



University of Tlemcen

Faculty of law and political sciences

Department of political sciences

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Instructor: Pr SIHEM BENRAHOU

Week 3: The Role of the State in Development

Learning Objectives

- Analyze how different forms of state capacity impact development trajectories
- Understand the relationship between governance, institutions, and development outcomes
- Critically evaluate the political dynamics that shape developmental and failed states
- Apply theoretical frameworks to East Asian developmental states within the global context
- Assess the role of international actors in shaping state development policies

I. Developmental States vs. Failed States: Political Dimensions

A. Conceptualizing the Developmental State

The "developmental state" concept emerged as a challenge to dominant development paradigms, highlighting how state-led coordination can drive economic transformation. This represents a critical perspective on the politics of development:

Key characteristics of developmental states:

1. **Political commitment to development:** Elites that prioritize national economic transformation as a source of legitimacy
2. **Embedded autonomy:** The paradoxical ability of states to maintain close ties with economic actors while avoiding capture by special interests (Evans, 1995)

3. **Bureaucratic capacity:** Merit-based civil service systems that enable effective implementation of development policies
4. **Strategic selectivity:** Political capacity to direct resources toward strategic sectors and activities
5. **International positioning:** Ability to navigate global economic systems while maintaining policy autonomy

These states represent a particular resolution of political economy tensions between state capacity, market forces, and global integration.

B. Failed States and Development Challenges

Failed states epitomize the breakdown of governance capabilities essential for development:

Political dimensions of state failure:

1. **Erosion of legitimate authority:** Inability to maintain the basic social contract with citizens
2. **Elite fragmentation:** Competition between power centers undermining coherent policy
3. **Predatory governance:** State institutions used for private extraction rather than public goods
4. **External vulnerability:** Susceptibility to outside intervention and economic exploitation
5. **Political violence and insecurity:** Breakdown of the state's monopoly on legitimate force

The political economy of failed states often features:

- Resource dependence creating perverse incentives for elites
- Clientelistic networks substituting for formal institutions
- Parallel governance systems competing with state authority
- Humanitarian intervention that may inadvertently undermine state capacity

C. The Politics of State Capacity

State capacity exists along a continuum shaped by political dynamics:

1. **Power distribution:** How political power is concentrated or dispersed among groups
2. **Elite bargains:** Formal and informal arrangements determining resource allocation
3. **Institutional legacies:** Historical patterns that constrain current possibilities

4. **External relations:** How global actors and forces influence domestic governance

These factors explain why similar countries can experience divergent development trajectories, with some achieving developmental status while others struggle or fail.

II. Governance, Institutions, and Development: A Political Analysis

A. The Politics of Governance Reform

"Good governance" has become central to international development discourse, but remains deeply political:

1. **Competing governance models:** Liberal democratic vs. developmental authoritarian approaches
2. **Power dimensions of reform:** How governance changes redistribute authority and resources
3. **International governance norms:** How global standards are promoted through aid conditionality
4. **Accountability politics:** Tensions between vertical (electoral) and horizontal (institutional) accountability

Governance quality metrics from organizations like the World Bank often reflect particular normative visions of state-society relations rather than neutral technical criteria.

B. Institutions as Political Settlements

Institutions represent codified power arrangements that structure development possibilities:

1. **Distributional consequences:** How institutions allocate benefits and costs across society
2. **Elite interests and institutional design:** How powerful actors shape formal and informal rules
3. **Contested institutional change:** The political struggles behind institutional evolution
4. **Isomorphic mimicry:** The adoption of institutional forms without corresponding functions

Successful development institutions must balance:

- Inclusive growth with elite incentives
- Short-term political demands with long-term development needs
- International legitimacy with local context

- Technical effectiveness with political sustainability

C. Development Governance in a Global System

National governance occurs within international constraints and opportunities:

1. **Policy space:** How global economic rules limit national development strategies
2. **International organizations:** How the IMF, World Bank, and WTO shape governance norms
3. **Transnational advocacy:** How international civil society influences governance standards
4. **South-South cooperation:** Emerging alternative governance models and coalitions

The increasing complexity of global governance architecture creates both challenges and opportunities for developing states seeking to forge effective development strategies.

III. Case Study: East Asian Developmental States in Global Context

A. The Political Foundations of East Asian Development

East Asian success stories demonstrate distinctive political arrangements:

1. **Development-oriented authoritarian regimes:** Strong executives with autonomy from particularistic interests
2. **State-business relations:** Negotiated arrangements balancing discipline and support
3. **Bureaucratic enclaves:** Protected technocratic spaces for policy implementation
4. **Social incorporation:** Management of popular demands through targeted benefits
5. **Cold War geopolitics:** Strategic importance providing external support and market access

These political arrangements produced state capacity for strategic economic intervention while managing societal demands.

B. Japan: Political Economy of the Prototype Developmental State

Japan's developmental state emerged from specific political conditions:

1. **MITI's political insulation:** Bureaucratic autonomy enabling industrial coordination
2. **LDP dominance:** Stable one-party rule providing policy continuity

3. **Tripartite elite coalition:** Political, bureaucratic, and business leadership alignment
4. **Managed inclusion:** Urban-rural electoral balancing and corporate welfare systems
5. **US security umbrella:** Reduced defense burden and guaranteed market access

These arrangements allowed for coherent long-term policy planning while maintaining political stability.

