher bureaucracy but an incompetent and personalistic lower level bureaucracy.
- Core elements of the modern state (army, civil service, judiciary) built on a colonial foundation laid down by the British (earlier time period; mercantilist; global imperial motives). Lower level state, however, remained in the hands of local strongmen; personalistic; not professional.
- India's independent rulers maintained and built on this state. Political goals from 1950-80 were diverse and there were many modest achievements. Since 1980, growth has been a priority; an active state working closely with business has generated high rates of growth. Incompetent local bureaucracy, however, contributes to numerous failures.

Brazil

- Also a mixed economic case, though of booms and busts, often in response to global conditions. State' role also important; actively promoting national development with the help of a competent, technocratic apex but also quite patrimonial with a limited downward reach, incapable of mobilizing domestic resources.
- Though colonialism is a distant history, roots of a mixed state lie deep in the past. Core characteristic: a two track state, with a professional and competent track at the center and in some states (Sao Paulo) but also a second track of nepotism, inefficiency and corruption elsewhere. This was so in the 'old republic,' under Vargas and during military rule. Roots of this continuity are political: inability of authority to penetrate downwards, below the power of landowning oligarchy.
- Lacking a professional civil service, Brazil has depended on a model of creating 'pockets of excellence' within the state who have often managed the economy well. Factors contributing to the success of such a model: well educated technocrats; committed leaders; high status and salaries within the state; stable reference groups of elite technocrats who act as a peer group.

