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Development Theory and the Crisis of the State¹

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As the world economy is heading towards the next millennium the contradictions which will have to be resolved are being accentuated by the crisis of development theory. Much of the focus of mainstream as well as more general discourse on development has a tendency to ignore externalities and their impact on changes in domestic contexts.

The complete integration of all economies in the capitalist system would even under the best of circumstances be full of pitfalls and challenges. Given the fact that, the international economy is in a limbo characterized by disfunctions on various levels, all capitalist economies (developing or developed) will have difficulties in emulating viable socio-economic models.

There is a global search for a renovated social structure of (capital) accumulation (SSA). The era of capitalist growth which was experienced first by the Western countries and then by East Asia is no longer available. But history has not come to a close. On the contrary the dogmatic libertarianism which has been the substance of "carpet-bagging" in the emerging capitalist economies of Eastern Europe is also what we observe right now in East Asia and it would be surprising if this is not also the case in the Arctic?

The policy recommendations by mainstream economists tend to mask the turning point at which the world finds itself. "Economics in command" as an inescapable constraint while neoliberal "economism" thinking considers the solution to social crisis is loosing terrain and becoming outdated. The late 1990s is approaching a period where "politics in command" will again be placed on the agenda, and competitive austerity is increasingly becoming part of the international pressure.

The discussion of states, markets and development should not hide the fact that capitalism itself (originally as well as presently) is the result of politics. At present neoliberalism by attacking the role of the state is actually weakening the instrument for the "proper" functioning of capitalism.

Economics and Management has become the Marxism-Leninism of our society - the official ideological expression of how the West works and why it "won" the Cold War. While Fukuyama,

¹ Keynote Address "The Uses and Misuses of Development Theory" to the Seventh Nordic Arctic Research Forum Symposium 9-11 January 1998, Slettestrand, Denmark (Slightly revised version in Autumn 1998).

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one of the saints of the neoliberal Right, talks about 'the end of history' and the final victory of the 'universal homogenous state', defined as 'liberal democracy in the political sphere combined with easy access to VCRs and stereos in the economic', his orthodox herdsmen in the transnational institutions have strongly advocated *shock therapy* as the radical cure against the communist evil.³ In striking contrast to the ideology of laissez-fairness the social-democrats still argue that a Keynesian mix of market allocation, social welfare and state intervention is the answer to the free-marketers.

Thus the crisis of development theory is a mirror of the crisis in society and I do think that we even might broaden this perspective and talk about a structural social crisis. But let me start here with a definition of development. Next I will discuss a little bit more in detail what we might term the existing explanations of development theory - the intellectual terrain - and finally I have taken the liberty to propose a new theory which could solve some of the problems we are facing at the moment.

The Meaning of Development

Theoretical perspectives on development have changed in response to the changing historical reality of the development process and of relations between developing and developed countries. There is no doubt that conventionally, every nation, every human being, strives after development. But economic progress is not the only component of development. Ultimately it must encompass more than the material and financial side of people's lives. "Development should therefore be seen as a *multi-dimensional process* involving the reorganization and reorientation of entire economic and social systems. In addition to improvements in incomes and output, it typically involves radical changes in institutional, social and administrative structures, as well as in popular attitudes and sometimes even in customs and beliefs."⁴ I believe this is true in the Third world as well as in the Fourth world (or what some term indigenous societies).

Most studies of the development process in capitalist developing societies have relied on three approaches - The neo-liberal, the statist, and the dependency/world system approach. The first view is synonymous with the neoclassical tradition, while the statist approach is sometimes referred to as the 'realist' (i.e. (neo) realist/mercantilist or state-centered) perspective. Although the third line of thought emerged as a critique of the other two approaches its definitional, relational and epistemological theoretical construction has relied on radicalism and a conflictual perspective on social change. In their overall meta-theoretical vision these transhistorical and

³ The reference to Fukuyama is extracted from The Independent, 20 and 21 September, 1991. Quoted from Mary Kaldor, After the Cold War, in Mary Kaldor(ed.), Europe From Below. An East-West Dialogue, Verso, London, 1991, pp.27 and 42fn.2. Also Hersh and Schmidt 1996.

⁴ Michael P. Todaro, Economics for a developing World, Longman, London, 1982, p.87.

grand social traditions differ considerably as the first and the second are Weberian while the latter two are Marxist.⁵ (Furthermore, the "culturalist approach" will be touched upon below).

It is important to stress here that, each theoretical explanation has contributed to our understanding of development in general and political economy in particular, but there is an instant lack of studies in a comparative international political economy perspective. This is why I suggest that we should attempt to fill the gaps in knowledge identified above by investigating the comparative interplay of external and internal factors and how they affect and influence the role of the state as a social formation. This can be done implicitly through an analysis of the "sociology of development" and explicitly through a meta-theoretical construct - The New comparative political economy - which on the one hand intend to relinquish the attention away from an artificial division between state and market and instead focus on social forces and on the other hand whether and how foreign capital in the form of investment, loans and aid, affect state autonomy and capacities. Through a comparative perspective, variation in policies and strategies of industrialization and the concomitant negotiation and bargaining with international systemic ties is accomplished and aims to discover the interventionist and regulative capacities of the state.

The major thrust of new work in comparative political economy is to turn the analysis of state and markets away from the question of whether state decision making is more or less efficient than market allocation in the promotion of development. Instead, it is assumed that increasingly development is likely to be carried out by a combination of state direction and market orientation. The question then becomes how do social and political forces shape the policies that emerge from this combination and how are they in turn shaped by it. The overall objective is to analyze the interaction of national development in developing societies and the world political economy by exploring four salient characteristics: The first attempts is to examine the consequences of international flows for domestic institutions and how they differ in each development trajectory in any developing region. Secondly, it intends to analyze whether the autonomy and capacity to negotiate the external linkages of the states produces positive or negative results. Thirdly, it attempts to explore the positive cum negative characteristics of social and political forces influence on state policy and decision making processes. Finally, it intends to bring geopolitical factors into the analysis.⁶ Following this recent line of thought it is the intention to bridge the gap between market fundamentalists and statist by applying a structural approach and further develop the meta-theoretical concept of the new comparative political economy.

The common experience in late developing countries has revealed of civil societies in

⁵ See the discussion of the relationship between these perspectives in the introduction of Henderson and Appelbaum (1992), and in Schmidt (1993 part I). An indepth review and critique of these approaches is provided below.

⁶ See also Evans and Stephens (1988: 751 and 758-759).

general and classes in particular as weakly organized and where considerations related to the logic of domination very often prevail over the logics of the market as well as of all other institutional spheres (Mouzelis 1994, p.127). It is also my impression that it is the case in many parts of the Arctic region where the consequences of the social changes attendant on evolving capitalism such as increasing material expectations, widening income gaps, rapid urbanization, the breakdown of older mechanisms of social control are apparent.

