The Developmental State in the 21st Century: A Critical Analysis and a Suggested Way Forward

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Summary: A vast literature has accumulated on the developmental state since its introduction to scholarship in the 1980s. Despite many criticisms, developmental state is still the most viable alternative to the orthodoxy in the eyes of many. This article analytically investigates the sources of pessimism and optimism in the building of 21st century developmental states. The study notes that although there are sound reasons to be pessimistic regarding the emergence of successful cases in the new millennium, there are also reasonable grounds to be optimistic. A complex dynamic within and between domestic and international spheres determines the outcome, but there is no reason to disregard prematurely or embrace indisputably the developmental state construct.

Key words: Political economy, Developmental state, Economic development.

JEL: O20, O57, P16.

Much has been said on the developmental state since the seminal works of Chalmers Johnson (1982), Alice Amsden (1989), Robert H. Wade (1990), and Peter Evans (1995). Many scholarly endeavors reviewed the essence of classical developmental states (for a comprehensive review, see Ziya Öniş 1991) and many more contributions shed light on different dimensions of the 20th century Asian developmental states (Atul Kohli 1994; Peter Evans 1998; Chalmers Johnson 1999; Meredith Woo-Cumings 1999). Over time, the paradigm has been applied to regions and countries other than the usual suspects, including Argentina (Christopher Wylde 2018), Brazil (Celia L. Kerstenetzky 2014), China (John B. Knight 2014), India (Vivek Chibber

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2002), South Africa (David Masondo 2018), Botswana (Emmanuel Botlhale 2017), Ethiopia (Christopher Clapham 2018), Zambia and Zimbabwe (Richard Saunders and Alexander Caramento 2018), Ireland (Seán Ó Riain 2004), and Turkey (Mustafa Kutlay and Hüseyin E. Karaoğuz 2018). The analytical perspective is modified in view of the changing domestic and external conditions and the new rules of the game that have come with the knowledge economy (Omano Edigheji 2010; Antoinette R. Raquiza 2012, Michelle Williams 2014a; David Hundt and Jitendra Uttam 2017). Discussions on developmental states have especially gained momentum in the aftermath of the 2008 global economic crisis while the legitimacy of neoliberalism and self-regulating markets have been heavily questioned. Today, not only in academia but also in policy circles, the term developmental state is frequently used, and its logic is reflected on main policy documents. This study critically reviews the sources of pessimism and optimism in the building of the 21st century developmental states. It argues that although there are reasons to be pessimistic regarding the emergence of success stories in the new millennium, there are also grounds to be optimistic. There is no reason to disregard prematurely or embrace incontestably the developmental state construct.

1. Literature Survey and the Argument

One crucial question that is continuously discussed in the scholarship concerns the generalizability of the Asian models. Can contemporary developing countries catch up with the developed world by replicating the experiences of Japan, South Korea, Taiwan, Singapore and Hong Kong? Can they build a state apparatus that can successfully guide and discipline the business to achieve national economic transformation and development? Can bureaucratic structures be meritocratic, coherent, autonomous but not insulated, and embedded but not clientelist? The consensus today asserts that it is neither logical to expect nor possible to “copy and paste” the Asian path. The Asian countries functioned under the unique domestic and external conditions of the 20th century, had a distinctive culture, past, and identity, and trajectories were based on experimentation and learning which were very much context-dependent (Öniş 1991; Kohli 1994; Evans 1998; Laura Routley 2014). Thus, it does not add much to discuss whether today’s countries can follow vis-à-vis Japan and the other Asian cases. What adds value, however, is to question whether countries can replicate the
developmental state logic—whether fundamental institutions of the developmental state can be created and promoted in the new millennium in novel ways. In a nutshell, while the “developmental state” can be defined in various ways, and the term can be understood as a buzzword (Routley 2014, p. 170-173), in a broad manner, the developmental state refers to “organizational complexes in which expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation” (Richard F. Doner, Bryan K. Ritchie, and Dan Slater 2005, p. 328). In this context, this article elaborates scholarly debates on the viability of developmental states in the 21st century. The study argues that while it is not logical to embrace the developmental state construct indisputably by exaggerating its capacity, it is also not reasonable to disregard the framework prematurely because of an absolute adherence to neoclassical orthodoxy. Rather, a complex dynamic within and in between domestic and international spheres determines institution building and developmental state success. Therefore, sound reasons exist for both being optimistic and pessimistic on the subject-matter.