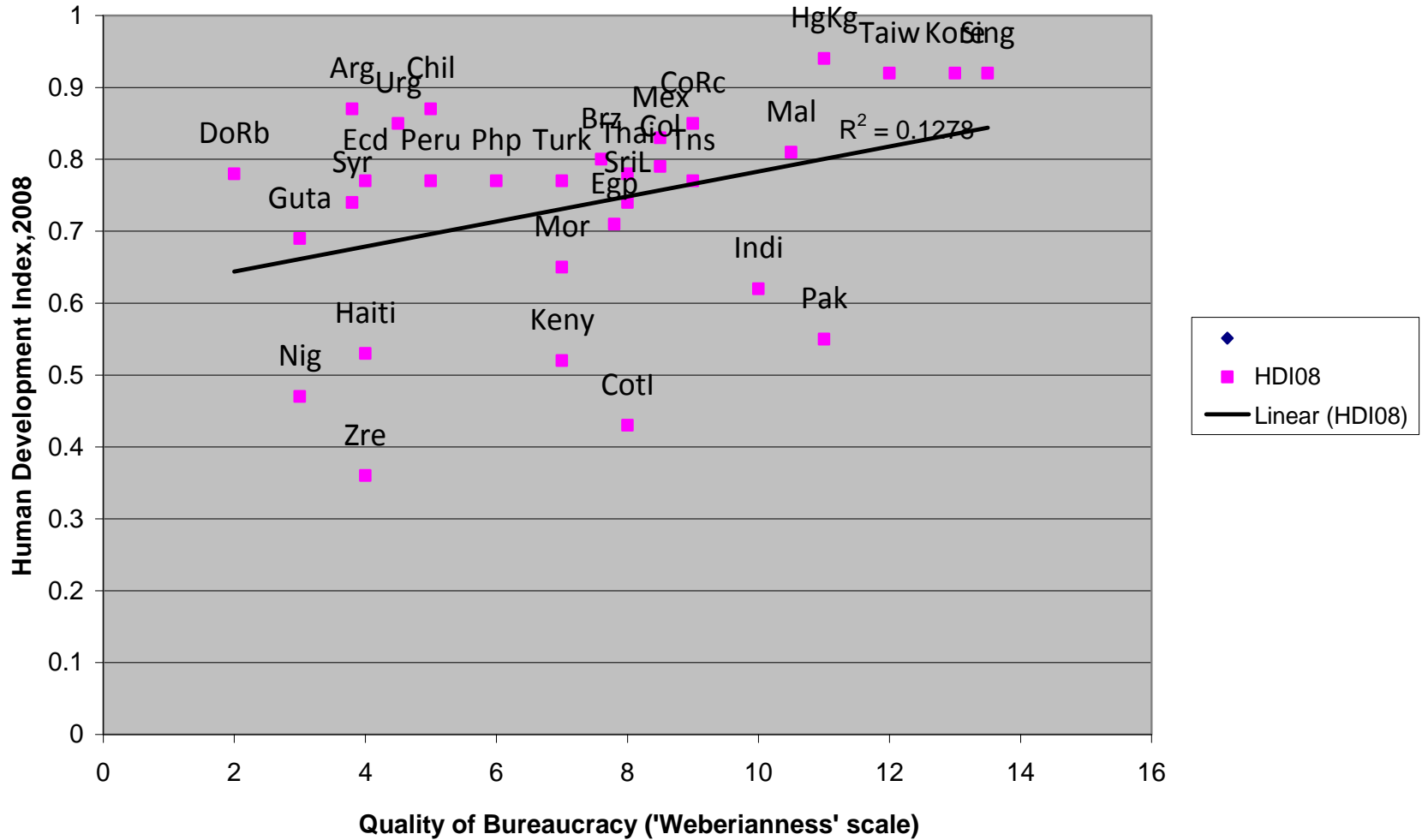
State effectiveness and economic growth

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State effectiveness and human development

- Bureaucratic effectiveness and human development: no relationship
- Asset redistribution, China versus India (state power that is centralized and decentralized)
- Progressive taxation, under researched, South Africa versus Brazil (importance of shared political community)
- Deliberate poverty alleviation, India and Brazil (importance of local bureaucracy)
- Delivering public goods, India, (importance of local bureaucracy)

Figure 5: State Effectiveness and Human Development



Conclusion

- Importance of politics and bureaucracy
- States that are good at growth promotion
- States that are good at facilitating distribution
- Possibility of reconciling growth and distribution

Appendix 1: Data Used in the Study*

Country	Weberian Scale ¹	Economic Growth, GDP per capita ²	Per capita national income ³	Human development Index ⁴	School enrollment tertiary ⁵	Income inequality ⁶