I shall take my point of departure in what Peter Evans and John Stephens have labelled "the new comparative political economy."⁷ This approach constitute an eclectic methodology and attacks a variety of substantive issues. Political and economic issues cannot be isolated from each other and contrary to classical political economy it is much more sensitive to international factors. At the same time it rejects that external factors *a priori* determine the dynamics of domestic development, thus, developmental paths are historical contingent. There is a strong need for indigenization of development theory based on either Third World nationalism or regionalism and a recognition of the fact that development may follow many diverse paths and polycentric directions. It is precisely the experience of disequilibrium with which political (and social) science and their sub-discipline, development theory, should be concerned.⁸

Therefore the state is as central to the economics of development as it is to politics. Recent work on developing societies has extended Gerschenkron's argument that the degree of state intervention required to promote development increases in proportion to relative backwardness and suggest further that higher levels of state entrepreneurship may have a symbiotic rather than oppositional relation to the development of markets (1962). Critical research on the Arctic might reveal whether this is true or not?

Economic policy-making and planning are some of the most critical responsibilities of governments. The institutional capacity both to develop and effectively implement economic strategies suited to rapid shifts in domestic and global circumstances is seen to be one of the defining features of the successful state.

Thus economic rationality cannot be separated from political rationality in emerging economies (Evans and Stephens 1988/1989, pp.724-725), but also Neil Smelser's important point is worth taking into consideration: "Any sociological theory rests on definite epistemological foundations" (1968, p.57). Better intellectual tools are in need not only to cope with more complex questions, but to direct us towards different questions. Our understanding of the nature of the social production of knowledge needs to be enhanced. Knowledge, in the form of critical theory (here simply a set of propositions which explains the world), is never free from value. As

⁷ Gradually a new body of studies building on a variety of schools of thought has emerged during the past decades. For this and the following see Evans and Stephens (1988/89, pp.713-745).

⁸ See also Johnson and Keehn (1994, p.19).

Robert Cox puts it: "Theory is always *for* someone and *for* some purpose. All theories have a perspective... There is ... no such thing as theory in itself, divorced from a standpoint in time and space" (1981, p.128 *emphasis in original*).

There is a long and well established field of research explaining the political economic determinants behind an understanding of the role of the state and patterns of economic policy-making in Japan and the Newly Industrialized Countries (NICs), and the interplay of internal and external factors decisive towards economic growth and welfare.

But as mentioned above, there is a lack of perspectives focusing on the issues from a societal perspective and especially there is a need in development theory for trans-disciplinary undertakings trying to cross subjects and academic fields.

An Alternative Theory

The objective here is to suggest that research must try to explain economic development strategies in the Arctic in a period of extensive social and economic change, and in particular test whether these development strategies have largely been state-led and are comparable with the development experiences of - their originating Master countries - (you probably don't like the word colonial powers in this context, but what I mean is that for instance a comparison between Greenland and Denmark is appropriate) - or whether these states remain vulnerable dependent on factors largely beyond their control - for instance capital, technology transfer, original equipment manufacture and in general decisions taken outside the sphere of influence of domestic policy makers.

The focus on the interlinkage between international and domestic actors and institutions represents an effort to identify and to interpret those neglected comparative political economy dimensions of economic policy-making which existing theories either have underemphasized or discarded as unimportant. However most theorizing neglect the comprehensiveness and the interlinkages between internal and external factors when it comes to a sufficient explanation of why some states succeed in the long run and others fail in their developmental paths.

A study of economic policy-making ought to consider at least three separate aspects of the whole: The role of classes, states, and the international system. However before presenting the general framework for this kind of theorizing it is necessary to reflect on the overall role of subjectivity and objectivity in social science research and methodology in general and specifically explain the epistemological considerations for a concept of **social change**. Otherwise it is not possible to enter the field of research without sufficient explanations of the general concepts and definitions and the level of theorizing, especially by focusing on the way the method for stating the problem and its related hypotheses has been applied.

Here it is enough to agree with the words of Smelser: "Social change is best analyzed as

a complicated sequence of different kinds of equilibrium processes; whether one type or another predominates depends on the phase in the social-change sequence under consideration and on the interaction of variables in each phase" (Smelser 1968: 268) One set of theories which comes very close to this kind of thinking is the dependency tradition.

Regarding the role of classes in social change, Fernando Henrique Cardoso and Enzo Faletto have pointed out that the pattern 'from traditional to modern' was a reincarnation of the German sociologist Tönnies's old dichotomy of *Gemeinschaft* and *Gesellschaft*. They raised two objections to this: firstly, neither concept is broad enough to cover all existing social institutions, nor is it specific enough to distinguish the structures that determine the life-styles of various societies. Secondly, these concepts do not show how various stages of economic development are linked to the various types of social structure characterized as either 'traditional' or 'modern'. "With this kind of characterization it continues to be impossible to explain the transition from one society to another. In fact, change in social structures, far from being only a cumulative process of incorporating new 'variables', involves a series of relations among social groups, forces, and classes, through which some of them try to impose their domination over society" (Cardoso and Faletto 1979: 10). What they called the *historical-structural* method is the alternative to the prevailing, schematic and mechanical analysis: "For us it is necessary to recognize from the beginning that social structures are the product of man's collective behaviour. Therefore, although enduring, social structures can be, and in fact are, continuously transformed by social movements. Consequently, the approach applied here is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles. Thus our methodology is historical-structural."

The importance of this meta-theoretical approach is that it opens up for a **historically contingent** study of economic policy-making in any developing society. According to the *historical-structural method*, it also considers class as the first aspect of social structure that needs to be studied. As mentioned above, the second crucial aspect of society is the state and the third element, which has usually been left out of modernization theories of social change is the international or world-wide context in which societies exist and change, because this, along with internal factors, has an enormous influence on the direction and nature of change.⁹

This approach opens for an analysis of the sociopolitical aspects of dependency by focusing on the conditions of the decision making process in the state. It enables and broadens the perspective to explain why a change of economic conditions will benefit some countries but not others. The way in which a dependent economy is linked to the world market is crucial; the linkage as well as the local response might vary. Thus, the dependency situation constitutes a

⁹ See also Chirot (1986: 3-4).

historically changing pattern, the complexity of which precludes all general laws of development - particularly those claiming that all countries go through certain predetermined stages of development.

Thus I suggest to apply an integrated **comparative political economy** perspective to unveil and explain the factors behind the shaping of economic policies in the Arctic.

So the question is how and why do development strategies and economic policies change? I propose that different mechanisms in the international system have delayed capital accumulation in the Arctic. Although these economies are dubbed middle- or high-income countries in multilateral language they expose at the same time a number of important problems which cannot be solved overnight. These problems are related to the uneven and dependent nature of development policy and the kind of capitalist model these societies have evolved into.

The Intellectual Terrain

In the beginning of this presentation I referred to three theoretical visions which explain development in general. In this part of my presentation it is the intention to revise the arguments of these analytical perceptions - the neoliberal, the statist and the dependency/world system perspectives about the state's role in industrialization and the effects of the international linkages to the autonomy and capacity of the state's economic policy-making. Furthermore I will include a critical revision of the culturalist explanation because this approach seemingly has a great appeal to some scholars of the Arctic.

According to Alice Amsden, the first task toward understanding how backward' countries in the twentieth century eventually expanded is to ask how they fell behind relative to the industrialized world in the first place. The development process is enormously complex, but one can say as a first approximation that 1) the onset of economic expansion has tended to be delayed by weakness in a state's ability to act and 2) if and when industrialization has accelerated, it has done so at the initiative of a strengthened state authority (1989).