When one investigates how the Asian countries managed to achieve sustainable growth in the 20th century, one sees a window of opportunity for the contemporary world. The Asian experiences were primarily based on trial and error as there was no grand-plan to start with. Thus, today’s developing countries do not need to possess all the Asian characteristics, but they can forge their own ways through experimentation and learning conditioned by domestic and global circumstances. Many studies likewise demonstrated how development can be achieved through diverse strategies and policies, which go well-beyond the reductionist neoclassical perspective (Ha-Joon Chang and Ilene Grebel 2004). A different view on the nature of development, however, can lead to pessimism. It is much more difficult to overcome the middle-income trap in the 21st century since beyond accumulation and mobilization of capital, today’s countries need to upgrade technologies and improve technological capacities by implementing more time-consuming and widely-approved policies (Richard F. Doner and Ben R. Schneider 2016). These and other similar aspects of the knowledge economy and the necessary societal consensus that needs to be reached in order to pursue a broad agenda call for more complex institutional arrangements. Furthermore, although it is beyond the scope of this current inquiry, many authors noted how the contradictions and negative aspects of the Global System of Power and Accumulation,
such as intense East-West and industry-finance conflict, and deteriorating levels of trust, equality, and stability, undermine sustainable development at the turn of the 21st century (Phillip Anthony O’Hara 2006). Many also adopted a broad perspective by putting the capitalist economic systems in question (John Marangos 2013), or integrating ethics into development (John Marangos, Nikos Astroulakis, and Eirini Triarchi 2019).

There are reasons to be optimistic, but also pessimistic, on other accounts as well. These are summarized in Table 1. To begin with, regarding the state structure that is needed to steer development, a source of optimism stems from the fact that the “Confucian super-bureaucrat” image of Asia is quite deceptive (Evans 1998). Today’s countries can very well establish a state structure that is not ideal in a utopic sense but can effectively perform despite clientelism and related problems. In Asia, only key ministries and state organizations were meritocratic and reflected embedded autonomy while others struggled with common rent-seeking, patronage, and clientelism issues (J. Mark Ramseyer and Frances M. Rosenbluth 1993; Tun-Jen Cheng, Stephan Haggard, and David Kang 1998; Evans 1998; Gregory W. Noble 1998; Barbara Nunberg 2002; Stephan Haggard 2004). However, one can turn this argument on its head to present a rather pessimistic view. It can be argued that the developmental state paradigm neither aims at state theorization nor can adequately theorize the state. It can be claimed that in all states one can observe common traits like patronage and clientelism, but the ways in which they are interpreted can differ depending on how a state aligns with transnational power structures, and how well a state can disguise the fact that state-society separation is an artificial one (Martin Gainsborough 2009). Thus, it can be argued that the developmental state framework is not adequate to understand how the state operates and falls short of explaining economic performance.

Another important issue that is highly relevant for developmental state success concerns political will and incentive structures to launch national development projects. On the one hand, many countries like South Africa and Turkey explicitly embrace a developmentalist paradigm and take concrete steps accordingly. Discourses on developmentalism are strong; and there are indeed partial successes. On the other hand, we have not witnessed a convincing success story yet, and there are various concerns on whether partial achievements reflect sincere political will. The key question here is what really motivates political actors to pursue a painful and time-consuming development agenda rather than a short-term oriented, populist,
but a politically attractive one? The literature suggests that only under certain constraints, policy-makers are incentivized to create good economic institutions; and it is questionable whether today’s politicians would opt for pro-development institutions in the absence of those constraints (Doner, Ritchie, and Slater 2005). In brief, politicians are urged to implement visionary policies in the simultaneous existence of external security threats, scarce resources at home, and massive domestic unrest risk (Doner, Ritchie, and Slater 2005). There is another issue linked to politics. Many works that focus on rising powers suggest that some large developing countries like China, Russia, Brazil, South Africa, and Turkey have begun to play a more active and assertive role in international politics, which might be a source of optimism since these countries can create the necessary policy space for the Global South to implement developmentalist policies. However, the destabilizing role of finance capital in post-Bretton Woods, transnationals’ activities, the structure of global value chains, biased trade rules, and intellectual property monopoly can put serious constraints on national development attempts (Joseph E. Stiglitz and Andrew Charlton 2005; Dani Rodrik 2012; Robert H. Wade 2018, p. 537-539). Furthermore, although not conclusive, democracy may pose challenges to developmentalism. To conclude, one can take several positions on the viability of the 21st century development states, depending on which dimension of the issue is deemed more important (for the term “21st century developmental state,” see Williams 2014a). The following sections zoom into each issue in detail. The final section concludes by discussing the broad implications of the analysis.

Table 1 Sources of optimism and pessimism in the building of 21st century developmental states

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<th>Domains</th>
<th>Sources of Optimism</th>
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<td>Nature of Development</td>
<td>Asian experiences were highly context-dependent. There was no grand plan to follow, policies were based on experimentation, learning, and ingenuity. Today, there is room for creative success.</td>
<td>It is much more difficult to overcome the middle-income trap today. Complex institutional arrangements are needed to generate and diffuse knowledge and form broad coalitions among actors.</td>
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<td>“Confucian super-bureaucrat” image of Asia is misleading. Asian story is mixed with</td>
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The State

various state capacity problems. Contemporary countries can find their own ways despite shortcomings.
inadequate state theorization, success stories draw a biased picture and overstate state capacity.

