The Political Foundations of State Effectiveness

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The ultimate measure of a state’s effectiveness is its contribution to the wellbeing and flourishing of the people that it governs. On this there is no real debate. That efficacy of the state is a central determinant of its peoples’ wellbeing and flourishing is also not a matter of contention. The accepted connection between human flourishing and state effectiveness is what motivates interest in “state building.”

Prodigious efforts have been made to move beyond this foundational consensus, specifying what kinds of state action are likely to lead to wellbeing and flourishing, what kinds of state structures and strategies will make such action possible and what kinds of political foundations are necessary to support these structures and strategies. As neoliberal fantasies that minimizing distorting state intrusions into the operation of markets would enhance wellbeing have faded and theories of development have focused more clearly on wellbeing, the political and intellectual climate has become more favorable to working on the issue of state effectiveness. Considerable progress has been made, both in refining and reconstructing theoretical formulations and in bringing empirical evidence to bear on these formulations.

Our aim is to take advantage of the progress that has been made and hopefully advance existing debates. Our argument will proceed in four steps. First, we will review what we would call “modern development theory.” Development theory has always been an effort to arrive at a theoretical understanding of general trajectories of social, political and economic change that enhance human flourishing and identify the historical sequences associated with such trajectories. ‘Modern’ development theory builds on a number of different streams of new work within economics, as well as insights from other disciplines. We focus on a combination of endogenous growth theory and Sen’s elaboration of the “capability approach.”

This first step is crucial because the perspective on development that emerges makes the role of the state even more central to development and has strong implications for what states must be able to do to be effective. The second section of our analysis is devoted to elaborating the implications of modern development theory for what states must be able to do. In the simplest terms, they must be able to deliver collective goods that will expand the
capabilities of their citizens. The easiest examples of this to document empirically have to do with delivery of education and health, but these are intertwined, both as causes and results with state actions that promote more equal distribution of access to resources in general. Accomplishing these ends certainly requires bureaucratic capacity as earlier analyses of state effectiveness have argued, but it focuses more attention on state-society relations. We summarize the key elements of effective state society relations in terms of the “Sen-Ostrom” model – deliberative mechanisms to specify goals plus engagement of communities as “co-producers” of services.

From this analysis of the requisites of effectiveness, we move to a quick survey of some illustrative examples of capability-expanding state policies. These examples show that the pervasiveness of neoliberal ideology has not prevented the movement of state policy toward greater emphasis on the delivery of capability expanding collective goods. While this movement is far from being universal it includes a range of states from poor to rich. This underlines one of our fundamental assertions: the task of “development” must be confronted at all income levels. Transforming Dani Rodrik’s (2007) classic aphorism into a more complicated formulation, our view might be phrased as “big differences in income but one development theory and shared policy fundamentals.” The most important purpose of this section, however, is to set the stage for the discussion of the political foundations of capability expanding policies that follows. In the final substantive section, we use illustrations drawn from the previous section to propose three overlapping and complementary models of the political foundations of effective state policies: Huber and Stephens’s contemporary version of the classic social democratic model, Heller’s “state-civil society” model and C.S. Lee’s “embedded cohesiveness” political network model.

We make no promise to deliver a comprehensive theory of the politics of state effectiveness, but we hope to set out a set of plausible and provocative propositions, bolstered by selected cases studies of variations in state policy and the configurations of political institutions associated with these variations that will help refine existing theoretical perspectives as well as point toward fruitful future research on the political foundations of state effectiveness.

1 The original was simply “one economics, many recipes.”
**Contemporary perspectives on Development:**

By the end of the 20th century modern development theory had left behind mid-century notions that the accumulation of capital was the *sine qua non* of increased productivity. Hoff and Stiglitz (2001: 389) provided a blunt summary: “Development is no longer seen primarily as a process of capital accumulation…” Even more important than dethroning accumulation were the positive arguments of the “new growth theorists” that focused attention on ideas and the human beings that produced them as the real drivers of growth. The implications of this shift for our understandings of what constitutes effective state policy and ultimately what constitutes an effective state are sufficiently profound, so that it is worth spending some time driving home the arguments and evidence.

One of the most robust findings of the empirical analyses of the determinants of economic growth is support for the endogenous growth theory hypothesis that human capital has a strong effect on growth. Initial studies measured human capital by school enrollment rates, a measure of the future flow of human capital, but then, with the advent of the Barro-Lee (2011) dataset moved to average years of schooling in the adult population, a measure of human capital stock, which should be more closely related to economic growth.

Recently Hanushek and Woessmann (2008, 2012) have shown that studies that operationalize human capital stock with average years of education of the adult population actually vastly underestimate the effect of human capital stock on economic growth. They operationalize human capital as cognitive skill scores on comparable standardized tests administered, in most cases, to secondary school students. Substituting the cognitive skill scores for average years of education in an equation that also includes initial level of GDP per capita, they find that variation in economic growth explained increases from 25% to 73%. With both skills variables in the equation, average years of education was insignificant (Hanushek and Woessmann 2012: 275).

Hanushek and Woessmann (2012) include only the three aforementioned independent variables in the analysis and thus do not make it possible to compare the effect of investment in human capital with investment in physical capital. In order to do this, we reanalyze their data adding a measure of physical capital investment, investment share of real GDP. In

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addition, we control for land inequality, income inequality, and total fertility rate, which have been found to be related to economic growth by the endogenous growth studies cited in footnote 3. The results are displayed in Table 1.3 To compare the effects of capital investment and skills, we can compare the effect of a two standard deviation change in the two variables on average annual growth for the 40 year period. A change of this magnitude in the skills measure increases growth by 1.5% compared to 1.0% for capital investment.

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Even these results probably overstate the independent role of capital investment. Lloyd-Ellis and Roberts (2002) suggest that capital investment and human capital investment are endogenous to one another. They argue that the relationship between capital investment and human capital investment is interactive: gains to investment in one can only be realized with investment in the other.4

Accepting the central role of investment in human capacities leads inevitably to re-examining the role of inequality in relation to productivity increases. Old visions in which shifting resources in the hands of capital is the pre-requisite for growth were almost certainly misguided. A telling historical case study illustrates the one logic through which inequality undermines growth. Trying to understand why Costa Rica ended up with double the per capita income of Guatemala and El Salvador, Jeffrey Nugent and James Robinson (2010) turn to the inegalitarian organization of 19th century agriculture in the latter two countries, arguing that the more egalitarian Costa Rican economic order provided peasants with incentives to invest in their own capabilities resulting in increased productivity and better growth records.