The reasons why some countries in the twentieth century have found themselves behind others in income and wealth can be grouped tentatively into four categories: natural resource endowment, population, market forces, and institutional factors. The natural resource explanation for backwardness can be dismissed out of hand. The association between resource endowment and per capita income is visibly weak. The attribution of underdevelopment to excess population is now also pretty well discredited. Population explosions are currently believed not to have led to failure to industrialize but rather to have emerged as a consequence of such failure.

Amsden suggests that one must distinguish between the market and the market *mechanism*. The former refers to the means to satisfy supply and demand. The latter refers to rules for allocating resources. All industrializations have made use of the market. However, defiance of

the market mechanism does not explain why late industrializers delayed so long in starting to expand, nor can adherence explain why they eventually succeeded in growing" (Amsden 1989: 11). Therefore it is obvious that "industrialization was late in coming to 'backward' countries because they were too weak to mobilize forces to inaugurate economic development and to fend off a wave of foreign aggression begun in the second half of the nineteenth century. Their weakness, moreover, arose from internal social conflict -ethnic, racial, regional, or class. Such conflict precluded arrogating enough power to a central authority to prevent foreign intervention, invasion, or the catastrophic loss of statehood altogether" (1989: 12).

This is why it has important real-life consequences which theory, strategy and model of development we are dealing with.

The Neoclassical Perspective

The almost universal neoclassical belief and its subsets, the neoliberal approach and Public choice theory is that the key to development lies in the efficient allocation of resources within the framework of free competitive markets.

The major problem according to the neoliberal perspective and public choice theory is the state which is much more prone to failure than the market. They are undoubtedly influenced by the ability of neo-classical economics to demonstrate that Pareto efficiency can be achieved in some market settings. However, such a view may neglect the institutional structure of markets themselves. Like public agencies, markets exist only within a certain organizational framework, and variation in that framework can profoundly affect their operation. Some studies recognize that barriers to entry, information and transaction costs, internal labor markets, oligopolist positions, and the like can affect market operation. But many other facets of institutional setting can influence the behaviour of market actors (Hall 1986: 11-12).

According to the neoclassical view, the essential economic functions of government are to:

1. maintain macroeconomic stability
2. provide physical infrastructure, especially that which has high fixed costs in relation to variable costs, such as harbors, railways, irrigations canals, and sewers
3. supply "public goods," including defence and national security, education, basic research, market information, the legal system, and environmental protection
4. contribute to the development of institutions for improving the markets for labor, finance, technology, etc.
5. offset or eliminate price distortions which arise in cases of demonstrable market failure
6. redistribute income to the poorest in sufficient measure for them to meet basic needs (Wade 1990: 11).

According to Wade, still another variant - the simulated free market explanation - goes beyond the "classical" neoclassical and neoliberal models described above because it acknowledges that significant government intervention effectively offset other distortions arising both from market failures and from other government policies. The essence of this argument is that Korea and Taiwan maintained an effective exchange rate regime that was equally encouraging for exports as for imports. Distortions introduced by protectionist policies favouring import substitution are offset in a simulated market situation by export promotion incentives.

Evaluation

A number of authors have successfully explained that the neoclassical counter-revolution (Toye 1987), rests on rather fragile intellectual foundations. Furthermore most scholars agree that structural change is an essential part of development, but then it is impossible to believe that 'getting prices right', which is the neoclassical prescription, will take us very far. Finally there is no theoretical basis and no historical evidence for concluding that an 'undistorted' price system will lead to a higher level of welfare and growth than one containing various government interventions. According to Haggard contemporary liberals, like their nineteenth-century precursors, tend to ignore the political dimension of the international economy. The fact that asymmetric economic interdependence could generate power relationships between countries did not generally concern them (1988: 11).

The central critique of this view is that the neoclassical framework is not fully consistent; in particular it underrates factors external to individual economies. Essentially it underemphasizes how the foreign resource constraint interacts with other key aggregate variables (mainly the fiscal constraint, investment, and saving) and with economic policy in determining patterns of distribution and growth.

The policy implications are that somehow overcoming internal disruption and searching out plausible export lines are prior conditions for economic viability; not that liberalizing an economy will miraculously "open" it to growth through trade.

In the contexts of industry and finance respectively, the irrelevance of liberalization to growth can be dissected in terms of distinct notions of "allocative" and "productive" efficiency: the latter is by no means assured by putting the former into place. Market and capital stock structures, forms of financial intermediation, resource "endowments" as defined by changing technology and tastes, and the size of the economy, historical fetters from colonialism, access to geopolitically determined capital inflows and penetrable markets etc. affect productive efficiency in ways that the worldview reflected in the neoclassical framework cannot comprehend. Nevertheless, neoclassicism has had a relatively hegemonic position in development theory and also provides the theoretical foundation for modernization theory or what can be termed liberal

developmentalism.

Modernization Theory and the Dependency Critique

In the end of the 1950s, just before decolonization began on a world wide scale, there was a common optimism especially among American development researchers, who brought along a series of new theories based on the notion of comparative history in which American and European (Anglo Saxon) development was used as an ideal and final objective of the evolution of societies in the Third World (Rostow 1960; Almond & Powell 1966). Central to early modernization theory was the notion of a dichotomy between traditional and modern societies, conceptualized in essentially Weberian terms. Traditional societies were defined as being pre-state, pre-rational and pre-industrial. Most Third World societies were seen as exhibiting a pattern variable which approximated to the traditional ideal type. Liberal developmentalism can be called growth and modernization theory,¹⁰ because most studies dealt with political development in the context of economic growth and ensuing modernization. These liberal developmentalist applications have been criticized as biased and reflecting an ethnocentric reliance on the Western model. As Packenham has pointed out, this social and cultural orthodoxy was based on four central tenets: change and development are easy! all good things, such as economic growth and democracy, go together, radicalism and revolution are bad; and distributing power (pluralism) is more important than centralizing power (Packenham 1973 quoted from Higgott, Robinson, Hewison & Rodan 1985).

As for the institutionalization and functional mainstream theorists, political development means political order or stability, and modernization means political institutionalization (Huntington, 1968). Hand in hand with the belief that, the Western model and patterns of development were appropriate and partially irrelevant to the Third World situation, fundamental change in the way of thinking became necessary in the field of comparative politics. Even if we accept the fact that economic growth essentially affects the transformation of traditional political institutions, we cannot say definitely, what political system will replace them. It will be shaped by other factors such as society's cultural underpinning, composition of elites, institutional characteristics, and political environments and influences - internally and externally. As Huntington notes, '(t)he primary problem of politics is the lag in the development of political institutions behind social and economic change' (1968: 5). What he stress is the importance of the capacity of effective government to keep order and stability as the highest political value. For

¹⁰ The idea of "social progress" or "social growth" has enjoyed great vitality in Western thought for several centuries. The ideal of progress occupied a prominent place in the eighteenth-century Enlightenment; reformulated as a principle of evolution, it dominated the theories of most nineteenth-century social thinkers; and in the twentieth century the concept has reappeared under headings such as "economic development" or "modernization" (Smelser 1968: 243).

him, political development is defined as the enhancing of the capacity of political institutions to sustain the continuous transformation necessitated by the challenge of modernization and the demands of expanding participation (Huntington 1968). Huntington's framework sparked a paradigmatic shift in dealing with political development, which involved a rethinking of the role of the state in relation to economy and society culminating with a series of research in the so-called state-centered approach (Tilly 1975; Krasner 1978; Stephan 1978; Trimberger 1978; Evans 1979; Skocpol et al. 1985).