Political Will and Incentives

Discourse on developmentalism is strong in many developing countries and concrete steps are undertaken.
Only under certain conditions, politicians are incentivized to promote good economic institutions. It is questionable whether they would be incentivized like that today.

Politics and External Conditions

Many large developing countries have begun to play a more active and assertive role in international politics. This can create the necessary policy space for the Global South to pursue a developmentalist agenda.
Destabilizing role of finance capital, transnationals, global value chains, biased trade rules, and intellectual property monopoly may undermine national development attempts. Democratization processes may also pose challenges.

2. On the Nature of Development: Experimentation and Ingenuity vs. Middle-Income Trap in the 21st Century

It is often the case that the Asian narratives are implicitly introduced in a way as if omnipresent and omnipotent state agencies devised grand plans to follow at the outset, and thanks to those blueprints, managed to steer the national agenda. These readings commonly aim to emphasize the state’s role in successful development and challenge the then minimalist state conceptualization of the neoclassical orthodoxy. For sure, the Asian states were quite effective in forging national strategies and did not act randomly or in a minimalist fashion, as the mainstream suggested three decades ago. The states strategically intervened in the market, deliberately “got the prices wrong”, picked the winners, and guided the private sector through subsidies and other incentives. However, this does not mean that policy-makers followed a pre-existent grand scheme with respect to which policies were framed with mathematical precision. Rather, policy-making and execution involved trial and error, learning, and creative problem solving (Routley 2014, p. 170-171). They were messy processes rather than neat formulations. Politicians and bureaucrats took each challenge head on and
managed to solve problems in ingenious ways with the tools at hand. In fact, right from the outset, classical developmental state literature was cautious about hasty generalizations of the Asian experiences. Chalmers Johnson, who coined the term developmental state, noted “other nations seeking to emulate Japan’s achievements might be better advised to fabricate the institutions of their own developmental states from local materials” (Johnson 1982, p. 323). Robert H. Wade, who promoted the famous “governing the market” thesis, highlighted that “to the extent that [international and domestic] factors are different at other times and places, this throws doubt on the possibilities for other countries at other times to emulate East Asian success” (Wade 1990, p. 346). Peter Evans, who added “embedded autonomy” to the analytical repertoire, stressed that “if transfer were defined literally as the implantation of replicas of East Asian institutions in developing countries of other regions, then it would make no sense” (Evans 1998, p. 78). To exemplify, in Japan and South Korea, line ministries were the key actors that coordinated and supervised the economic bureaucracy (Evans 1998, p. 72). As is well known, having a pilot organization that monitors all relevant state agencies is a defining feature of developmental states. However, “task forces” that were separate from formal ministerial structures were dominant in Taiwan, and independent statutory boards were essential in Singapore (Evans 1998, p. 72). Another defining trait of developmental states is meritocratic bureaucracy. While in Japan and South Korea meritocracy rested on an exam-based recruitment strategy, in Taiwan, higher civil service exam and Taiwan National University played a key role (Evans 1998, p. 71). In Singapore, notable secondary school records were awarded in exchange for civil service (Evans 1998, p. 71). All these different institutions delivered the same desired outcome. Establishment and consolidation of bureaucratic structures were not neatly defined and executed with respect to a clear blueprint in Asia. Instead, “building…[East Asian] bureaucracies was a hard fought struggle whose outcome was often in doubt” (Evans 1998, p. 72).

Then, there is hope for contemporary countries that aspire to follow the 20th century developmentalism. Today’s countries do not need to, and in fact must not, try to replicate the Asian experiences verbatim. Exact institutions and policies can vary, and are expected to vary, with respect to domestic and external circumstances. As Carlos Aguiar de Medeiros (2011, p. 43) noted in his review on developmental states, “national economic strategies are formed by particular interactions between institutions and
economic structures and evolve according to social conflicts in a non neutral international environment.” As Joseph E. Stiglitz (2011, p. 232-233) noted while highlighting the heterodox elements of the South Korean success, “had Korea allowed market forces on their own to prevail, it would not have embarked on its amazing development successes. Static efficiency entailed that Korea produced rice; indeed, the country today might have been among the most efficient rice farmers—but it would still be a poor country.” China’s heterodox approach that has successfully mixed orthodox wisdom with unorthodox policy is particularly instructive in this regard (Rodrik 2005; 2010). All in all, there is no absolute obstacle that would block developing countries from establishing their own variants of developmental states and formulate good policies through trial and error.