Quantitative analyses of modern data replicate the same point in more general terms. Perotti (1996) tests various mechanisms linking equality and growth. He finds no support for the hypothesis that more redistribution leads to less growth. He finds that equality leads to

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3 The sample in the analysis are the 50 countries for which there are complete data for all dependent and independent variables. The sample includes countries at all levels of development, but advanced capitalist democracies are over represented (n=20). The sample mean for average annual economic growth is 2.4% per annum; thus coefficients for cognitive skills and capital investment are very large. The results for cognitive skills and capital investment are essentially the same when advanced capitalist democracies and (former) communist countries are excluded.

4 The findings of Blomstrom, Lipsey and Zejan (1996) raise the possibility that investment may actually be the result of growth that is basically driven by the expansion of human capabilities. They found that in a large sample of countries, growth of income per capita preceded capital accumulation, but they found no evidence that capital accumulation preceded growth.
higher levels of education, lower levels of fertility, and greater political stability which in turn lead to higher growth in his analysis. As Huber and Stephens (2012: 151) point out, there is a strong correlation (-.84) between poverty and cognitive skills in Latin America.

As more and more evidence is amassed, it converges around a simple but powerful “development complex.” Education and equality both contribute to growth, in part because investment in education contributes to both growth and equality. For example, in a pooled time series analysis, we found that democracy (see discussion below) and average years of education⁵ were the second and third most important determinants of household income inequality in Latin America (Huber and Stephens 2012: 145-46).⁶

Other econometric work confirms the general contention that the development of human capacities is essential to conventional economic success by combining a variety of indicators including health and equality indicators as well as education indicators. In a series of econometric papers, Gustav Ranis, Frances Stewart and their collaborators looked at the interactions between growth and human development defined in terms of a variety of indicators (See Ranis et al. 2000; Boozer et al. 2003; Ranis and Stewart 2006; Suri, et.al., 2011). As Boozer, Ranis, Suri and Stewart (2003) put it, their data analysis “contradicts the conventional view that HD [human development] is purely a result of, as opposed to being a critical input into long run expansions in EG [economic growth].” They conclude that “HD improvements must precede growth-oriented policies if growth is to be sustained” (Ibid: 25).

All of these streams of work provide an ample analytical and empirical basis for escaping the outmoded “commonsense” that claimed increases in overall societal output measured at market values were the best indicator of improvements in human flourishing, that the accumulation of capital was the prime driver of such increases and that the theory of development must be primarily a theory of capital accumulation. Demonstrating the connections between “human capital” and “growth” undercuts accumulationist logic on its own ground and opens the door to focusing directly on development as the enhancement of human flourishing, but it is only a first step.

⁵ Simply spending more on education is not necessarily going to result in higher average skills of the population and therefore less inequality. Spending needs to be effective (see Huber and Stephens 2012: 126-32 and discussion below on p. 7) and directed to broad-based public education.

⁶ Had we been able to substitute cognitive test scores for average years of education as a measure of human capital stock, human capital stock would have appeared as the most important determinant of inequality: The zero order correlation between average years of education and inequality is -.20 while the correlation between cognitive test scores and inequality is -.41.
To go further, we must also escape the conflation of “human flourishing” with increased levels of human capital, an endeavor to which Amartya Sen’s contributions are constitutive. Amartya Sen’s elaboration of the “capability approach” offers a perspective on the human development-economic growth discussion firmly focused on the human development without denying the role of material resources.

Sen’s work in the 1990’s spotlighted human flourishing as the goal of development, but it did more than that. His genius lay in turning wellbeing from a passive consumption good into a description of expanded possibilities for action. Sen (1999:18) argues that “well-being” involves more than increasing contentment or reducing suffering; it involves the capacity of human beings to do the things that they want to do, to “lead the kind of lives we value.” The active “capability” version of wellbeing connects back to endogenous growth theory while still preserving the idea that human capabilities are not just an instrument for securing material ends but should be treasured for their intrinsic value.7

*Development Theory and Effective States:*

If the aim is to understand how to build effective states, why spend so much time elaborating the contemporary consensus with regard to the goals and dynamics of development? The vast literature on the “developmental state” has already firmly established the centrality of the state’s role when development is defined in terms of growth. How does focusing on the expansion of human capabilities as the goal of development and as the most important single means of realizing other developmental goals, change arguments about building effective states?

The consequences of reconstructing the theory of development in a way that privileges the contribution of capital less exclusively are, in fact, substantial. The new perspectives provide powerful reinforcement for many of the propositions of the old “developmental state” literature, but they also suggests crucial modifications. They point toward political foundations of state effectiveness that are quite different from those associated with the old developmental state.

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7 None of this is to say that the capability approach should be taken as “settled theory.” Critiques of Sen’s formulations are rife (e.g. Evans, 2002). Debate over the concept and the theory that surrounds it continues to be heated. But none of this detracts from Sen’s fundamental, pathbreaking contribution to development theory.
The foundations of capability expansion are collective goods. The social returns from these investments are higher than their private returns, so unless they are publicly provided they will be undersupplied. Early childhood education, where the long-term returns are very large but the capabilities generated will have an impact on production only in the distant future, is a good example. Preventative public health expenditures on pursuits like vaccination campaigns or sewage treatment is another. The delivery of health and education is embodied in large institutional systems. The demands on the state are much greater than those involved in providing infrastructure that benefits capital directly. Incentivizing and supporting investment in industrial activity is a complex task, but delivering quality education or health care through the population requires much more state capacity.

To begin with, levels of expenditure are only weakly correlated to even the crudest measures of outcome, levels of enrollment. Moreover, the connection between levels of enrolments and skill levels in the adult population are weak (Huber and Stephens 2012: 126-32). Relations between indicators of health delivery and levels of investment are equally weak. The bottom line is obvious. State effectiveness depends not just on the capacity to invest, but on the capacity to invest effectively.

A theory in which development depends on the delivery of capability expanding services reinforces the established consensus that state capacity plays a central role in developmental success and raises the bar for what constitutes capacity. The insights of earlier work on bureaucratic coherence and capacity, which were a cornerstone of the analysis of the role of the state in promoting industrial growth, remain basic. The widespread provision of complex collective goods that have positive network externalities requires competent civil servants coherently organized on a very large scale. Meritocratic recruitment, career paths with overall rewards roughly on a par with private sector alternatives and esprit de corps sufficient to valorize the accomplishment of shared projects are even more important when development is focused on capability expansion than they were in earlier models in which the state, while crucial was still essentially an auxiliary to private capital.

