

The Challenges of Building a Democratic Developmental State

by Tesfaye Habisso, August 23, 2010

"A common factor among developmental states appears to be a committed leadership that is embedded in the 'right' context of demands. Developmental states are usually characterized by a leadership which is strongly committed to developmental goals, and which places national development ahead of personal enrichment and/or short-term political gains"

[Ghani et al., 2005; Leftwich, 2000; Rotberg, 2004].

Introduction

In Ethiopia, since the last seven years or so, the incumbent party and government have explicitly committed themselves to building a **democratic developmental state** that efficiently guides the national socio-economic and political development of the country by mobilizing the human and material resources of the state and directing them towards the realization of common goals. The current rulers place the needs of the poor and social issues such as health care, housing, infrastructure, education, poverty alleviation and reduction as well as a social safety net at the top of the national agenda. The country is led by a dedicated, radical and committed leadership bestowed with vision and strategy to fundamentally transform the socio-economic face and makeup of the nation in a relatively short period of time. Starting from a very dismal and pitifully low base of economic and human development as of 1991, considerable achievements in a large number of socio-economic and political spheres have already been registered throughout the country. The tireless struggles to improve the living standard and overall well-being of the rural and urban populations across the country, to insure the rule of law and to safeguard human and democratic rights are continuing unabatedly. Although a lot remains to be done when compared to the constitutional democracy that the country and state boast of, today, peace and stability reign throughout the country, attracting many foreign and local investors to start new businesses in Ethiopia. We also observe the current regime relentlessly striving to root out, rent-seeking, predatory behaviour, corruption and other malpractices in the public bureaucracy, to build an ethical, customer-friendly, efficient and meritorious public service, a well-functioning public-private sector alliance and collaboration, creating an investor friendly environment, supporting small business development and peasant agriculture productivity as well as commercialisation of small-scale agriculture, generating massive employment opportunities for the urban youth and women, encouraging export-led growth of the agricultural sector, and using state owned enterprises effectively and driving strategic investment initiatives. As a result, double-digit annual economic growth has been a characteristic pattern of the national economy since the last six or seven years, and now the government has formulated and launched a five-year Growth and Transformation Plan (GTP) with an over-ambitious aim of doubling the present national economy or gross domestic product with an expected yearly economic growth of 11- 14% GDP, including doubling the agricultural production of the country at the end of the five-year period (2011-2015).

The State is also strongly committed to playing a big role in keeping our economy competitive and close to the leading edge in the global development of knowledge and technology by pursuing a democratic developmental state, akin to the current experiences of similar developmental states such as South Africa, Botswana, Mauritius, Ghana, Brazil, among others. But what do we mean by a 'democratic developmental state'? How is it possible to simultaneously tackle the twin challenges of socio-economic transformation: democracy and development? What is the relationship between democracy and development? Does democracy promote development or is it the vice versa? These vexing questions require succinct answers.

Before going any further in the discussion of the topic, I believe, we must start with a definition of the concept because the term '**developmental state**', amongst many circles of academics and business elites in Ethiopia today, is almost equated with the mere imposition

of 'hard power' and authoritarian rule on the society with the sinister aim of perpetuating one-party rule under the guise of implementing socio-economic and political policies and programs in order to achieve fast and accelerated economic development and to extricate the poor masses from the scourges of poverty and deprivation in a short period of time. This is because of the authoritarian political system that was prevalent during the developmental process of the so-called East Asian Tigers or Newly Industrialized Countries (NICs) such as Korea, Taiwan, Singapore, etc. in the 1960s and 1980s applying authoritarian politics to implement their developmental policies and agendas, and achieving spectacular economic growth rates and sustainable development in just three decades or so.

Yes, most developmental states in East Asia were initially authoritarian and applied heavy-handed approaches to implement their developmental policies and achieve fast growth in a short period of time. For these poor societies democracy in the short-term was considered a luxury they could ill afford, and thus they focused more on developing discipline than democracy, believing that the exuberance of democracy would lead to indiscipline and disorderly conduct which would be inimical to development. However, their integrity and commitment to achieve their developmental objectives and goals were unprecedented. This does not, however, imply that all authoritarian regimes are developmental and it also does not mean that states need to be authoritarian in order to be developmental. There have been many examples of anti-developmental or non-developmental authoritarian states in Africa and Latin America; Ethiopia of the pre-1991 era could be cited as an illustrative example in Africa. On the other hand, Brazil and South Africa today indicate that democratisation and a greater developmental orientation of the state can occur in parallel. In the case of Brazil, democratisation entailed a transition from military authoritarianism to democratic rule, while in the case of South Africa it was a transition from Apartheid to inclusive democracy.

However, building developmental states in a democratic context brings about particular challenges, which for the most part Asian success stories did not face. This issue has been neglected in much of the literature on developmental states. Brazil, India and South Africa, for example, have faced significant obstacles in managing their political economy with what Herring (1999) described as 'one arm tied behind [their] back by [their] commitment to liberal democracy'.