Be that as it may, the fact that it is much more difficult to overcome the middle-income trap in the 21st century casts doubt on successful occurrences of developmental states. In brief, middle-income trap is said to kick in when developing countries stay in the same income range longer than earlier achievers. For instance, Jesus Felipe, Arnelyn Abdon, and Ustav Kumar (2012, p. 3) suggest that countries face middle-income trap if they stay within the income range of $2,000–$7,500 for more than twenty-eight years, or in a range of $7,500–$11,500 over fourteen years, or in middle income for forty-two years in total. The challenge is real. According to a World Bank study, only thirteen countries managed to earn high-income status by 2008 out of 101 middle-income economies in 1960 (World Bank 2013). The situation becomes more alarming if one does not count islands and oil fields (Wade 2016). However, what is worrisome for today’s to-be developmental states is the changing dynamics of the middle-income trap. In the age of contemporary knowledge economy, countries cannot replicate past successes by simply pursuing an industrialization strategy based on accumulation and mobilization of capital. What matters today is knowledge; and generation and diffusion of knowledge calls for unique duties on the part of the state. Most importantly, states must resemble what Peter Evans (2010) called a “capability-enhancing state”, in the sense that they need to deliver collective goods like health and education, and the needed infrastructure to supply collective goods, to let political economy actors generate, promote, and diffuse knowledge in order to raise efficiency and productivity in the overall economy. Furthermore, states need to shape, lead, and contribute to a socioeconomic environment in which citizens and firms are incentivized to become entrepreneurs that both value and see
material benefits in creating and using knowledge in economic endeavors. Another important challenge surfaces when one focuses on politics besides economics. As noted (Evans 2010, p. 49):

Engaging societal actors in implementation is as crucial to capability-expanding strategies as engaging firms is to industrial strategies...capability-enhancing services are always co-produced by their “recipients”. Education is co-produced by students (and their families). Health is co-produced by patients, their families and their commitments. The state needs their active engagement in the delivery of those services in order to ensure that the investments produce the desired effects. Delivery to passive recipients produces results that are sub-optimal at best and sometimes counter-productive. The skills and organizational capacities required to stimulate this kind of engagement are more complex and harder to construct because they are more political than technocratic.

Doner and Schneider (2016) addressed the “political” in a detailed way. As the writers noted, past successes did not require sophisticated institutional mechanisms since they were possible with lower levels of education, R&D, and other collective goods. Pro-development policies did not require broad coalitions as collaboration among small groups were sufficient to succeed. In other words, limited embeddedness in the form of state-business collaboration was all that it took in the 20th century; and broader society did not play a prominent role in policy-making and other processes. Today, however, intense and effective education and R&D is a must. Society needs to be included not only in political but also in economic calculations; and the required state capacity and compliance of political economy actors inevitably necessitate broad coalitions and societal consensus. This is what some scholars label as “expanded embeddedness,” reflecting the fact that a narrow interaction between the state and large conglomerates falls short of delivering success in the new millennium (Michelle Williams 2014b, p. 12). On that note, it is quite difficult to forge and sustain societal consensus in today’s developing countries since the very factors that led countries to attain middle-income status, such as foreign investment, low-skilled and low-paid work, inequality, and informality, undermined subsequent efforts to overcome the middle-income trap by creating cleavages that are difficult to encounter (Doner and Schneider 2016). As Doner and Schneider (2016,
highlighted, “broadly put, big business is split between foreign and domestic firms, labor is divided between formal and informal sectors, and societies overall are riven by high inequality. These cleavages splinter interests and make coalition building more difficult.” To exemplify, high inequality alters political economy calculations in a way that powerful actors in the economy are inclined to pursue self-interested policies at the expense of slow growth (Doner and Schneider 2016, p. 620-623). This makes clientelism and populism real options and hampers coalition and institution building. Persistent and high informality creates an important cleavage between formal and informal workers (Doner and Schneider 2016, p. 623-626). Whereas formal sector workers prefer on-the-job training for specific skills and value subsidies for in-firm training, informal workers favor investment in vocational schools that offer general training. Due to insecurity and poor conditions, informal sector workers find themselves in a self-defeating position where they are satisfied with clientelist and populist policies that turn a blind eye to informality (they see this as an extension of welfare provision), but do not demand what matters in the long-run: education. The cleavage between domestic and foreign firms is especially seen in technology policy (Doner and Schneider 2016, p. 627-628). While some domestic firms may prefer upgrading and demand necessary institutions by agreeing to a costly adjustment process, this may not fit many foreign firms’ agenda since they commonly undertake core R&D at home. In short, there is a need for broad social consensus on institutional reforms in the new millennium, but various cleavages among political economy actors make any consensus quite difficult if not impossible.

