

Reflections on State Capacities and Development

Renato Boschi and Flavio Gaitan

Prepared for presentation at Minds and INCT/PPED International Conference “National Perspectives in a Global Economy: Rethinking State Capacities, Public Policies and the Brazilian Crisis”

Rio de Janeiro, December 7/9/ 2016



Preliminary remarks

- Long tradition of studies on development considers the state as central element in the formulation and implementation of policies.
- Developmental states as a type of state that focuses on economic development and takes necessary policy measures to accomplish that objective.
- In a narrow sense, this concept applies to East Asian economies.
- In a broad sense, it would apply to Scandinavian, the US, and also to peripheral countries such as Brazil and Mexico.

Contextualizing State and Development

- The developmental state was possible in a specific historical setting of global governance such as the post World War II, regulated productive regimes within national boundaries.
- Some points of inflection in the context of globalized capitalism reduce degrees of freedom of national states to promote growth.
- Fragmentation of production through global value chains.
- Financialization determined by a split between the divergent real and financial sectors.
- Both features constitute the core of neo-liberal globalization

Contextualizing State and Development

- Prevailing debate on the impact of globalization on degrees of autonomy of national states/economies:
- Weakening of national state capacities vs. maximization of importance of states.
- Constraint on state activities but degrees of freedom to enforce social and economic goals.
- States as important to: create new organizational competences; induce innovation; foster new growth sectors, and invest on infra-structure and social policies.
- Considering the consensus on the importance of states, the question to be tackled is that of what kind of state.
- Identifying state capacities is one of the alternatives to answer the above issue.

Defining State Capacities

- State capacities give continuity to a long prevailing tradition of analyzing state and social interaction and arenas.
- Different concepts used to refer to similar phenomena: State autonomy, infra-structural power, capabilities, governance, etc. Therefore, lack of conceptual precision.
- Capacities sometimes defined as a set of abilities by the State to achieve objectives; other views focus on the policy-making process.
- Conceiving capacities as abilities implies a better understanding of levels, components, and their determinants.

Defining State Capacities

- Different levels of state capacities: policy, politics, and polity, i.e., conceiving the state as arena and actor.
- Interrelated components of state capacities: technical/bureaucratic referring to implementation, as contrasted to political, concerning decision and coalitions of support.
- Analyzing state capacities involves identification of actors controlling the state apparatus.
- Not only results but also processes should be considered.
- Finally, the task involves taking into account the determinants of state capacities.

State capacities for development

- Fiscal capacity: ability to extract resources through taxes:
- Such task implies defining social sectors, kind, and amount of resources.
- Capacity of resource allocation to growth: financing productive activities as a central element; importance of public banking institutions.
- Bureaucratic capacity focusing on technical abilities, in particular on definition of policy-making.
- Enforcement capacity throughout the whole national territory, i.e., ability to avoid regional disparities.

State capacities for development

- Capacity to compatibilize growth and social welfare.
- Capacity to impose limits and losses to particular groups, i.e., to deal with structural dependence on capital.
- Governing the market does not mean autonomy, but “embedded autonomy” (Evans) or governed interdependence (Weiss).
- Capacity to adapt the productive regime to cycles of capital from stable moments to crises, from shifts in technological frontiers.
- Capacity to coordinate across policy areas.
- Capacity to absorb and incorporate positive feedbacks.



Coalitions and political support

- Relevance of social and political coalitions as central condition for generating and improving all previous capacities.
- Inclusive coalitions within and outside the state framework (labor/capital, social movements).
- Capacity to neutralize anti-development agendas and attempts (by rent-seeking groups).
- Such coalitions may act as buffers to fluctuations (breakdowns or persistence) in development trajectories.
- Central ideas of development project as easily perceived throughout society.



Final remarks: topics for a research agenda

- Development as endogenous process implies recognizing the central role of the state.
- Globalization reduces, but does not neutralize domestic degrees of freedom.
- Capacities as analytical tool to understand positive outcomes of state intervention.
- Capacities should be contextualized in different levels and specific policies.
- To avoid a circular or tautological reasoning determinants of state capacities must be accurately identified.
- Different capacities interact, but states may score high or low in each particular one.