The functional models and systems theory like those proposed by Easton generally explains policies as the performance of functions requisite to the maintenance of a given political and economic system. For instance, it is often suggested that economic policies are pursued in order to ensure the performance of two functions in particular: that of accumulation, understood as the maintenance of conditions for the profitable accumulation of capital, and that of legitimation, understood as the maintenance of social harmony and support for the regime (Hall 1986 229-230).

Evaluation

Barrington Moore Jr. concluded two decades ago that there is not any given route to modernity which must be taken by all countries. Observing variations in the relations between landlords and peasants, he stressed different political changes and historical paths to the modern world from the pre-industrialized period: democracy, communism and fascism (Barrington Moore Jr. 1981). Correspondingly, based partly on Moore's comparative historical approach it is quite obvious that, the crisis of liberal developmentalism came from the historical fact that, most political and socioeconomic conditions of the Third World did not fit into the diagnosis and expectations created by the diffusionist modernization theory. Thus, instead of theorizing the causes of change in developing areas as this structural functional model of political development claims to do, the liberal developmentalist approach based on a rigid blend of Parsonian pattern variables with Eastonian input-output system theory ends up with a tautological study of systemic response to change not the change itself (Easton 1971; Rudebeck 1982; Charoensin O-Larn 1988).

In addition the standard problem of functionalist analysis: the factors linking the system and its associated functions to actual policies remain underspecified; and in their absence, a transitory empirical correlation between the existence of capitalism and planning is hypostasized into a causal connection (Hall 1986: 7).

Dependency Theory/World Systems Analysis

Also in the 1960s new theories appeared with emphasis on the role of external factors in the development process. As a main point of view, those theories claim that the industrialization of the developing countries in the periphery must occur via the construction of an industry capable

to manufacture those capital and consumer goods, which up till now have been bought abroad (import substitution) (Myrdal 1957). As part and consequence of Myrdal's important contribution, a critical Marxist position -the dependency school- turned against the modernization approach appeared, and a vast literature proceeded. It was based on the relationship between international institutions and their relationship with domestic structures. In general terms the dependentistas amalgated the three rays of influence radiating from the international to the national into one all-powerful deterministic ray of influence. Thus, dependency was presented as lack of autonomy for the periphery (Baran 1957; Frank 1967; Emmanuel 1972). However as Paul Baran first tried to turn Marxists' attention from developed countries' class relations to those in the developing countries, so too a small group of researchers sought to refocus dependentistas toward distinction in the political economy of developing countries that, 'would condition different responses to the world capitalist system' (Lim 1982: 27). Often incorrectly grouped within the relatively mechanistic dependency tradition these theorists have been more accurately labelled the 'new dependency' school.¹¹

While not pursuing the world systems level of analysis (Wallerstein 1974, 1979, 1983), this school build on his distinctions among the different peripheral, semi-peripheral and core states, and in particular they focused on Wallerstein's theoretical construct of the semi-periphery, which could be defined conceptually as those developing countries that have undergone more than minimal industrialization and have in the process gained some control over the surplus created. In this view, the 'semi-periphery' would consist of the NICs. Peter Evans took Cardoso and Faletto's structure and built on it a ground-breaking work that analyzed in detail 'the bases for conflict and cooperation among representatives of international capital, owners of local capital, and the top-echelons of the state apparatus' in Brazil (Evans 1979: 4). These three interacted to form a 'triple alliance',¹² cemented through overlapping selfinterests.

Although the dependency and world systems theories operate at the societal level, and both are neo-Marxist in character, they underemphasize the importance of domestic classes and the possible role of each nation's historical contingent path. Evan's et al.'s concern for alliances between sets of institutions did not lead to deep analysis of how factions and élites within each set of developing state institutions interact. In the context of explanations on how the world economy interacts with the uneven structure between strong and weak states, the thesis of the New International Division of Labour (NIDL) suggests another explanation (Fröebel, Heinrich

¹¹ The following scholars might be included in this strand of thought (Peter Evans 1979; Fernando Henrique Cardoso and Enzo Faletto 1979; Hyan-Chin Lim 1982; Grit Permtanjit 1982). However, perhaps it is more appropriate to see their work included in the tradition of Raul Prebisch's structural school.

¹² This is a domestic-international triple alliance, to be distinguished from the domestic triple alliance (Evans 1979: 32).

& Kreye, 1980, 1986). Almost a century after Marx defined the concept of a NIDL, the concept has taken a contemporary definition as a powerful descriptor of the modern transnational economy, where in the Third World is a competitive supplier of manufactured goods and plays a crucial role in the new restructuring of the global economy. Fröbel et al. define the concept of the NIDL in the context of the shifting world market for labour and production sites. According to the authors the preconditions forcing the development of the NIDL include: a world reserve army; a high global capital surplus; advances in transportation and communication technologies; which together make possible 'world market oriented industrialization', that is, a global factory in which a detailed division of labour spans the globe.

The theory of the NIDL is very pessimistic about the consequences for the host nations in the periphery. NIDL creates 'growth without development', inter alia, because there is no solution of the employment problem, there is no transfer of technology, and it doesn't imply any foreign exchange for the host country etc., hence dependency of the periphery increases.

NIDL theory has been roundly criticised on a number of grounds. Inter alia, it overstates the extent and prospects of a general relocation of jobs from developed to developing countries, and by focusing almost exclusively upon the export-led growth of a rather small number of NICs. Likewise, it overestimates the role of TNCs whilst underestimating the extent to which the state, and even indigenous bourgeoisies have played in mobilizing capital in the Third World (Southall 1988; Castells and Tyson, 1989).

This group of explanations see national policies as the product of aspects of the international political economy (i.e. they are determined by a country's position in the sequence of international economic development).

Evaluation

These theoretical approaches have been confronted with serious problems as a process from authoritarian to civilian rule and the establishment of democratic processes have taken place in many countries.

Categories such as "dependent", "peripheral", "comprador" were thrown into question, and a shift into other types of analyses took place. This resulted in a less deterministic approach to political change and the position of the state, and move away from rigid dependency analysis. Nevertheless a number of scholars have taken up the approach again, especially its associated dependent variant by Evans, Cardoso and others.

In short the orthodox dependency approach holds a deterministic outlook that developing countries are unable to solve their deep-rooted developmental problems.

The Statist Perspective

The statist literature provides an answer to these complex issues of the interrelationship between international actors and institutions and especially it is ambiguous on the issue of the relationship between a state's autonomy and its capacity (Crone 1988). However, at the same time as world market theories, whether Marxist or otherwise, clearly underestimates internal factors in general it is certainly also clear that statism appeared especially in academic milieus in the United States and the United Kingdom as reactions to the neoliberal counter-revolution of Ronald Reagan and Margareth Thatcher and their theoretical herdsmen in the Chicago school.