C. South Korea: Authoritarian Development and Democratic Transition

South Korea represents a particularly illuminating case:

1. **Park Chung-hee's developmental authoritarianism:** Strong executive power deployed for industrialization
2. **Chaebol-state relations:** Disciplined support for business conglomerates with performance requirements
3. **Repression and legitimation:** Management of labor and civil society demands
4. **Democratic transition:** Evolution toward inclusive political institutions over time
5. **Geopolitical positioning:** Cold War tensions enabling external support and export markets

South Korea demonstrates how developmental states can evolve from authoritarian to democratic forms while maintaining effective governance.

D. Taiwan: Development Under Existential Threat

Taiwan's distinctive path reflects its unique political situation:

1. **KMT party-state:** Single-party control with strong planning capacity
2. **External security threat:** Development as national security imperative
3. **Land reform politics:** Early redistribution creating social foundations for inclusive growth
4. **State enterprise system:** Public sector firms as policy instruments
5. **Gradual political liberalization:** Managed transition to democracy while maintaining state capacity

Taiwan demonstrates how existential threats can motivate elite commitment to inclusive development strategies.

E. Singapore: Developmental City-State in a Global Economy

Singapore's development model centers on effective governance in a vulnerable position:

1. **PAP dominance:** Single-party rule with technocratic legitimacy
2. **Global city strategy:** Leveraging geographic position in international trade
3. **State capitalism:** Government-linked companies in strategic sectors
4. **Social contract politics:** Housing, education, and social services as basis for legitimacy
5. **Strategic international positioning:** Navigation between major powers

Singapore illustrates how small states can leverage effective governance to achieve development despite limited resources.

F. Critical Perspectives on East Asian Developmental States

The East Asian experience raises important questions for development politics:

1. **Democracy and development sequencing:** Can democratic politics support developmental strategies?
2. **Social costs of accelerated development:** Labor repression, environmental degradation, and inequality
3. **Transferability challenges:** Political and institutional prerequisites in different contexts
4. **Historical contingency:** The role of Cold War geopolitics and specific global economic conditions
5. **Long-term sustainability:** Challenges of transitioning to innovation-led growth

IV. Global Development Politics and the Changing Role of the State

A. Competing Development Paradigms

The role of the state in development has been contested across paradigm shifts:

1. **Modernization theory:** State as modernizing agent promoting Western development models
2. **Dependency theory:** State captured by external interests and local elites
3. **Neoliberalism:** State as market enabler with minimal intervention
4. **Post-Washington Consensus:** State as market regulator and governance provider
5. **New Developmentalism:** State as strategic coordinator in global economy

Each paradigm reflects different political visions of state-market-society relations in development.

B. International Organizations and State Capacity

Global institutions have shaped state roles in development:

1. **World Bank and IMF:** Evolution from structural adjustment to governance reform
2. **United Nations agencies:** Alternative visions of state-led human development
3. **Regional development banks:** Contextual approaches to state capacity building
4. **WTO and trade regimes:** Constraints on developmental policy instruments
5. **Emerging donors:** China and others offering alternative development cooperation models

The multiplication of development actors creates complex challenges for state coordination capacity.

C. Contemporary Developmental States and Global Challenges

Several countries have attempted to adapt developmental state approaches to 21st century conditions:

1. **China:** State-led development with market mechanisms under party control
2. **Vietnam:** Gradual transition maintaining strong state coordination
3. **Ethiopia:** Attempted developmental state in resource-poor African context
4. **Rwanda:** Post-conflict state building with developmental ambitions

Modern developmental states face qualitatively different challenges:

- **Global production networks** requiring sophisticated economic governance
- **Climate change** demanding green industrial policies
- **Digital transformation** requiring new regulatory approaches
- **Inequality and inclusion pressures** from increasingly mobilized populations
- **Democracy expectations** from citizens and international community

D. The State in Sustainable Development

The 2030 Agenda and SDGs reframe the state's development role:

1. **Integrated policy capacity:** Ability to address interconnected economic, social, and environmental challenges
2. **Multi-stakeholder governance:** Coordination across state, market, and civil society
3. **Multi-level governance:** Articulation between local, national, and global action

4. **Just transition management:** Navigating structural changes while protecting vulnerable groups
5. **Development finance coordination:** Blending public, private, and international resources

Effective states must now combine traditional developmental capacities with new collaborative governance skills.

V. Conclusion: The Political Economy of State Capacity

The state remains central to development processes, but its role continues to evolve:

1. **Beyond false dichotomies:** Moving past state-vs-market debates toward context-specific institutional arrangements
2. **Political foundations of development:** Recognizing that effective governance requires supportive political conditions
3. **Global-local interactions:** Understanding how international forces shape national development possibilities
4. **Power and development:** Acknowledging how power relations determine who benefits from development processes
5. **Adaptive governance:** Building state capacity that can evolve with changing challenges

Development continues to be fundamentally political—involving contested visions, competing interests, and complex power dynamics that determine how states function and whose interests they serve.

Discussion Questions

1. How do political dynamics shape whether states develop effective developmental capacities or tend toward failure?
2. What role do international organizations play in influencing state capacity for development? Do they enhance or constrain effective governance?
3. How can the lessons from East Asian developmental states be adapted to contemporary global conditions and different regional contexts?
4. What explains the persistence of failed states despite decades of international capacity-building efforts?
5. How can states balance the demands of democratic governance with the requirements of effective developmental governance?
6. What new capabilities do states need to address sustainable development challenges in the 21st century?

Key Readings

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