But, modern development theory does more than simply raise the bar in terms of level of state capacity required; it also expands the definition of the kinds of capacity required. Earlier models emphasized that bureaucratic capacity to carry out shared projects had to be complemented by dense ties to society both as a source of intelligence regarding what projects
were feasible and as a means of engaging the non-state actors who were essential to implementing projects. Having underscored the continued essential role of the traditional bureaucratic elements of state capacity we will focus on the second element in the state capacity equation: state-society relations or “embeddedness.” We do this for three reasons: first, because state-society relations have become a more obviously crucial element in state effectiveness; second, because development theory suggests that effectiveness requires a different and more challenging sort of “embeddedness” when capability expansion is the goal; third, because state-society relations provide the best link to analyzing the political foundations of state effectiveness, which is our ultimate target.

When industrial development was the primary measure of the state’s effectiveness, the key information involved figuring out which industrial projects were feasible and what kind of incentives would be required to engage the energy of the relevant firms. The primary cast of partners was a small set of industrial elites with relatively well-defined interests. Building ties on the basis of personal networks and administrative structure was a feasible project.

For a developmental state focused on capability expansion, the need for information and engagement from societal partners is greater, and the set of relevant interlocutors and the character of the networks are more complicated. Information must be gathered from constituencies that are more numerous and less organized. Without accurate information on collective priorities at the community level through multiple channels, the developmental state will end up investing inefficiently and wasting precious public resources. Just as industrial development was impossible without ‘buy-in’ from private firms, capability-driven development is impossible without buy-in from the individuals, families and communities whose capabilities collectively constitute the measure of effectiveness.

“Buy-in” must start with involvement in the specification of goals. Imputing needs is a dubious basis for specifying the utility of collective goods to the communities that receive them. Once again, Sen provides a foundational argument. In his 1999 exposition, he points out that once capability is accepted as the goal of development then “thickly democratic” decision-making institutions built on public discussion and exchange of ideas, information, and opinions offer the only way to translate capability expansion into specific projects. “[T]he issue of weighting is one of valuation and judgment, not one of some impersonal technology (Sen, 1999: 79).” Like capabilities, deliberative processes have an intrinsic value in
themselves, but the point here is that (again like capabilities) they are also essential means to effective state action.

Elinor Ostrom (1996) extends the argument for broad-based embeddedness as the foundation of state effectiveness from decision-making to delivery. She points out that 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 communities. Just as successful state efforts at industrial development require active collaboration from capital, successful state efforts at capability enhancement of individuals and communities need 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 Sen-Ostrom vision provides an elegant analytical synopsis of why state-society relations are central to states’ effectiveness. It does not, however, offer a template for the comparative analysis of empirical variations in the political institutions that characterize contemporary states. Beyond specifying minimal observance of civil rights and some mechanisms of government accountability as essential contextual conditions, Sen leaves the task of defining concrete institutional forms that might aggregate deliberative processes and connect them to state policy to others. Ostrom is more concerned with institutional specification, but is not focused on national political institutions.

Connecting the Sen-Ostrom insights to state effectiveness requires consideration of conventional political institutions like parties, unions and civil society. But, before trying to construct a comparative institutional framework that incorporates their insights, we need to establish that there is, indeed, variation in the policies and strategies of contemporary states that constitutes a puzzle amenable to explanations in terms of variations in the political institutions that connects states and societies.

**Illustrative Examples of Capability-Expanding State Policies:**

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8 For Sen, deliberative decision making provides the opportunity to exercise one of the most important of all human capabilities: the ability to choose. In a capability perspective, “processes of participation have to be understood as constitutive parts of the ends of development in themselves (Sen 1999: 291).”

9 A wide range of theorists make parallel and complementary arguments regarding the central importance of deliberative processes. For example, Dani Rodrik (1999: 19) argues that it may be “helpful to think of participatory political institutions as meta-institutions that elicit and aggregate local knowledge and thereby help build better institutions.” Or, see Fung and Wright (2003) on “empowered participatory governance.”
Enumerating a few examples of states whose policies have the effect of expanding human capabilities without prejudicing the productivity and material circumstances of ordinary citizens can’t validate contemporary development theory or prove the central role of state effectiveness. What it can do is to set the stage for exploring the political foundations associated with these state policies. We will examine a small set of cases that span the range from poor to rich countries with the aim of looking for similarities among effective policy regimes.

We will start with the classic example of promoting capabilities at the lowest income level – Kerala, primarily to make the point that low income is not an insurmountable barrier to capability expanding policies. We will move from there to Asian and Latin American middle income countries – focusing particularly on Brazil and Korea. Comparisons of effective and ineffective policy regimes in the rich countries of the North will complete the survey, focusing particularly on successful policy transformations in the Nordic countries, founded on the recognition that “welfare” policies were actually “social investment” policies and counter-productive transformation of policy in the United States, driven by bipartisan embrace of neoliberal policy memes.

Kerala is a well-worn example in discussions of state effectiveness, but also one worth reiterating, primarily because it falsifies the proposition that a focus on capability expanding state policies is a luxury that must be postponed until some (usually unspecified) level of per capita income has been reached. Kerala, from a starting point in the late 1950’s as one of India’s poorest states with an income level that would have put it in the bottom decile of national GDP per capita globally, has consistently focused on capability expanding policies. Today it is one of India’s more affluent states in income terms, and unsurpassed in terms of overall levels of human development.

Robust, persistent state policy focus has been the keystone of Kerala’s success. Drawing on Drèze and Sen (2002), Heller (2007:121) sums it up as follows:

Across virtually every public policy arena, the effectiveness of state intervention in Kerala far surpasses the performance of any other Indian state. . . . . The provision of education, health care, and subsidized food has been characterized by universal coverage and comparatively corruption-free delivery, and is a response to broad-based support across all major political parties for the extension of social rights.
Turning to Brazil, for most of the country’s 500 years as a colony and independent nation, the majority of Brazil’s populace, from slaves to landless peasants to marginalized urban workers faced a massively unequal social structure and a state largely indifferent to their plight and ineffectual in providing the collective goods that would have promoted their wellbeing. (In fact, it was an economy, social structure and set of state policies with regard to capability expansion not fundamentally different from those that prevailed in Kerala prior to Kerala’s mid-20th century political transformation.) Looking at Brazil as recently as the early 1980’s, an informed social scientist might reasonably have predicted that the political and economic foundations of exclusion were so obdurately entrenched that there was little to no chance for a change towards more redistributive policy in the foreseeable future.