In contrast to the societal perspectives the idea of the modern state is associated with a form of public power constituting the supreme political authority within a certain defined boundary. Although it is possible to divide conceptualizations about the modern state into Weberian and Marxist paradigmatic mainstreams I have chosen here to revise the Weberian perspective and leave the discussion about the Marxist view of the state above under the dependency/world system heading.

In the Weberian tradition, the state is defined in terms of the public authority having the monopoly of use of physical force within a given territory and sovereignty with respect to the outside world. The Weberian approach emphasizes harmony, efficiency, and order in the bureaucratic organization of the state and conceives of the enhancement of the role of the state through the legitimization of its activities.

Against competing pluralist and Marxist models, state-centric theorists argue that policy is not primarily a reaction to pressure from interested social groups. Instead they suggest that the state should be seen as far more autonomous from societal pressure than previously imagined. In their view the state has interests and policy preferences of its own, as well as the capacity to impose these preferences against societal resistance.

The volume "Bringing the State Back In" by Skocpol et al. is a promising enquiry. To fully elaborate it, however, one must move toward a more complete consideration of state-society relations. The capacities of a state to implement a program tend to depend as much on the configuration of society as of the state. However, it is questionable if contemporary states are as autonomous from societal influences as state-centric theories imply (Hall 1986: 17).

Two important scholars have recently revised the statist argument. One is Chalmers Johnson who claim that the state in Japan is based on a model of a 'Capitalist Developmental State,' while Alice Amsden proposes 'the late-industrializing state' theory.

In the words of Chalmers Johnson neo-mercantilism in the Japanese-type-capitalist developmental state has four fundamental structural features: 1) Stable rule by a political-bureaucratic elite that does not accede to political demands that would undermine economic growth or security; 2) cooperation between public and private sectors under the overall guidance

of a pilot planning agency; 3) heavy and continuing investment in education for everyone, combined with policies to ensure the equitable distribution of national income; and 4) a government that understands the need to use and respect methods of intervention based on the price mechanism (Johnson 1982; 1986: 565; 1987).

The other important proponent of the statist view has been Alice Amsden who argues that states in modern history have always intervened to spur economic activity. The state in late industrialization has intervened to address the needs of both savers and investors, and of both exporters and importers, by creating multiple prices. In late-industrializing countries, *the state intervenes with subsidies deliberately to distort relative prices in order to stimulate economic activity*. This has been as true in Korea, Japan, and Taiwan as it has been in Brazil, India and Turkey. In Korea, Japan, and Taiwan, however, the state has exercised discipline over subsidy recipients. *In exchange for subsidies, the state has imposed performance standards on private firms*. Subsidies have not been giveaways, but instead have been dispensed on the principle of reciprocity. With more disciplined firms, subsidies and protection have been lower and more effective than otherwise. Below the level of the state, *the agent of expansion in all late-industrializing countries is the modern industrial enterprise*, a type of enterprise that can be described as large in scale, multidivisional in scope, and administered by hierarchies of salaried managers (Amsden 1989: 8-9).

"Salaried engineers are a key figure in late industrialization because they are the gatekeepers of foreign technology transfers. The protagonist of industrialization has shifted from the entrepreneur in the late eighteenth century, to the corporate manager in the late nineteenth, to the salaried engineer in the late twentieth" (Amsden 1989: 9).

"Late industrializations have exceptionally well-educated work forces by comparison with earlier industrializations. Moreover, the wages of these workers have generally been prevented from rising rapidly by a conspiracy of forces/political repression, an unlimited labor supply at the onset of growth, an absence of international opportunities to migrate, and the significance of a class of skilled crafts-persons, who were organizers of trade unions in earlier periods" (Amsden 1989: 10).

Evaluation

It is frustrating to model builders in 'backward' countries to learn that Korea's success rest heavily on a strong state (one that is capable of implementing its own policies). It is frustrating because countries are 'backward' mostly because their state is weak (Amsden 1989: 147).

The art is to get something done *with* intervention. A strong state is as dysfunctional as a weak one if it uses its power only to enrich itself. What, then, will discipline the state? A disciplined (or developmental) state refers to one that advances capital rather than accumulating

it, or at least does not allow its own enrichment to derail the development effort, as in Korea. The rise of developmentalism, as well as the relationship between it and democracy, eludes easy explanation (unenlightened much by the classical economists who focused on 'rent-seeking' by private business, not the state) (Amsden 1989: 148).

It leaves us with a serious problem. Once societal explanations for the direction of public policy have been rejected, with what kind of explanation are we left? To say that policy is the product of state action, whether in the public interest or not, is hardly an explanation. As in an older style of systems theory, the state looms again as a black box, central to the explanation of political outcomes yet opaque (Hall 1986: 15).

Furthermore, the notion of 'state capacities' adds an explanatory element to state-centric theories. Several theorists argue that a state's choice of policies will be heavily influenced by its existing capacities to carry out a range of policies. Those that require the costly development of new capacities are less likely to be pursued. Alternatively, the success or failure of a policy will depend largely on the institutional resources that the state has available to secure its implementation (Hall 1986: 16).

The statist perspective contributes to development theory by highlighting the decisive role of the developmental state and curiously it is used by East Asian state managers and planners to justify protectionism and intervention in their economies.

One problem with this approach is that it fails to bring in geopolitical factors and regional dynamics to explain the origins of the developmental state. If autonomy and capacity are characteristics of this kind of state, this approach does not in a sufficient way explain where it came from, and why it didn't turn up earlier. Furthermore this approach has a stark tendency to avoid the "dark side" of development such as labor exclusion, violation of human rights, environmental degradation and conflicts with core states.

The Culturalist Perspective

Cultural analyses share the emphasis of public choice theory on the role of individual action, but the way in which they understand the bases of individual motivation sharply differs. Cultural analysts argue that the behaviour of politicians and officials is strongly affected by the political culture into which they have been socialized and in which they operate (Hall 1986: 8).

The cultural perspective relates development policy choices and institutions to certain cultural antecedents that make the reason for such choices easier to understand by focusing on changing values, attitudes, and practices. Therefore, in contrast to the modernization approach, the culturalist perspective avoids treating tradition and modernity as a set of mutually exclusive concepts. They can intermingle and penetrate with one another, and tradition is seen by the culturalists as highly beneficial to development. Therefore with regard to the role of the state and

economic policy-making the contribution of this perspective emphasizes indigenization and isolation from external influence. It means that it is highly nationalistic and if possible avoids contact with other cultural and political impulses on the processes of decision-making.

Evaluation

The most elementary lesson from the literature on late developing societies is that Japanese competition is not a unique, culturally specific phenomenon. There exists a much larger set of countries that include Japan, Korea, India and Brazil, each having similar institutions that have evolved in response to the exigencies of industrializing through learning. These institutions include an interventionist state that deliberately distorts prices to stimulate economic growth, business groups that diversify widely to compete initially at the lower end of many markets, a strategic focus on the shopfloor management, where respected engineers strive to achieve incremental productivity and quality improvements, and a politically and economically weak labor movement (motivated in Korea by high real wages increases) (Amsden 1989: 320).