Argentina	3.8	0.3	5593	0.87	64	17.8
Brazil	7.6	0.7	3355	0.8	22	21.8
Chile	5	3.9	3070	0.87	43	15.7
Colombia	8.5	1.4	2214	0.79	24	25.3
Costa Rica	9	1.5	3114	0.85	19	15.6
Côte d'Ivoire	8	-2.1	658	0.43	8	9.7
Dominican Republic	2	2.1	1825	0.78	34	14.3
Ecuador	4	0.3	1298	0.77	35	17.3
Egypt	7.8	2.8	1135	0.71	29	5.1
Guatemala	3	0.4	1447	0.69	10	20.3
Haiti	4	-2.2	618	0.53	--	26.6
Hong Kong	11	4.2	20,188	0.94	31	9.7
India	10	3.4	318	0.62	11	5.6
Kenya	7	0.1	450	0.52	3	8.2
Korea	13	6	6895	0.92	89	4.7
Malaysia	10.5	3.9	26.08	0.81	31	12.4
Mexico	8.5	1	4966	0.83	23	12.8
Morocco	7	1.4	1213	0.65	11	7.2
Nigeria	3	-0.1	370	0.47	34	9.7
Pakistan	11	2.5	465	0.55	3	4.3
Peru	5	-0.3	1657	0.77	32	15.2
Philippines	6	0.4	901	0.77	29	9.3
Singapore	13.5	4.7	14658	0.92	--	9.7
Sri Lanka	8	3.2	574	0.74	4	6.9
Syria	3.8	0.9	925	0.74	18	--
Taiwan	12	4.6	8644	0.92	--	6.1
Thailand	8	4.9	1400	0.78	18	7.7
Tunisia	9	2.3	1501	0.77	26	7.9
Turkey	7	1.8	3336	0.77	26	9.3
Uruguay	4.5	1.1	5458	0.85	28	10.2
Zaire (Congo, DR)	4	-4.9	202	0.36	4	--