But, this reasonable prognostication turned out to be wrong. After growth faltered under the military regime, a return to democratic rule eventually gave power to the social democrats and then the Worker’s Party (PT). A new set of policies led to “rising average earnings, more formal employment, greater social protection for the population as a whole, greater equality in household income and wages, a reduction in poverty and improved social indicators” (Kerstenetsky 2014: 180). Increased investment in education, particularly secondary education, starting in the 1990s began to reduce the skill premium and thus inequality in the 2000s (Barros et al. 2010). “Bolsa Família,” Brazil’s now famous conditional transfer program, was small in terms of overall expenditures, but transformed the lives of tens of millions of poor Brazilians, almost a quarter of the entire population, and – in combination with other transfers such as the basic non-contributory pension – helped to reduce the severity of poverty and inequality (Bither-Terry 2014; Barros et al. 2010). Brazil remains a brutally unequal country, but within a few years after democratization the Gini index began to turn down and the effects of the new policy paradigm accelerated this trend (Huber and Stephens 2012: 195).

The new “Unified Health System” (SUS) expanded access to health care. The rate of infant mortality was cut almost in half between 1996 and 2006. Brazil’s woefully inadequate quality of mass education began to show signs of improvement as well as a result of the increase in social investment. Based on 2009 PISA results, the OECD (2011:16) ranked Brazil among the top 3 countries surveyed in terms of improvement, saying that Brazil had made “impressive gains, catching up from very low levels of performance” and (2011:178)
that federal policies including increased public investment and improved teachers salaries seemed to be “based on a coherent vision that appear to be generating some consistent improvements.”

The surprising effectiveness of Brazil’s more capability focused policy efforts is set in relief by looking at another major middle income country in which late 20th century democratization might have been expected to produce a parallel trajectory: South Africa. In South Africa, massive investments in health and education have not delivered the same kind of returns. South African data on health, education and most dramatically inequality show regression instead of dramatic progress, setting up a key puzzle to be explained.10

There are, however, a number of other Latin American cases that demonstrate that Brazil is not an anomaly. Uruguay offers another example of sweeping policy changes in a capacity-enhancing direction. Since the early 20th century the country had been a leader both in the establishment of full democracy and the construction of a welfare state, but the bureaucratic-authoritarian regime from 1973 to 1985 and the pressures for neoliberal reforms were beginning to erode that model (Huber and Stephens 2012). Starting in 2005 a coordinated effort began to introduce a new and progressive income tax system, unify the health system, expand pre-school education, universalize family allowances and increase their value, and revive wage councils for collective wage setting (Pribble 2013). As a result, poverty declined from 19% in 2005 to 6% in 2012. Of course economic growth contributed to that decline, but according to figures from ECLAC (2013: 57) the distribution effect was stronger than the growth effect in 2008-2012. Even more impressive, and clearly a result of changing policy, inequality showed the steepest decline of any Latin American country in 2008-2012 (ECLAC 2013: 21).

Chile saw a strong and steady increase in social investment from 1990 on to compensate for the damage done by the Pinochet dictatorship. School enrollment and completion at all levels increased. After 2000 efforts at structural change in social policy were added, beginning with the expansion of health care coverage and a comprehensive anti-extreme poverty program and continuing with pension reforms, expansion of pre-school

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10 For example, while the rate of infant mortality was falling in Brazil, in South Africa it increased in the same period. In Brazil, the proportion of girls in primary school rose from 83% to 95% between 1991 and 2004. In South Africa, it dropped from 92% to 88% in the same period [see World Health Organization, WHOSIS Database, http://www.who.int/whosis/en].
education, and support for schools in poor areas (Pribble 2013). The effect of these policies and strong economic growth was a decline of poverty from close to 40% in 1990 to 14% in 2005 and 11% in 2011 (ECLAC 2013: 17).\textsuperscript{11} However, the reforms remained less redistributive than in Uruguay, for instance, and inequality in Chile showed one of the smallest declines in Latin America over the decade 2002-2012 (ECLAC 2013: 21).

Korea offers an East Asian variation on the Brazilian case, albeit from a better starting position thanks to previous reforms, particularly the land reform after the Korean War and subsequent investment in the rural sector. Korea had the advantage of building on greater investment in secondary education and dramatically lower levels of inequality before the beginning of the neoliberal era, but it experienced a major shift towards greater capability expanding policies only a decade before Brazil. As of 1980, social protection was concentrated among formal sector workers, particularly those in large enterprises. Along with democratization in the 1980s, it began a notable expansion of social protection to include the unemployed and workers in the informal sector through expanded unemployment insurance and training, non-contributory social assistance, and universal access to health care (see Wong 2004; Peng and Wong 2008; Dostal 2010; McGuire 2010). In the last quarter-century Korea has seen a period of socio-political transformation that looks more than anything else like an effort to construct a 21\textsuperscript{st} century East Asian version of post-World War II Golden Age social democratic welfare state.

Over the course of the last 30 years, Korea has continued to stand out both in terms of its ability to resist global tendencies toward increased inequality\textsuperscript{12} and in terms of continued improvements in terms of the basic indicators of capability expansion, education and health (Siddiqi and Hertzman 2001). The comparison between China and Korea that is highlighted by Drèze and Sen (2002) provides a dramatic example of Korea’s success. Starting in the 1980s with levels of life expectancy comparable to China’s, Korea ends up at the end of the first decade of the new millennium with levels comparable to the EU and higher than the U.S. The divergence in the performance of China and Korea in terms of basic health indicators is as dramatic as the divergence between Brazil and South Africa (Drèze and Sen 2002: 125). Infant mortality trends provide another window on divergent ability to deliver capability

\textsuperscript{11} ECLAC provides no data on the growth versus distribution effect on poverty reduction for Chile.

\textsuperscript{12} There are, of course, countries that have consistently achieved even lower levels of inequality, with the Nordic countries being the prime examples, but in the set of countries considered here, Korea and Taiwan stand out.
expansion. In the period from 1960 to 1981, when China’s performance in terms of income growth was significantly inferior to Korea’s, China outperformed Korea in terms of reductions in infant mortality. In contrast, in the period from 1990 to 1999, improvements in infant mortality collapsed in China, despite spectacular rates of income growth, while Korea’s performance in terms of infant mortality accelerated, despite lower rates of economic growth.

In the developed world as well, a paradigm shift occurred in conceptualizing the welfare state in the mid 1990s first among scholars studying the welfare state and then among European politicians and, by the end of the decade, international organizations, the EU, the OECD, and even the World Bank. Prior to this point in time, the main tasks of the welfare state were viewed as redistribution of income and protection of (male) workers and their dependents from the risks of the temporary (sickness and unemployment) or permanent loss of employment (disability and retirement). The speed of change in the economic and social paradigm was dizzying: The early 1990s were still the heyday of the neo-liberal Washington consensus. For example, the OECD’s 1994 Job Study policy recommendations were thoroughly neo-liberal, yet three years later the organization had moved clearly in the direction of social investment. In the Nordic countries, this policy pattern had emerged early, well before 1990, though many of the earlier policies were conceptually recast as social investment in the course of the 1990s.