If functionalist analysts explains too much, cultural analyses often explain too little. That point directly to the need for a more complete investigation of social and political institutions, for it is in the routines and rationalities imposed by a particular complex of institutions that a specific culture is born. The genesis of such institutions, in turn, can be traced to the events of a particular series of historical conjunctures, some contingent, others systematically tied to the distribution of power among social groups (Hall 1986: 9).

The problems within this perspective are many. It fails to examine the specific historical context and the geopolitical conditions and timing through which various forms of cultural institutions emerged (or failed to emerge).

The New Comparative Political Economy and the Sociology of Development

With this critical review in mind and on the background of a sufficient cover of the variables of the institutional and organizational factors - we have to move beyond those approaches to complement and add other relevant theoretical tools and instruments which are suitable for analysis of development. It still remains a problem that very little has in actual fact been written on the process of economic policy formulation and decision-making, and even less on the interplay of national and international forces that affect the process. In the following I want to propose the fifth major challenge to development theory - the New Comparative Political Economy and the sociology of development approach.

Methodologically, comparative political economy analysis is employed with selected slices of the national contingent historical paths as units of comparison throughout the research. This approach examines historical sequences to understand social dynamics and transformation of

cultures and sociopolitical structures. It is distinctively appropriate for developing explanations of macro-historical phenomena of which there are only a few cases.

What is new and what is provoking is the argument that the division in development theory between modernization and dependency theory is claimed to build on an artificial confrontation between two approaches that might complement rather than confront each other.

In fact what is happening is far more complex. Gradually in the course of the conflict, a body of studies have grown up that combine the comparative historical method with certain of the insights of dependency and world-system thinking and even recover some of the hypotheses of the modernization approach in altered form. They have attacked a variety of substantive issues and are **eclectic** in their methodology, but share a number of characteristics that in combination serve to distinguish them from earlier work: 1) political and economic development cannot fruitfully be examined in isolation from each other; 2) sensitivity to international factors (without determination); 3) historical and national contingency; 4) comparative framework (Evans and Stephens 1988/1989: 713-714). These studies do not offer a theoretical paradigm in the strict sense of a set of axiomatic relationships that can be used to generate universalistic predictions of developmental outcomes. They do share some working hypotheses about the likely political and economic consequences of different patterns of interaction between states and classes. They also share common assumptions about what problems are most central to the study of development and what factors should be taken into account in order to understand outcomes in specific cases (Evans & Stephens 1988: 740).

The epistemology of this approach builds to a large degree on such scholars as Gerschenkron (1962), Polanyi (1957), and Barrington Moore (1981). These frameworks share the assumption that the link between economic models and political forms, classes of varying strengths coming together in coalitions and compromises or opposing each other in struggle in given historical contexts, the historical specificity of economic development models due to the historical development of the world economic system, state strength as a variable, and the state as a historical actor are all central themes to varying degrees in these authors contributions.

As mentioned earlier the influence of dependency and world systems theories on the new comparative political economy framework has provided the method of approach suggested by Frank (1967) and Baran (1973). Both works build their arguments around historical case-studies that included an integrated examination of local and international actors. At both local and international levels, they emphasized **interests** rather than norms and values, **economic** and **political structures** rather than cultural patterns. Taking into consideration the historical structural approach of Cardoso and Faletto (1979) which I referred to above the importance of class alliances and conflicts that cross national boundaries is clear. The new element, however, is the influence of the international context in shaping these alliances and conflicts inside national

boundaries (Evans and Stephens 1988/1989: 719).

Three sets of international institutions influence economic policy-making (Broad 1988: 6-7):

1. Private institutions, consisting primarily of transnational corporations (TNCs) and transnational banks (TNBs).
2. Core states (in Wallerstein's terminology), which comprise principally the former colonial powers and which exert influence through the departments of treasury, state and overseas aid.
3. Multilateral institutions, which, in addition to IMF and the World bank, include the General Agreement on Tariffs and Trade (GATT), and its recent successor the World Trade Organization (WTO), regional development banks such as Asian Development Bank (ADB), and United Nations agencies.

Each of these sets of international institutions interact with and nurtures a corps of technocratic bureaucrats who share a conviction of the importance of maximizing economic linkages with the world economy. Opposing these technocrats stands a group of nationalistic bureaucrats committed to developing the domestic market first. The state is therefore split into two factions: a transnationalist component, and an economic nationalistic one.

The domestic private corporations, financial institutions, and capitalists - can also be divided into two factions. Each tends to reflect a mindset grounded in economic interests. The overwhelming majority of entrepreneurs in any late-industrializer are engaged in economic activities that serve national markets. Most of these entrepreneurs are small businesses; a few grow to become giant conglomerates. But whether big or small, their own interests and preservation tend to lead them to favour economic policies that protect themselves and their country's resources from the whims of the world market. Thus, they can be called **economic nationalists**. However, the aim is not to chart progress or the reverse along a presumed unilinear path of societal development, but rather at uncovering, interpreting, and explaining distinctive patterns of development.

On the other hand a numerically small but, in some cases, economically powerful group of businessmen - and women have linked up with transnational banks and corporations in joint ventures, licensing agreements, marketing arrangements, and connections that tend to wed them ideologically to policies furthering free international flows of goods and capital. This faction can be called **transnationalists**.

Quite often, representatives from each of these private-sector factions are shuffled in and out of government positions. Hence, the existence of nationalist and transnationalist factions within the state is often grounded in part in the economic interests of the bureaucrats. However, none of this is static and this framework should be interpreted as **non-deterministic** and the relationship between the external and internal factors is not fixed. The absolute size of each faction in both the private and the state sector varies widely in each late-industrializer and across time. Furthermore the influence of peak representative organizations, legal or illegal, of labour and peasants is not excluded *per se* but might be able due to various measures to impact on economic policy-making.

However, formal and informal collaboration, based on shared interests, exists among a number of the major sets of actors. Just as the three international sets of institutions and the local elites influence economic policy-making, economic policy decisions have repercussions on each set of institutions and on factions thereof. In Broad's study it is the mix of influence on policy-making in the Philippines that constitutes the major force in the emergence of the would-be NICs. It is here that answers lie to how the World Bank and the IMF contribute to shifts in an late-industrializers dominant paradigm of development: "in particular, why would-be NICs were emerging; why it was that a country like the Philippines was shifting its overall economic direction from primary commodity-export-led growth to export-oriented industrialization in the late 1970s and early 1980s; and how it was that, by this period, the Bank's and the Fund's positions in Philippine policy-making were sufficiently well entrenched to enable them to play a major role in the transformation of industry and finance in that country" (Broad 1988: 9).

A framework for comparative analysis must combine a typology of growth trajectories in order to identify the variation across cases. The key distinction is between countries that industrialized through expansion of manufactured exports and those which sought to build an integrated industrial structure behind protective walls. Three other components of industrial strategy are important: the instruments governments use to achieve their objectives; the balance between local, foreign, and state firms in industrialization; and the overall coherence of policy. The puzzle is to explain why countries adopted the industrial strategies they did, and why they sustained them over time.