3. On the State: Possibility of a Meritocratic Bureaucracy vs. The Statist Bias

Another misleading interpretation of the Asian success is related to state structure. In many studies that discuss whether developmental states can be forged in contexts other than Asia, the Asian states are broadly characterized first; and then a comparison is made with respect to the portrayed type. In a nutshell, the 20th century developmental states are said to possess elites genuinely targeting economic growth, bureaucracies approximating the Weberian ideal type, autonomous but not insulated state agencies, embedded but not clientelist policy-makers, bureaucratic
coordination, and institutionalized, evidence-based policy-making mechanisms. All these traits indeed existed in Japan and the Asian tigers, and attributed their developmental character to the states. Be that as it may, exaggerating the Asian state capacities and introducing them as a utopian ideal type is counter-productive. It is understandable that many scholars developed a reflex to defend the state against the orthodoxy’s minimalist conceptualization, but this should not lead one to overstate what the Asian states were like since this would have adverse consequences on deriving appropriate lessons for today’s to-be developmental states. That is to say, the “Confucian super-bureaucrat” image of East Asia can be quite deceptive since various state capacity problems that are generally associated with Latin America and other countries like India and Turkey were also existent in Japan and the Asian tigers (Evans 1998, p. 72-74). On that note, not all state agencies and elements of bureaucracy approximated the Weberian ideal type in Asia. There were variations within each country. In Japan, although the Ministry of International Trade and Industry (MITI) and the Ministry of Finance embodied the ideal type characteristics, some others, including agriculture and construction, struggled with immense patronage and clientelism. Furthermore, politicians are said to determine policy trajectory in Japan rather than bureaucrats (Ramseyer and Rosenbluth 1993), and MITI is said to be heavily influenced by the governing elites’ electoral calculations (Noble 1998). Likewise, although significant organizational reforms took place in South Korea and involved dismissal of 35,684 civil servants to eliminate patronage, clientelism, and corruption (Tun-Jen Cheng, Stephan Haggard, and David Kang 1998, p. 104), the reforms and other processes mainly concentrated on key ministries whereas some others were allowed to operate in the face of clientelism-related issues. As noted, the leader of South Korean reforms, Park Chung-hee “created a bifurcated bureaucracy, in which domestic ‘service’ ministries, such as construction, were staffed with clientelistic appointments, allowed to be relatively inefficient, and served to satisfy domestic patronage requirements” (Cheng, Haggard, and Kang 1998, p. 104). Similar problems existed in Taiwan where “the civil service examination process remained tarnished by political exceptionalism, including ‘back door’ examinations to funnel…party elites and retired military officers into state bureaucracies and special provincial quotas for descendants of mainlanders” (Cheng, Haggard, and Kang 1998, p. 99). What is more, some practices including promotion and reward with respect to automaticity and seniority also
undermined the merit-based characteristic of bureaucracies (Nunberg 2002, p. 5). Thus, many studies noted that it would be wrong to exaggerate Asian states’ bureaucratic capacities and picture an idealized image that is detached from reality (Stephan Haggard 2004, p. 63-64). One pitfall of such an attitude that is important in the current context is that contemporary countries should not be discouraged in their attempts from building developmental state institutions by comparing their conditions with the unrealistic depictions of the Asian cases. As Evans (1998, p. 73) rightly noted, “the challenge of emulating East Asia’s bureaucratic effectiveness may be less daunting than the stereotypical ‘Confucian super-bureaucrat’ image might suggest.”

Even though a more thorough understanding of the Asian bureaucracies leads to optimism, a closer look at how states function may lead to pessimism. In this regard, Gainsborough (2009) evaluated the developmental state framework as a theory of the state and claimed that the paradigm suffers from serious shortcomings. Most importantly, it is not cognizant of the state’s “ideological effects.” This is related to the issue that “the very nature of the state as a historically contingent form of rule provides obstacles to us getting close to how it operates” (Gainsborough 2009, p. 1317). Therefore, the developmental state paradigm suggests that the best states are the ones that stand apart from society. Gainsborough (2009) claimed that this is a fundamentally wrong state characterization since the state is a conceptual abstraction rather than a material object; and states cannot be separated from the society in this respect. To be able to exert influence and control, states seek “to rule in a particular way, namely by constantly asserting the existence of a clear-cut boundary between state and society, public and private, government and business, and so on [as if they really exist]” (Gainsborough 2009, p. 1324). Furthermore, Gainsborough (2009) argued that our perception and evaluation of the state is influenced by states’ relation to global politics and transnational power. As the author noted, even though the state-society boundary in Singapore and Vietnam is not different in actuality—the two are commonly depicted as entirely different cases with respect to state capacity—they are anyways portrayed as such because “Singapore is more closely aligned to transnational capitalism…[and] is more effective in asserting the existence of a clear-cut boundary between the state and society, and between public and private” (Gainsborough 2009, p. 1325). As Gainsborough (2009, p. 1323-1326) exemplified, although in both Singapore and Vietnam political
opposition is crushed by the ruling elites, and clientelism-related issues exist in public-private interactions, the former is nevertheless characterized as a case of success because of the reasons mentioned above. A perfect example that supports Gainsborough’s (2009) emphasis on selective reading is the reaction of international circles to the Asian financial crisis of 1997 and Swedish financial crisis in 1992. Even though the crises were caused by the same reasons endemic to financial markets, while in the former case the causes were wrongly attributed to cronyism and corruption, in the latter case, none of these were on the agenda (Dani Rodrik 2012, p. 93). In short, for the ones who read and theorize the state in this way, there is a reason to be pessimistic regarding the emergence of 21st century developmental states.