The social investment approach was most clearly embodied in the summit of the European Council held in Lisbon in 2000. The Lisbon Strategy, as it became known, set the goal for the EU “to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. . . . Investing in people and developing an active and dynamic welfare state will be crucial to Europe’s place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion, and poverty.” (Vandenbroucke 2002:viii).

Given the precocious emergence of conceptualizations of the welfare state as productive investment in the Nordic countries, it is not surprising that the Nordic lead in

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13 Esping-Andersen (1996: 3) points out that the “stress on human capital investment has . . . been the official dogma of the Swedish model for decades.” Morel, Palier, and Palme (2011: 3-4), in their introduction to a volume on social investment point out that Alva and Gunnar Myrdal argue for ‘productive social policy’ in their 1934 book, *Kris I Befolkningensfrågan* (Crisis in the Population Question), making the argument for social
human capacities investment predated not only the Lisbon Strategy but even the paradigm shift in thinking about the welfare state. Narrowly defining human capital spending as spending on education and training, measured by public education, daycare and active labor market policy (ALMP) as a percent of GDP, the Nordic countries spent 8.3% of GDP in 1990 compared to 6.2% in other advanced capitalist democracies. Note that this was well before the advent of the knowledge age ICT economy; before laptops, cell phones, and the Internet became widespread. In each of these areas the expansion of human capital spending had motives in addition to improving skills. In the case of the universal comprehensive (not tracked) secondary education in the 1950s and 1960s and the widely available tertiary education in the 1970s and 1980s, it was the desire of the social democrats and their allies on the education issues, the agrarians, to open educational opportunities to the sons and daughters of workers and farmers. In the case of ALMP spending, it complemented the solidaristic wage policy in the Rehn-Meidner strategy for industrial upgrading. In the case of daycare, the primary goal was gender equality – work and family reconciliation. With the advent of the knowledge age economy, social investment became an explicit goal, one is tempted to say the most important goal, of the welfare states in all four Nordic countries. Emblematic of this switch in perspective is the move of the Swedish government in the mid 1990s to transfer responsibility for daycare from the National Board of Health and Welfare to the Ministry of Education (Jenson 2011: 70). The Nordics continued to widen their lead in human capital spending in the last decade of the last century and the first decade of this one; by 2009, they were spending 10.1% of GDP on public education, daycare, and ALMP, compared to 6.8% in other post industrial democracies.

A number of authors have observed that the dramatic Nordic breakthrough into ICT was dependent on the pre-existing stock of high quality human capital (Iversen and Stephens 2008, Pontusson 2011, Ornston 2012, Huo and Stephens 2014). Ornston (2012) argues that this involved a fundamental reorientation of the political economies of these countries. With the move into ICT, the Nordic countries adapted their previous corporatist institutions to fit the new knowledge economy environment, a move Ornston terms a move from conservative to creative corporatism, in keeping with the move from incremental to radical innovation.

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14 The social spending figures in this paragraph are from Brady et al. (2013).
A series of studies by Stephens and co-authors do show that human capital investments and human capital stock are positively related to employment levels (Bradley and Stephens 2007, Huo, Nelson and Stephens 2008, and Nelson and Stephens 2011, 2013). These studies show that average years of education, public education spending, early childhood education and care (daycare) spending, active labor market policy spending, sickpay generosity, and short term (one year) unemployment average replacement rates are related to higher levels of employment, women’s employment, and employment in knowledge intensive services. Thus, a much broader set of policies beyond the narrow education and training spending programs discussed previously can be seen as investments in human capabilities. These results explain why employment (measured as the percent of the population 15-64 employed) is higher in the Nordic countries than any other welfare state regime.

The Nordic countries along with the Netherlands excel in producing “discretionary learning employment” which the European Survey on Working Conditions defines as jobs which involve high levels of problem solving and learning on the job and high levels of freedom for the worker to organize his or her work activity, with over half of jobs having that character (Lundvall and Lorenz 2011). Nelson and Stephens (2011) examined the effect of public funding, directly on the quality of human capital (measured alternatively through years of education and performance scores in the International Adult Literacy Survey), and indirectly through human capital on high quality employment (measured alternatively as knowledge intensive employment and discretionary-learning employment). The authors found that generous short-term unemployment replacement rates, and high public spending on compulsory education, active labor market policy, and daycare all serve to boost employment, and increase high quality employment in particular. Data on public funding help us trace such differences in human capital quality back to the role of the state. The Nordic countries lead others on the size of all the previously identified, publically funded, social investment policies: early childhood education and care (ECEC), active labor market policies, public education, sick pay, and unemployment replacement rates.

The contrast between the Nordic policy regime and the “low stateness” Anglo-Saxon policy regime as exemplified by the United States underlines the degree to which the shift toward the “social investment state” is in no way a simple product of economic growth or
increasing income levels. While the Nordic countries were expanding their investments in capability expanding investments that increased equity and grew high productivity jobs, the United States was doing the opposite.

In The Race between Education and Technology, Goldin and Katz (2008) argue that for the first three-quarters of the 20th century in the United States, mass secondary and then tertiary education expanded rapidly, increasing the supply of educated workers which actually exceeded the demand for them produced by technological change. This resulted in a declining education wage premium and thus declining wage differentials and declining household income inequality. Since then the reverse has happened; the US has invested less in mass education. Demand for educated workers driven by technological change has exceeded supply. As a result, education wage differentials have been driven up and inequality has increased. While it is hard to measure the overall impact of this decreased investment in education, either in terms of the diminished ability of the U.S. populace to “lead the lives they value” the effect has certainly been negative. Nor has this disinvestment had any salutary effects on income growth (see Evans and Sewell, 2010).

In our pooled time series analysis of the causes of increasing inequality in postindustrial democracies, we tested whether the thesis about the effect of a growing gap between demand and supply of educated workers on inequality could be generalized to all of these countries (Huber and Stephens 2014a). While family structure change (increased single mother households) and deindustrialization have contributed to increasing inequality in all welfare state regimes, the other determinants vary across the regimes. Consistent with Goldin and Katz’s argument, declining investment in education only occurs in liberal welfare states and contributes to increasing inequality only in those countries. In these countries, education spending as a percent of GDP has declined in the past 40 years. By contrast, the increase in education spending in the Nordic countries has dampened the increase in inequality there.