To answer these questions, I follow Broad's analysis and add arguments about the sources of policy change drawn from three different levels of analysis: the international system, domestic coalitions, political institutions. 1) International chocks and pressures, and the domestic economic crisis associated with them, have been the most powerful stimuli for changes of policy.¹³ 2)

¹³ Several endogenous economic forces help explain transitions between different growth phases, among them the accumulation of capital and changing comparative advantage. However, government policy is also important. Four components of strategy demand explanation. The first is the strategy's *orientation*. Even countries pursuing similar strategies exhibit variation in extent of state intervention to promote industry. What explains this variation

Theories seeking to explain and predict policy choice from the configuration of social forces - whether conceived in class, interest-group, or sectoral terms - have fundamental empirical and theoretical limitations. The influence of social forces on policy is undeniable, but it is always mediated by institutional setting. This distinctiveness is associated with the refusal to take for granted the relative strength of different classes or the character of relations among them. The strength of dominant and subordinate classes, like the strength and autonomy of the state, is taken as a variable (Also Evans and Stephens 1988/1989: 719). 3) Although international pressures may provide the stimulus and domestic social structure broadly constrains choice, policy change is heavily conditioned by the interests of political forces - in building and sustaining bases of support. The emphasis here given to politically motivated choice by state actors falls broadly within the realm of the institutional context within which political choice takes place; Finally, following Haggard when he emphasizes that: "The state" is not only an actor but a set of institutions that exhibit continuity over time; a field of play that provides differential incentives for groups to organize. Because of variations in institutional structure, political elites differ in their organizational capabilities and the instruments they have at their disposal for pursuing their goals. Institutional variation is critical for understanding why some states are capable of pursuing the policies they do. It is at the intersection between choice and institutional constraint that political explanations of economic growth must be constructed (Haggard 1990: 3-4).

The argument is that patterns of foreign direct investment and dependency are closely related to phases of growth and to government policies and incentives. The main adjustment challenge which faced many developing countries in the 1970s involved navigating an increasingly politicized international trading system. By the 1970s commercial borrowing far overshadowed foreign direct investment as a source of external capital. Viewed over a longer time frame, supply shocks and global macroeconomic trends have had a more profound effect on developing countries than has the multinational corporation (Haggard 1990: 20-21).

Therefore international pressure is the most powerful stimulus to policy reform. The strength of different social groups - agricultural interests, labor, and business - can constrain or widen the feasible set of policy reforms, but it is difficult to explain policy outcomes by reference to coalitional interests alone, particularly where social groups are poorly organized, interests are subject to uncertainty, and states are "strong". External shocks do provide a stimulus to reform, and social forces are broadly constraining; nonetheless, explaining the reform process demands we pay attention to the interests of politicians, the institutional context in which they operate, and the ideas available to them concerning economic growth. The international system can constrain

is the choice of policy *instruments*. Strategies are also pursued under the auspices of different *agents*. To what extent (and why) are local, foreign, or state-owned enterprises given precedence? Finally, we must be concerned with what Barry Posen has called the *integration* of a given strategy (Haggard 1990: 27-28).

state choice in two ways: through market pressures, and through political pressures (Haggard 1990: 28-29).

Thus we would expect external shocks to be met not only with discrete policy changes but with institutional innovations that tend to be centralizing and interventionary. They have a differential effect on countries pursuing inward-oriented strategies; much depends on size and the plausibility of "staying the course". Major powers possess various assets - military capability and aid funds in particular give them leverage over smaller states.

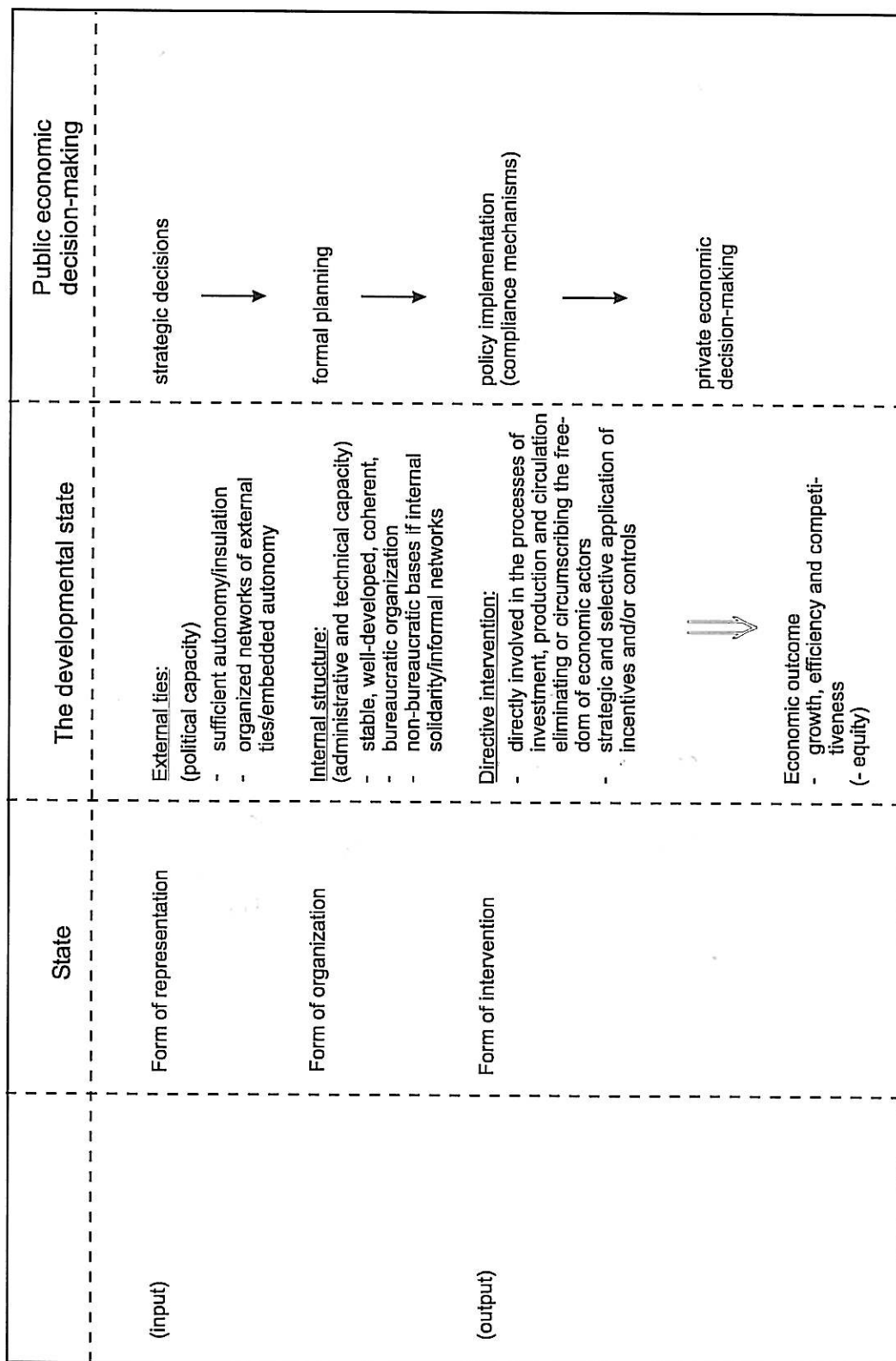
On the background of this discussion the justification for a closer look at the state as both actor and institution combined with a coalitional approach to policy is a focus on the interests and organizational power of dominant social actors; a statist or institutional approach, by contrast, explains policy in terms of the preferences and organizational power of state elites. These may include a rather broad set of political, military, and bureaucratic elites occupying offices in which authoritative allocative decisions are made, but the focus here is mainly on the role of top political leaders in the executive branch.