Figure 6: State Effectiveness (WB) and Economic Growth

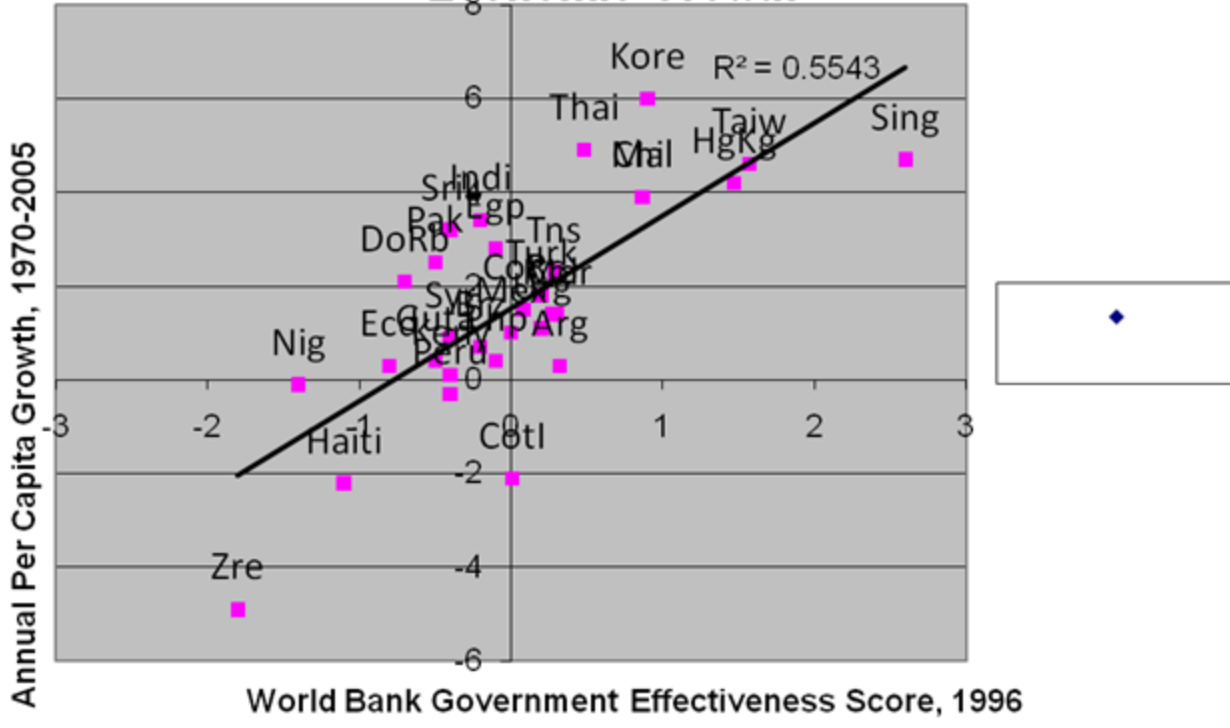


Figure 7: Level of Development and State Effectiveness (WB), 1990s

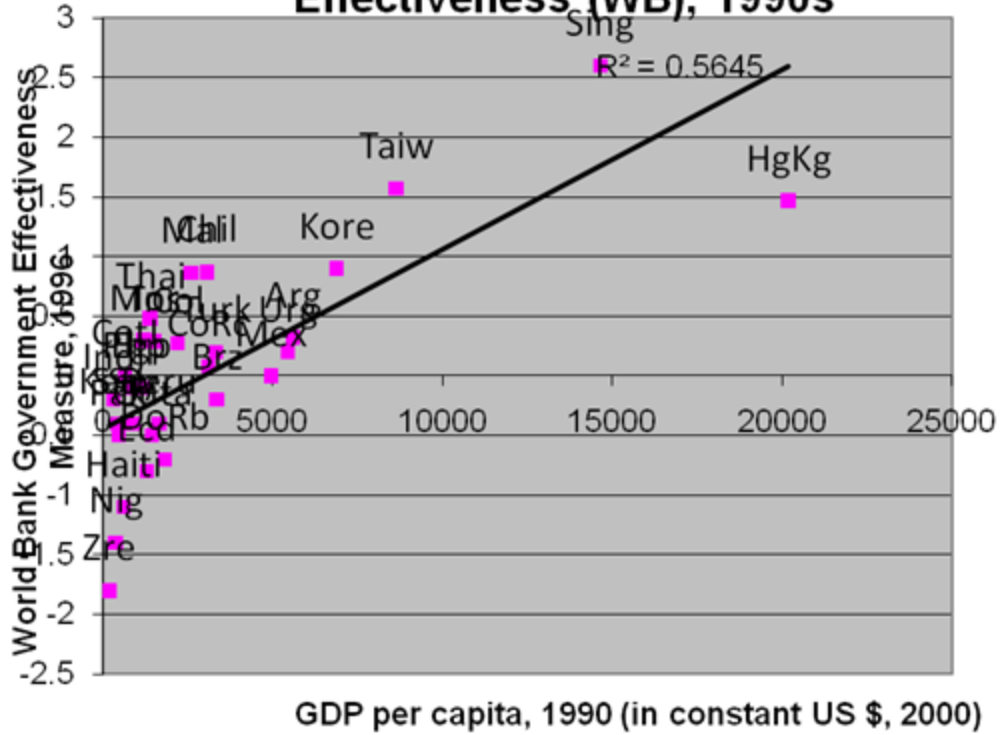


Figure 8: Higher Education and State Effectiveness (WB)