Again, it should be underlined that, while equality is an intrinsic goal to be valued in and of itself, higher levels of inequality are also associated with lower overall levels of performance in terms of both education levels and cognitive skills levels (Huber and Stephens 2014b).

Three general observations will help set these illustrative cases of policy variation in the broader analytical context of our argument. First, these cases puncture claims that “neoliberal hegemony” is the prime determinant of state policy in our era. Contemporary
ideological currents include, for at least this set of countries, a shift in the direction of policies corresponding to the shifts in development theory that are directly contrary to the dictates of neoliberal ideology. They provide a nice reinforcement for our basic proposition that old tropes about investments in human capabilities being unproductive and harmful to growth should be laid to rest. Ironically, the operation of the global neoliberal economy has punished countries like Britain and the United States that followed its ideological dictates, while countries whose policies conformed more closely to the prescriptions of modern development theory have fared quite well in terms of traditional measures of growth as well as in terms of the broader measures of development that are the explicit targets of their policies.

At the same time it should be underlined that the shared underlying policy fundamentals that characterize these cases in no way imply some kind of capability expanding “institutional monocropping” (Evans, 2004). While they share basic commonalities the specific institutional constructions, the processes through which they are implemented and the specific configurations are all products of the social, political and historical circumstances under which they are introduced. There is, of course, borrowing and diffusion. South-south borrowing of ideas like conditional cash transfers (and even borrowing by the North from the South), but global blueprints of the sort that characterized neoliberal policy “reforms” would be antithetical to the Senian theoretical foundations of development as capability expansion.

Finally, the macro-geography of policy variations observed in these cases also reinforces one of our key initial propositions: state effectiveness is not a simple function of wealth or income level. To the contrary, the variations across countries at roughly similar income levels are as interesting as the variations across income levels. This is particularly true given our ultimate aim of trying to shed light on the political foundations of these policy differences. The contrast between Brazil and South Africa is within the middle-income level countries and while Korea is no longer middle income, it was at the time that state support for capability investments burgeoned. Likewise the differences between the Nordic countries and the United States are clearly not income driven. In fact, the US has lost the substantial relative advantage it had gained through early strong investment in public education. Equally important these cases suggest no general proposition that rich countries are showing poor countries the road to the future. While Brazil and Korea might well benefit from looking at Nordic policies for the promotion of “discretionary learning employment,” the United States
might well take useful lessons from positive effects of the universalization of state support for health and education in Brazil and Korea.

Development-relevant policy differences are important in themselves but what is their significance for understanding the political foundations of state effectiveness? Systematic cross-country policy differences not obviously correlated with position in the world economy suggest that explanations based on variations in the political connections between state and society may have some traction. They support the idea that it is worth trying to develop an analytic frame for thinking about the political foundations of developmentally effective state policies.

Towards a Theory of the Political Foundations of State Effectiveness:

Having stipulated initially the foundational importance of bureaucratic capacity to state effectiveness, we have focused on the challenge of constructing effective connections to society, using the combination of the two components of the Sen-Ostrom model as an analytical starting point. Without deliberative processes that enable the state to accurately identify community preferences, state efforts will be misdirected. Without the ability to engage the populace in the “co-production” of capability expanding services, state investments will be ineffectual. The Sen-Ostrom model is a good point of departure for thinking about how to build effective state-society relations, but it is framed abstractly rather than in terms of empirical variations in national political infrastructures. It must be complemented by a more elaborated institutional analysis.

Three analytical models of political infrastructure have emerged from work on the cases of policy variation considered in the last section. The first is the “left social democracy model,” which is proposed by Huber and Stephens as the foundation of effective state policy in Northern Europe and Latin America. The second is the Heller “state-civil society” model, which is derived from Heller’s work in Kerala, South Africa and Brazil. Finally, the C.S. Lee “embedded cohesiveness” model is based on Lee’s work comparing East Asia and Latin America. The three models overlap substantially and complement each other in interesting ways.

Huber and Stephens’ work underlines the continued robustness of a left version of the traditional social democratic model of politics and policy, a version whose success has been
oddly neglected in recent work on state effectiveness.\textsuperscript{15} The basic tenets of the model are familiar. Functioning procedural democracy – competitive elections and essential respect for basic civil rights – is a precondition. Given political space provided by procedural democracy, programmatic left parties have the chance to grow and become the principal political vehicles of left social democratic politics. Left parties are more likely to be programmatic and progressive if they are grounded in a politically effective labor movement and have the support of other organized groups in civil society. As Huber and Stephens have demonstrated (2001, 2012), both case studies and cross-national quantitative data connect incumbency of left parties to state policies that promote social investment and equity in Western Europe and Latin America.

Heller’s (2011) “state-civil society” model takes the argument about the importance of party ties to civil society further and shifts emphasis from the role of parties plus labor unions in driving the move toward capability expanding state policy towards the role of groups in civil society. In the Kerala case, for example, Heller argues that, while the “Kerala” model emerged from party-led contestation of economic privilege grounded in economic struggles in which unions and peasant organizations were key, a broader, more eclectic set of civil society organizations were essential to preventing atrophy and resisting a Michelsian shift in the character of the party. For example, Heller (2005:91) argues that the 1996 “People’s Campaign for Decentralized Planning” would never have been carried out had it not been for the support that the “social movement tendency” within the Communist Party Marxist received from groups like the grassroots “people’s science movement” (KSSP).

Likewise in the Brazilian case, which fits the basic Huber-Stephens model well, Heller emphasizes that: “It was social movements and a vibrant sector of activist NGOs that drew the state in by demanding participatory institutions of engagement and then projecting themselves into the state” (Evans and Heller, 2014: 18). Thus, effective state-society relations involve the transformation of the state itself, both in terms of adding state organizations, like sectoral policy councils and participatory budgeting councils that institutionalize the participation of

\textsuperscript{15} In shorthand, the “left version” of social democracy is the one that the Nordic countries in the North and the “Pink tide” countries in Latin America have tried to implement, as opposed to British New Labour’s version of social democracy. The theoretical frame within which we explain the dynamics of this model is power constellation theory (Huber and Stephens 2001, 2012) which is a variant of power resources theory (Stephens 1979, Korpi 1982, Esping-Andersen 1990, Hicks 1999, Swank 2002).
civil society within the state and through the incorporation of actors who identify themselves as agents of civil society into more traditional state agencies and bureaus.