4. On Political Will and Incentives: Discourse and Partial Success vs. Sincerity

Especially since the 2008 global economic crisis, scholarly focus on the developmental state has intensifies greatly; policy-makers’ discourse on developmentalism has become stronger; and many countries have undertaken concrete steps reflecting their developmental ambitions. This can be a source of optimism for the proponents of the 21st century developmental states. In South Africa, for instance, the African National Congress (ANC), the ruling party in the country since 1994 has explicitly subscribed to the developmental state logic. Policy-makers aim to learn from Asia, and especially aim at constructing a democratic developmental state. This vision of the ANC is reflected in many occasions and strategy documents (Jerry O. Kuye and Tania Ajam, 2012, p. 51). Ethiopia and Rwanda (Clapham 2018, p. 1151) and Botswana (Bothhale 2017) are also among the African countries that embrace developmental state ideas. In Turkey, a developmentalist discourse is seen in the research and development (R&D) sector (Kutlay and Karaoğuz 2018). Many initiatives that resemble the steps taken in other developing countries are undertaken. For instance, there has been a significant increase in governmental resources allocated to R&D; new legislation is enacted to further incentivize and fuel innovation; changes are made in bureaucratic structures to improve bureaucratic coordination; and new units are established within state organizations to better monitor and steer governmental R&D resources (Kutlay and Karaoğuz 2018, p. 298-299). All in all, many developing
countries have turned to developmentalism especially since the 2008 global economic crisis, and have been acting accordingly.

Nevertheless, strong discourse and initiatives have not yet transformed into success stories. No country has yet shown the potential and accomplishments observed in the Asian cases. In fact, the evidence suggests that despite partial successes, the state of affairs is not as promising as it looks at first glance in the developing world. Among many issues that block the emergence of successful developmental states, such as difficulties in forging broad coalitions among actors (Doner and Schneider 2016), local business opposition to national projects (Vivek Chibber 2003), capital’s structural class power in neoliberal globalization (Masondo 2018), common problems associated with embedded autonomy and bureaucratic coordination (Kutlay and Karaoğuz 2018), and external conditions (Rodrik 2012; Wade 2018, p. 537-539), one is particularly crucial, and has begun to be studied systematically by developmental state scholars: policy-makers, incentives, and good institutions. The key question is this: when do policy-makers are genuinely motivated to pursue a painful, time-consuming, but effective agenda rather than a short-term oriented, populist, but a politically attractive one? It is this question that is and will remain vital in the 21st century as it was in the previous one. Yes, it is true that many factors other than elite behavior may undermine a developmental project as mentioned, but still the existence of a sincere will on the part of politicians and bureaucrats is one of the primary conditions of success.

On that note, Doner, Ritchie, and Slater (2005) offered a neat theoretical perspective. By focusing on the emergence of the 20th century developmental states, the authors claimed that politicians are only inclined to build pro-development institutions in the simultaneous existence of three constraints: real external threat mainly in the form of military invasion, absence of natural resources, and risk of massive social unrest. The analytical argument goes as follows (Doner, Ritchie, and Slater 2005, p. 331). The main objective of leaders is political survival, which inevitably necessitates coalitions. Leaders need support; and it is in their best interest to forge a “winning coalition” that is as narrow as possible. However, in the face of domestic unrest risk that can be caused by the elites or social conflict, leaders are forced to enlarge the “winning coalition” through side payments. Side payments mean resources, but the elites cannot generate resources easily since there is no natural resource at home and credible external threats demand substantial military spending. Being squeezed
between external and internal threats in the absence of material means to counter them, the elites have only one option for survival: to build effective institutions. Doner, Ritchie, and Slater (2005) claimed that whereas this was the case in South Korea, Taiwan, and Singapore, the elites were not constrained in a similar way in Thailand, Malaysia, the Philippines, and Indonesia. Thus, while political economy factors conditioned politicians to launch developmental state institutions in the former country group, they did not lead to the same outcome in the latter. What is the implication of this for contemporary countries? This is a tough question and requires an in-depth theoretical analysis on its own. However, it would be legitimate to argue that the situation presents a rather discouraging picture since it leads to a lose-lose scenario. First, one who subscribes to developmental state logic and strives for good institutions would inescapably hope that no country would ever face the three constraints in the new millennium. Second, even if the constraints somehow emerged simultaneously somewhere, it would be unclear whether the predictions will hold in regions other than Asia. All in all, the thought-provoking analysis of Doner, Ritchie, and Slater (2005) strongly signals that it is quite difficult to motivate politicians and bureaucrats; and sincere will and motivation on the part of policy-makers is a big question mark that constantly lurks behind.

5. Politics: Rising Powers vs. External Constraints

A considerable literature has emerged on the so-called “rising powers,” which investigates whether the unipolar international system led by the United States (US) is challenged primarily by China; whether some large developing countries, including Brazil, Russia, India, China, and South Africa (BRICS), and other emerging powers, such as Mexico and Turkey, can play more assertive roles in global affairs; and how the international system is transformed in the face of complex and multi-faceted developments both within countries and country groups. The aim has been to analyze a process in which “global visions…compete, norms…shift, and yesterday’s rule takers…become tomorrow’s rule makers” (Stewart Patrick 2010, p. 44). The topic is complex since many works are devoted to each country that can potentially affect global governance; and the majority of them are comparative.