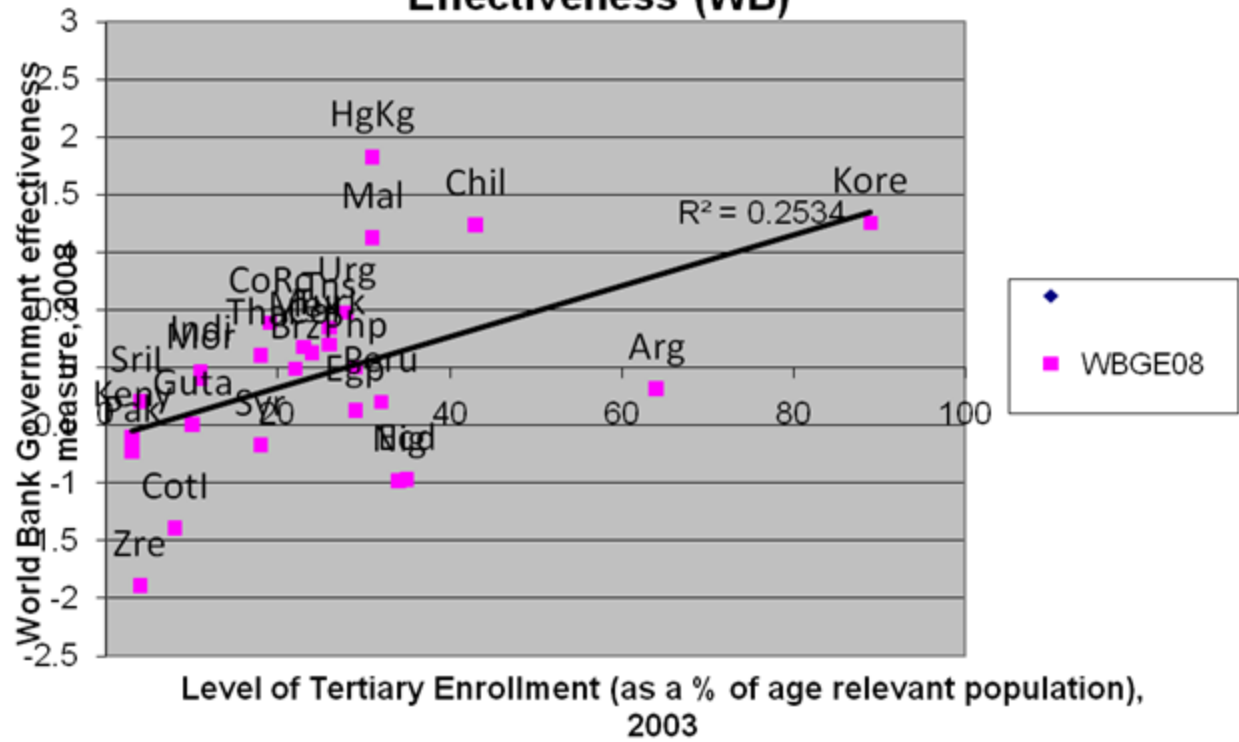


Figure 9: Income Inequality and Government Effectiveness (WB)

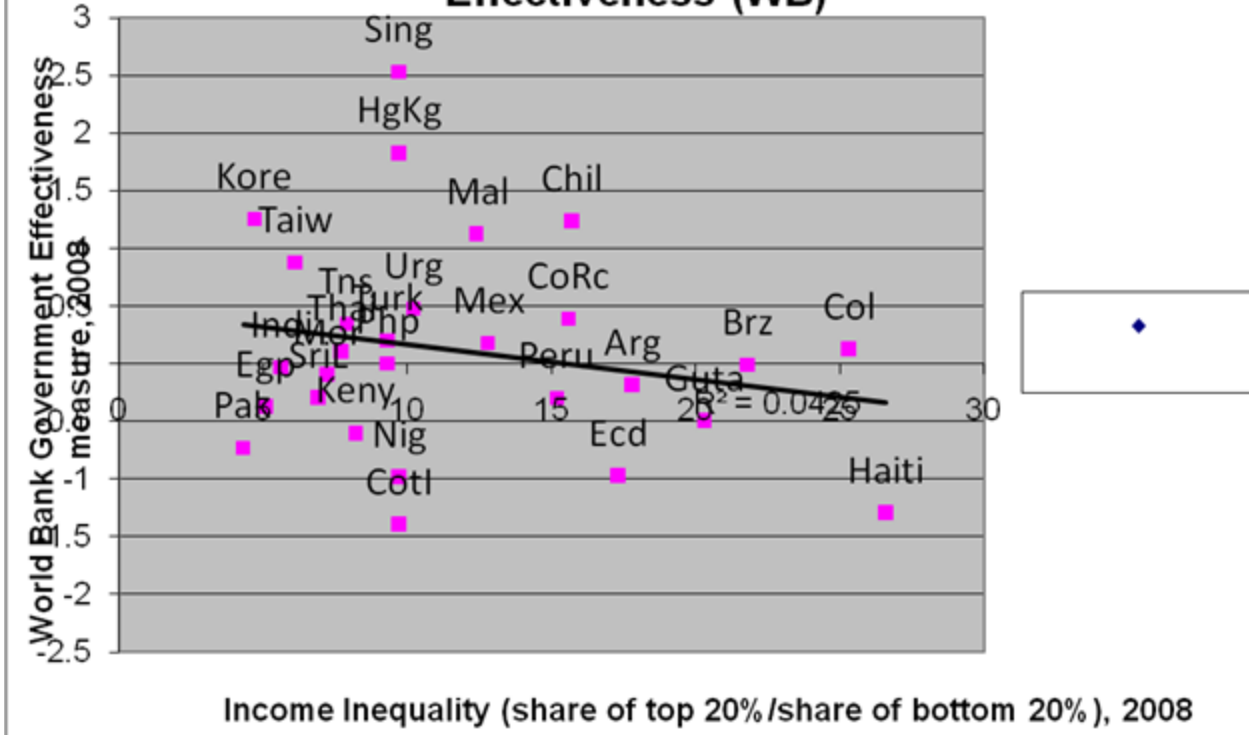


Figure 10: Government Effectiveness and Human Development