Heller contrasts this evolution of the Brazilian state with what he sees as underlying the diminishing effectiveness of the South African state, saying that “Participatory structures that were part of the architecture of South Africa’s new democracy were dismantled or hollowed out” (ibid.). Even though the trade union movement remained officially a key part of the political alliance led by the ANC, the party dominates the alliance and whatever influence trade union leaders have is likely to operate through their roles within the party. Dissident trade unionists, along with disfranveilled groups and the civil society that represent them are estranged and disconnected from the party and the state. 16

The case of the ANC raises the more general question about the effects of electoral hegemony on the character of party engagement with civil society. Seekings (2013) argues that the Heller model is in part dependent on the relative weakness of any single left political party (including the PT in the Brazilian case). In Seekings’s view party hegemony removes incentives for the party to allow the full engagement of non-party bottom up civil society groups in the formulation and implementation of state policy. Thus, strong parties may be an impediment to building the kind of vibrant interpenetration of state and society observed in Brazil. Seekings’ argument that too much electoral control may undermine a left party’s connections dominance is in some tension with the Huber-Stephens proposition that increased incumbency by left parties is an important determinant of capability expanding state policies. If both Seekings and Huber-Stephens are right, this implies a “Goldilocks” proposition that left parties need to be strong enough to consistently pursue programmatic goals rather than always being pre-occupied by making compromises in order to protect themselves from electoral defeat but not so hegemonic that they dominate civil society rather than partnering with it. Left hegemony in democracies, however, has been a very rare phenomenon in the developing world. Among the developed countries, in Sweden the left was in power for 44 years, from the 1930s to the 1970s, but depended on coalitions with the farmer’s party in the 1930s and 1950s and narrowly won many elections after the coalition ended.

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16 The recent widespread protests against the social policies of the Worker’s Party government in Brazil underline the point that state-society relations are never fixed. There is no guarantee that the future may not see Civil Society organizations as estranged from the Brazilian state as Heller claims they are now in South Africa.
Both the left social democratic model and the state-civil society model focus on state-society relations in the context of functioning procedural democracy. Yet, in Global South (and historically in the Global North) the foundations of capability expanding politics were often established during periods of authoritarian rule prior to transitions to democracy. In addition, in cases such as Korea and Taiwan, left parties have not been able to establish control over the state and yet progress on capacity-enhancing policies has been substantial.

C.S. Lee (2012), in his comparative analysis of Korea, Brazil, Argentina and Taiwan, starts his analysis of the political foundations of the capability expanding state by looking at political dynamics during authoritarian periods preceding democratization. He argues for the importance of the character of the political networks constructed by progressive activists. While he assumes the eventual importance of the political space created by procedural democracy and the role of political parties, he problematizes the sufficiency of this institutional complex in a different way than Heller. In Lee’s model, the key to successful state civil society relations lies in the construction of political networks that bring political activists whose origins involve connections to formal political and professional networks into close relationships with marginalized grassroots groups for extended periods of time, developing shared loyalties and new identification. These identifications and ties serve as a foundation that keeps unions and labor-based parties connected to marginalized informal workers and community groups, standing in contrast to a “disarticulated cohesiveness” in which parties and unions focus on defending the interests of narrow formal sector constituencies.

For Lee, solving the problem of state-civil society relations depends primarily on the strength of the connections between the elements of civil society that are most likely to have access to the state – parties, unions, and professional associations – and more marginalized civil society groups. Lee’s model is also distinct from both Heller’s and the Huber Stephens model in its emphasis on the way in which being forced to engage in politics under authoritarian repression can contribute to “embedded cohesiveness” (providing, of course, that authoritarian rule is eventually followed by a consolidated democratic opening). Being forced to go “underground” creates an opportunity for progressive political activists to work at the local level with marginalized groups. If activists take advantage of this opportunity, political
development under authoritarian rule can make an unintended contribution to subsequent democratic politics.

Brazil is a prime example for Lee of the construction of ties between political activists with elite connections and marginalized groups during the authoritarian period leading to “embedded cohesiveness” after democratic consolidation. Korea is also a positive case but in a different way. In Korea, labor activists and their political allies did not succeed in constructing a party characterized by “embedded cohesiveness” but densely linked civic-political networks still emerged from the authoritarian period and it is precisely these networks and the organizations created by them that were crucial in pushing the Korean state toward more capability expanding policies. Thus, when Peng and Wong (2008: 77) point to “organizations such as People’s Solidarity for Participatory Democracy (PSPD), the Citizen’s Coalition for Economic Justice (CCEJ), and the Women’s Association United (WAU)” as having played a central role in the expansion of the state’s role in health, Lee would consider this an example of the Korean version of “cohesive embeddedness.”

Reflecting back on the cases that are central to the union-social democratic model in the light of the Heller and Lee models suggests that building ties with civil society groups beyond parties and unions is also characteristic of political dynamics in these cases and that the formulation of the left social democracy model should be revised to include elements of the other two models.

The success of left social democracy in its classic home in the Nordic countries owes much to the active role of civil society organizations. In the late nineteenth century, the established order in these countries was challenged by a number of rising popular social movements that included organizations of family farmers, farmers’ parties and the cooperative movement along with the union movement, and social democratic parties. In fact, it was coalitions with the farmers’ parties that brought the social democrats to power in the 1930s in Sweden, Denmark, and Finland. Coalitions with the farmers’ parties were responsible for the reforms universalizing, democratizing, and detracking secondary education in the 1950s and 1960s and expanding access to tertiary education in the 1960s and 1970s. Sociological analysis of the Nordic countries has noted the exceptional density of voluntary organizations as a highly distinctive feature of these countries.
The political expression of this thorough organization was the incorporation of these groups in the policy making process. In the classical Nordic social democratic model, unions and the party were considered part of the same movement and equal partners. Over time, as industrial employment decreased and working class communities and their political alignment declined, social democratic parties began to build new constituencies among the middle classes and women. These alliances became the main drivers for the formation of broader alliances supporting capacity-enhancing policies. Progress in capacity-enhancing policies was most far-reaching in areas where left parties had movement allies, such as the women’s movement on gender equality issues (Stetson and Mazur 1995; Huber and Stephens 2000).

Looking back at Latin America produces a similar analysis. The working class in Latin America always remained smaller than in Western Europe and organized labor weaker. As in the Nordic countries, left parties were more effective to the extent when they were able to expand their alliances beyond labor by creating ties to other organized groups in civil society.

Non-labor allies became even more critical as the import substitution model of development was abandoned and structural adjustment policies resulted in deindustrialization and the rapid growth of the informal sector. Unions lost members and new groups emerged that have attempted to fight for the interests of the popular sectors, such as neighborhood groups and associations of vendors. Along with unions, these groups constituted potential support bases for left parties, and the most successful parties have been those that have managed to build ties to new groups while maintaining ties to organized labor. Left parties with close ties to organized groups in civil society tend to be bolder in challenging established power structures and pushing far-reaching policy innovations, as in the case of the Frente Amplio in Uruguay. In contrast, electoral-professional left parties that keep their distance from organized civil society groups, like the Socialist Party in Chile after 1990, tend to proceed more cautiously (Pribble 2013).