However, for the sake of the current argument, a conclusion can be drawn from this scholarship. Many authors rightly assert that BRICS,
especially China, and other emerging powers are still far from posing real challenges to the US if the stake is global leadership and revolutionary change. However, they can still make their voices heard and achieve goals if the stake is regional leadership and more representation within the existing institutional order (Kevin Gray and Craig Murphy 2013, p. 191-192; Miles Kahler 2013, p. 712; Ziya Öniş and Mustafa Kutlay, 2013). In fact, as Kahler (2003, p. 712) noted, “an automatic equation of incumbent powers with the status quo and rising powers with challengers should be avoided.” The evidence suggests that even the arguably most powerful countries like Brazil, China, and Russia do not seem to have aspirations to revolutionize the global governance system, but they aim to extract as much as possible within the existing order and institutions with more representation. Numerous initiatives including the establishment of BRICS, discussions on the abandonment of the dollar as the foremost reserve currency, and the New Development Bank all strive for more share and representation in the current system without two things: too much dependence on the US and assuming a self-defeating role in global governance. The reasons for the latter are as follows: rising and emerging powers have their own problems at home, including inequalities, informalities, and democratic deficits, which are obstacles for assuming more roles in global leadership. Also, global leadership inevitably necessitates constraints and currently it is not in the rising powers’ best interest to face those. For instance, China criticized and offered alternatives for the centrality of the dollar, including internationalization of the renminbi, but since this proposal needs to be backed up by initiatives such as a more flexible exchange rate, financial system reform, and capital account liberalization, it is dubious how this will play out in implementation (Kahler 2013, p. 714-715).

In conclusion, many authors agree that we live in “a world still of rival capitalism[s], dominated by the USA, China, the EU, India and Russia, with a few other major powers of lesser influence. Yet this world remains one in which the USA is more than a first among equals, but less than a global hegemon” (Gray and Murphy 2013, p. 191). One can see opportunities and openings for rising and emerging powers in their attempts to pursue developmentalism in the 21st century in this respect.

Although new powers may extract more by also becoming the voice of the Global South, this is counter-balanced by serious external constraints. First, the post-Bretton Woods international monetary system that gives
enormous power to finance capital has had a destabilizing effect on developing countries. In theory, capital account liberalization was expected to fuel investments and growth, and generate wealth through an effective match between savings and investments in a global scale. As usual, the self-regulating market was said to allocate resources efficiently when roughly left on its own. However, things did not develop as expected by the architects of the new system, including the US, the IMF, and the World Bank. On the one hand, it was indeed the case that financial markets understandably punished countries that recklessly run massive fiscal and current account deficits (Rodrik 2012, p. 93). For these cases, one cannot entirely put the blame on the system. On the other hand, as the unfolding of the 1997 Asian crisis revealed clearly, the very nature of the system can lead to imbalances where economic fundamentals are in place (Rodrik 2012, p. 93). Thus, irrespective of policies’ rationality or irrationality, there is something wrong with the system. Under Bretton Woods, countries had a chance to control capital flows and counter the destructive tendencies of finance capital that can very well be diverted from productive sectors when unchecked. This option does not exist today. As Wade (2018, p. 538) noted, because middle-income countries’ domestic asset and credit markets are populated with foreign investors and financial organizations as a result of few regulations on capital inflows; and because residents can access foreign financial markets as borrowers and investors, their economies are vulnerable to boom-bust cycles in the developed world and dollar appreciation. Furthermore, many works underline capital’s structural class power in neoliberal globalization and its detrimental effects on sustainable growth. As illustrated in the South African case, this phenomenon also undermines institution building (Masondo 2018). Lastly, the global value chains that are controlled by the West’s giant companies pose significant barriers to upgrading (Wade 2018, p. 538). Biased trade rules prevent the Global South from benefiting from fair and free trade (Stiglitz and Charlton 2005). Also, a shift from the General Agreement on Tariffs and Trade’s (GATT) flexible approach to the World Trade Organization’s strict one (Rodrik 2012, p. 67-88) reinforces the core-periphery structure of the global economy. Therefore, serious external constraints put a big question mark on the successful emergence of the 21st century developmental states.