To summarize, policies reflect the effort to build and sustain coalitions, but available organizational resources expand or contract politician's freedom of manoeuvre. Characteristics of the state as an institution - the degree of autonomy from social forces, the cohesions of the policy-making apparatus, and the available policy instruments - are crucial in understanding policy reform (Haggard 1990: 46). State autonomy may explain the *capacity* to formulate and execute an economic program, but it does not answer the nagging question where state interests come from. I have tried to illustrate and summarize these points in Figure 1.

One methodological point and possible source for capacity is about disentangling the influence of ideas: as suggested by Haggard the plausibility of ideological arguments for policy choice increases with the degree of autonomy of political elites from societal or international constraints. When these constraints operate, it becomes more difficult to separate ideational and material variables; when political elites are autonomous, their ideological visions and "projects" weigh more heavily on the course of policy (1990: 47).

Neither the industrial organization analytical framework nor the bilateral monopoly approach explains why the state assumes 'the political will' to bargain with TNCs or why sometimes if possible it chooses to establish controls over [them]. The new dependency writing recognized the role of the state in mediating dependency relations, but the theory of public policy required to establish the links between politics, state intervention, and firm behaviour was not developed. The determinants of foreign direct investment are complex, and a complete account would consider macroeconomic variables as well as characteristics of the sector. According to Haggard a simple factor-endowments approach that stresses the relationship between comparative advantage and patterns of investment can provide some of the answers.

Figure 1



For a given endowment, three distinct levels of national policy can affect investment. a) basic property rights, b) the structure of incentives that result from trade, exchange-rate, and pricing policies. c) Finally, within the context of a given structure of property rights and development strategy, governments develop discrete policies toward particular sectors and firms, such as tax incentives and various regulatory controls. Some regulations, such as restrictions on equity, may have the effect of severely limiting multinational activity. If foreign investment is affected by national strategies, "dependency" must be seen as effect as well as cause (1990: 192-193).

Figure 2

Peter Evans: A comparative Political Economy Perspective on the Third World State

State	Predatory	Intermediate	Developmental
Example	Zaire	Brazil	South Korea
Internal structure	Lack of bureaucratic capacity: undisciplined internal structure	Fragmented, divided, segmented and unstable bureaucratic apparatus	Stable, well-developed, coherent bureaucratic organization: - "reinforced Weberianism" - (Weberian bureaucracy + informal networks)
External ties	Lack of autonomy: - kleptopatrismonialism (personalism - individualized ties) - ruled by the invisible hand	Occasionally approximate embedded autonomy (partial embedded autonomy with "pockets of efficiency")	Embedded autonomy: - some degree of insulation and social connectedness - (close connections to private actors that can provide useful intelligence and a possibility of decentralized implementation)

Conclusion

The state is as central to the economics of development as to its politics. Economic rationality cannot be separated from political rationality - and it is expected that other developing societies exhibit the same characteristics as other late-industrializers that they consist of "politicized market economies" (Evans and Stephens 1988/1989: 724).

Recognition of the importance of state capacity, not simply in the sense of the prowess and perspicacity of technocrats within the state apparatus but also in the sense of an institutional structure that is durable and effective, is characteristic of what can be termed "the third wave of thinking about state and development" (Evans 1992: 141). The East Asian states are what Evans

terms "embedded states" which in contrast to the "predatory" state such as Zaire has a large degree of autonomy "depends on an apparently contradictory combination of Weberian bureaucratic insulation with intense immersion in the surrounding social structure. How this contradictory combination is achieved depends, of course, on both the historically determined character of the state apparatus and the nature of their social structure in which it is embedded..." (1992: 154).

The differences between three different types of states is illustrated in Figure 2. The predatory state with Zaire as example lack bureaucratic capacity and has a weak organizational structure in its domestic setting. Furthermore it lacks autonomy with regard to its ties and bargaining with international actors and institutions, and is also kleptopatrimonialist in the sense that it is highly corrupt and rent-seeking is widespread through a personalized rule and more or less uncontrolled market. The intermediate state is illustrated by the Brazilian example. The state's internal structure is fragmented, divided, segmented and unstable but occasionally it has had a degree of embedded autonomy vis-a-vis external forces. In contrast the developmental state has a high degree of embedded autonomy and some degree of insulation and social connectedness. This is enforced by a stable, coherent, and comprehensive bureaucratic organization - what Evans calls "reinforced Weberianism."

Let me finally elaborate a little bit on the concept of the "custodian state"(Schmidt 1997). The role of custodian highlights one aspect of the conventional role of regulator. All states formulate and enforce rules, but the thrust of rule-making varies. Some rules are primarily promotional, aimed at providing stimulus and incentives. Other regulatory schemes take the opposite tack, aiming to prevent or restrict the initiatives of private actors. The rubric "custodian" identifies regulatory efforts that privilege policing over promotion (also Evans 1995: 13). However according to this line of thinking this is only one link of the state. The argument is further extended because many states in the developing world is acting as custodian in its original meaning: As an official doorman.

The essential outline of this point of departure can be recapitulated in Evans three points (1995: 17): First, developmental outcomes depend on both the general character of state structures and the roles states pursue. Second, state involvement can be associated with transformation even if we take sectoral policies such as labor policy, land reforms or other redistributive policies as measures. Finally, an analysis of states and industrial transformation cannot stop with the emergence of the industrial landscape. Successful transformation changes the nature of the state's private counterparts, making effective future state involvement dependent on the reconstruction of state-society ties.

Let me finally recapitulate. The crisis of development theory reflects the more general crisis in the social sciences and society as such. Development theory as a distinct field in the social

sciences has had an enormous influence in policy-making and important consequences for everyday life in developing societies. What I do want stress here is the fact that markets are the functions of politics - and I have a strong feeling this is also the case in the Arctic. Developing societies are late-comers pursuing a catching-up process, meaning the transformation from agrarian or other types of subsistence to an industrial and service economy. But let me also ask whether we can really term a society developed or underdeveloped if the state and policy-makers don't have any political economic autonomy; if there is no indigenous bourgeoisie; petty bourgeoisie; working class etc.? No independent or relatively minor national or local capital accumulation; low self-esteem (identity, dignity, respect, honour, recognition) meaning a lack of control of your own destiny and also implying limited freedom from external dependence and dominance; trade policies; public and private aid; technology; education; values/life-styles etc. Is this development or a willingness to be dominated and dependent?

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