In sum, the dialogue among these three models is a highly productive one, leading to the conclusion that they should be seen as complementary. The basic social democratic model is easier to validate via currently available quantitative cross-national data, but the closer examination of relations between left parties, unions and the rest of civil society suggested by Heller and Lee expands the scope of the analysis, adding richness and nuance. Underlining the
importance of pre-democratization political dynamics and enabling engagement with anomalous cases like South Africa are only two examples of the contributions of Heller and Lee to the basic social democratic model. As the increasing dominance of precarious informal jobs changes the character of employment and conflicts unrelated to employment like those emerging out of ‘land grabs’ become more salient, the variegated kinds of connections emphasized by Heller and Lee are likely to become even more central to the political foundations of the capability expanding state.

Together the three models offer a heuristically promising starting point on the road toward a more complete theory of the political foundations of the state-society relations. This said, there is still a long way to go. The challenges are empirical as much as theoretical. Extending the evidentiary base of Heller’s state-civil society model and Lee’s embedded cohesiveness/political network model is a prerequisite for better integration of the three models and better specification of how they vary across different cases and over time. Since Heller and Lee’s arguments are founded on the intensive analysis of a small number of cases, figuring out how to get comparable empirical evidence for a larger set of countries is a challenge.

An even larger challenge will be to confront cases that lack the basic pre-requisites assumed by the three models, most obviously because procedural democracy appears permanently dysfunctional or unlikely to emerge at all. As a country with relatively high (though variable over time) state effectiveness but a system of state-society networks that is clearly of a different mold, China is the most obvious challenge, but there are a range of others. \footnote{As Sen and Dreze (2002) point out, the Chinese state’s level of investment in capability expanding services has varied considerably in recent decades (see Friedman (2014) for a more recent analysis of the variability), but existing descriptions of the connections between the Party-state and society seem insufficient to account for the state’s relative effectiveness. For fruitful studies at the local level see May-ling Birney (2014) and Lily Tsai (2007). For some general analytical proposals see Lee and Zhang (2013) on “bargained authoritarianism” and Rothstein (2013) on “cadre-based administration.”} Efforts to incorporate a broader range of countries will no doubt force reconstruction of at least some of the theoretical propositions derived from the three models, but this does not negate their value as analytical reference points.

\footnote{Among them, India is one of the most theoretically challenging. See Heller’s analysis (this volume) of how the failure to build effective relationships between the local state and civil society leads to the dominance of an exclusionary “growth cabal” in Indian cities.}
Conclusion:

We have identified key components that are likely to be part of a more satisfying analytical understanding of how effective states are built. The starting point is a theoretical conception of development as a process for increasing human wellbeing and flourishing. Starting from this conception, modern theories of development transform the state from a potentially valuable auxiliary to capital into the key agent of the most critical forms of productive investment – investment in capability expanding collective goods.

Modern development theory not only focuses attention on the state as locus of developmental agency, but also identifies structural and strategic characteristics of states likely to be central to effective state action. It validates the proposition that the bureaucratic capacity of public institutions is a lynchpin of developmental success. Already identified features central to building bureaucratic capacity, such as meritocratic recruitment, long term career rewards, and the inculcation of shared commitment to common projects, become even more crucial as development theory makes the role of public institutions in developmental success more central.

The effective delivery of capability expanding collective goods is a much more demanding task than earlier missions involving supporting capital accumulation, and the range of state capacity required to do the job is broader. The contributions of traditional Weberian attributes to identifying the most efficacious forms of investment and engaging society in their “co-production” should not be under estimated, but they must be complemented by less well-understood kinds of “embeddedness.” We have focused our analysis of pathways to state effectiveness on variations in state-society relations. New development perspectives give greater weight to this dimension of state capacity.

Starting our analysis of state-society relations with the Sen-Ostrom vision of how states engage society, we have tried to identify institutions and strategies that will lead to the efficacious engagement of the broadest possible cross-section of the populace. This led us to a re-engagement with left social democracy, who’s continued efficacy is too often either taken for granted or ignored. But, resuscitating traditional models of left social democracy is not sufficient if the task is to construct a satisfying theory of effective state-society relations. Heller’s state-civil society model and Lee’s embedded cohesiveness/political network model gave us tools for revising, deepening and extending the basic party-union dynamics of the
traditional left social democratic model. Figuring out what kinds of new political foundations might be required to make these models more effective in an era when precarity and informality characterize the economic situations of a growing share of the citizenry will require further reconstruction and extension.

Putting the Huber-Stephens analysis of left social democracy together with the Heller and Lee models in our final discussion of political foundations, we made a start toward identifying the historically contingent and variable ways in which the Sen-Ostrom vision of effective state-society relations might be embodied in political infrastructure connecting the state to its constituents. Even if our elaboration of these instantiations is still only a rough sketch, it reflects observed variation across key cases and offers a promising platform for future debate on the general political logic of state-society relations, as well as providing a springboard for engagement with a broader range of empirical cases. Constructing a full-fledged theory of state effectiveness will be a long journey, but we are at least a few steps along the way.
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Table 1. Determinants of Growth GDP per Capita 1960-2000 and Cognitive Skills

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<thead>
<tr>
<th></th>
<th>Economic Growth</th>
<th>Cognitive Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita 1960</td>
<td>-.185 ***</td>
<td>.026</td>
</tr>
<tr>
<td>Cognitive skills</td>
<td>1.285 ***</td>
<td></td>
</tr>
<tr>
<td>Investment share of GDP 1960-2000</td>
<td>.056 **</td>
<td>.023 **</td>
</tr>
<tr>
<td>Income inequality circa 1960</td>
<td>.010</td>
<td>-.006</td>
</tr>
<tr>
<td>Land inequality circa 1960</td>
<td>-.005</td>
<td>-.010 *</td>
</tr>
<tr>
<td>Total fertility rate 1960</td>
<td>-.001</td>
<td>-.067</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.061 *</td>
<td>4.917 **</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.67 ***</td>
<td>.53 ***</td>
</tr>
</tbody>
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Observations 50 50

* significant at .05; **significant at .01, ***significant at .001

Data sources: cognitive skills (Hanushek and Woessmann 2012); economic growth, investment, and GDP per capita (Penn World Tables, Heston et al. 2012); land inequality (Frankema 2009); income (Solt 2009), fertility (World Bank, World Development Indicators)