Although the jury is still out on this issue, democratization may also pose challenges to developmental states in the new millennium. There is a considerable literature on this subject as well, but some broad conclusions
can be drawn (Edigheji 2010; Williams 2014a; 2014b, p. 12-18). First of all, there seems to be a consensus on the argument that there is no direct correlation between a regime type and the developmental state. Both authoritarian and democratic forms of governance can be compatible with state developmentalism. To exemplify, Japan was a democracy as the country pursued developmentalism whereas South Korea and Taiwan had authoritarian regimes. Despite being authoritarian, the regime was legitimate in the latter; and despite being a democracy, the quality of democracy was questionable in the former. Thus, the issue is fairly complex. Putting this aside, as the successes of the 20th century developmental states led to improvements in the material well-being and social welfare, citizens demand more participation and more democracy by valuing democracy irrespective of economic outcomes. Thus, building a democratic variant of the developmental state seems to be a must in the 21st century both because of societal demands and the requirements of the knowledge economy. In this context, democracy may challenge developmental attempts in different ways. Democratically elected governments may opt to pursue an ineffective agenda at the expense of developmentalism right at the outset, as in South Africa, or may abandon already effective developmental policies to replace it with something else, as in Ireland and Taiwan (Jenn-Hwan Wang 2014; Sean O’Riain 2014; Vivek Chibber 2014; Williams 2014b, p. 16-18). Moreover, it may also be difficult to sustain the required long-term vision in a democracy. In short, while democracy may have several advantages and can very well complement developmental attempts, it may also undermine them in various ways.

6. Concluding Remarks

The debates on the 21st century developmentalism continue; and a consensus in the near future does not seem likely as there are good reasons for disagreement. On the one hand, many considerations and developments urge one to think that developmental states are real possibilities in the new millennium. Contrary to many readings, the Asian experiences were based on trial and error, learning and creative problem solving rather than all-encompassing blueprints. There was no grand plan to stick to, and policymakers effectively pursued a heterodox agenda. The implication is that today’s countries do not need to “copy and paste” the Asian cases but can
find their own ways given the 21st century’s unique socioeconomic conditions. Furthermore, the “Confucian super-bureaucrat” image of Asia is also a distorted one as Japan and the Asian tigers also struggled with serious patronage and clientelism-related issues (Ramseyer and Rosenbluth 1993; Cheng, Haggard, and Kang 1998; Evans 1998; Noble 1998; Nunberg 2002; Haggard 2004). It would be a mistake to judge today’s developmental attempts with respect to an ideal albeit unreal type. Other sources of optimism are as follows: many developing countries’ explicit endorsement of the developmental logic; concrete steps undertaken in the right direction; and rising and emerging powers’ more active and assertive roles in global affairs. Hence, there are encouraging partial successes; and more representation of the Global South in global governance may create the necessary policy space to pursue developmentalism.

On the other side of the coin, it is much more difficult to overcome the middle-income trap in the 21st century. Accumulation and mobilization of capital is not sufficient on its own to promote development anymore since contemporary countries need to upgrade technologies and improve technological capacities by generating and diffusing knowledge in the “bit-driven” knowledge economy (Peter Evans 2014). States need to implement policies that enhance the overall capabilities of the population. These two necessitate more time-consuming, more embedded, and more consensus-oriented policies; and motivating all political economy actors and building pro-development coalitions are quite difficult. First and foremost, the conditions that led countries to attain middle-income status, such as foreign investment, low-skilled and low-paid work, inequality, and informality undermined subsequent efforts to overcome the middle-income trap by creating cleavages that are difficult to encounter (Doner and Schneider 2016). Several cleavages between foreign and domestic firms and formal and informal sector workers accompanied by high inequality hinder coalition building (Doner and Schneider 2016). Second, it may be the case that developmental state paradigm focuses too much on differences among otherwise similar states because of ideological orientations. As Gainsborough (2009) argued, our perception of the state and analytical stance may be influenced by the fact that the state itself creates the illusion that it can be separated from the society as a stand-alone unit, and our elaboration may be influenced by a state’s position to global politics and transnational power. Third, despite partial successes, we have not yet seen a striking performance in the new millennium comparable to Japan and the
Asian tigers (Chinese case is open to debate). The crucial point for many countries is politicians’ and bureaucrats’ sincerity in constructing developmental state institutions. The literature suggests that the elites are forced to pursue developmentalism only when they are constrained by the concurrent existence of external threats, risk of domestic unrest, and lack of natural resources (Doner, Ritchie, and Slater 2005). It is questionable whether the conditions will push policy-makers towards genuine developmentalism, or whether politicians will somehow exert agency even if the constraints are not binding. Furthermore, many external factors including the destabilizing role of finance capital, transnationals, global value chains, biased trade rules, and intellectual property monopoly may undermine national development attempts. Although the evidence is mixed, democratization may also pose challenges for the establishment of the 21st century developmental states.

All in all, even though it is the case that the term “developmental state” is used in various ways in different contexts, at least two broad conclusions can be drawn from the investigation of new developmentalism debates. Above all, it is crystal-clear that a complex dynamic within and between domestic and international spheres determines institution building and developmental state success, so there are no short, clear-cut, and all-encompassing answers to intriguing questions on sustainable growth and development. Each case is different and needs to be treated as such. In fact, besides other traditions and many works, this has been suggested since the first discussions on developmental states in the 1980s; and scholars emphasize it more and more in their reflections on methodology today (Williams 2014b). Second, as the current study suggested, there are many angles to developmental states, thus there is no reason to embrace the developmental state construct indisputably or to disregard it prematurely based on a reading that only zooms into one angle of the story.
References