Definitions of a Developmental State

The term 'developmental state' does not enjoy any clear consensus about its meaning. Some even question the appropriateness of the term 'developmental state' contending that a 'state' as an abstract entity can neither be developmental nor non-developmental, and it is perhaps a 'regime', they contend, that may deserve such a label. Leaving aside this contention for further debate and scrutiny in the future, let us examine the views of other scholars on the issue.

According to Castells: *"A state is developmental when it establishes as its principle of legitimacy, its ability to promote and sustain development, understanding by development the combination of steady high rates of growth and structural change in the productive system, both domestic and in the relationship to the international economy... Thus, ultimately for the developmental state, economic development is not a goal but a means."* [NUMSA, October 3, 2006]

Chalmers Johnson contends that: *"the developmental state was one that was determined to influence the direction of and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate economic resources."*

WIKIPEDIA, the Free Encyclopedia describes a '**Developmental state**', or hard state, as "a term used by international political economy scholars to refer to the phenomenon of state-led macroeconomic planning in East Asia in the late twentieth century, In this model of capitalism (sometimes referred to as state development capitalism), the state has more

independent, or autonomous, political power, as well as more control over the economy. A developmental state is characterized by having strong state intervention, as well as extensive regulation and planning. The other characteristics include (i) emphasis on market share over profit; (ii) economic nationalism; (iii) protection of fledging domestic industries; (iv) focus on foreign technology transfer; (v) large government bureaucracy; (vi) alliance between the state, labour and industry called corporatism; (vii) scepticism of neo-liberalism and the Washington Consensus; (viii) prioritisation of economic growth over political reform; (ix) legitimacy and performance; (x) emphasis on technical education. The term has subsequently been used to describe countries outside East Asia which satisfy the criteria of a developmental state. Botswana, for example, has warranted the label since the early 1970s. The developmental state is sometimes contrasted with a predatory state or weak state.

The first person to seriously conceptualise the developmental state was Chalmers Johnson. He wrote in his book **"MITI and the Japanese Miracle"**:

In states that were late to industrialize, the state itself led the industrialization drive, that is, it took on development functions. These two differing orientations toward private economic activities, the regulatory orientation and the developmental orientation, produced two different kinds of business-government relationships. The United States is a good example of a state in which the regulatory orientation predominates, whereas Japan is a good example of a state in which the developmental orientation predominates.

Recent writing on developmental states has emphasized the importance of both infrastructural powers and political commitment. According to Ghani et al. (2005), a 'developmental' state project must possess at least two essential attributes. First, the state must have the capacity to control a vast majority of its territory and possess a set of core capacities that will enable it to design and deliver policies; secondly, the project must involve some degree of reach and inclusion, and have an institutional, long-term perspective that transcends any specific political figure or leader, and emphasizes commitment. In his view, an ideal-type developmental state is one that demonstrates a 'determination and ability to stimulate, direct, shape and cooperate with the domestic private sector and arrange or supervise mutually acceptable deals with foreign interests' [Leftwich, 2000: 167-8]. Thus, a developmental state is broadly understood as one that evinces a clear commitment to a national development agenda, that has solid capacity and reach, and that seeks to provide growth as well as poverty reduction and the provision of public services [V. Fritz and A.R. Menocal, 2006: 5-6].

A regulatory state governs the economy mainly through regulatory agencies that are empowered to enforce a variety of standards of behaviour to protect the public against market failures of various sorts, including monopolistic pricing, predation, and other abuses of market power, and by providing collective goods (such as national defence or public education) that otherwise would be undersupplied by the market. In contrast, a developmental state intervenes more directly in the economy through a variety of means to promote the growth of new industries and to reduce the dislocations caused by shifts in investment and profits from old to new industries. In other words, developmental states can pursue industrial policies, while regulatory states generally cannot.

As in the case of Japan, there is little government ownership of industry, but the private sector is rightly guided and restricted by bureaucratic government elites. These bureaucratic government elites are not elected officials and are thus less subject to influence by either the corporate-class or working-class through the political process. The argument from this perspective is that a government ministry can have the freedom to plan the economy and look to long-term national interests without having their economic policies disrupted by either corporate-class or working-class short-term or narrow interests.

Models or Types of State and Their Role in Economy

Peter Evans of the University of California at Berkeley and a sociologist by profession categorizes states into three types (or models) based on their roles in economic development--the **Minimal State**, the **Developmental State**, and the **Predatory State** [7]. Artikel Ilmiah adds another type: the **Regulatory State** [8]. However these types of state are only ideal types. Given the complexity of reality, countries have historically applied a combination of them. Other scholars categorize states into four models; these are: the **democratic interventionist-welfare state**, commonplace in many Western societies; the **developmental state** that evolved in the Soviet system, and spread with some modifications to many developing countries; the **liberal, market-friendly state** espoused by the World Bank, which has found a footing in most developing countries that have taken structural adjustment loans from the World Bank and IMF; and the **business-like, managerial state** promoted by Margaret Thatcher, Ronald Reagan and others. These types of states are not essentially at odds with or much different from the above state models. It is also contended that innovations in any kind of state can, with suitable modifications, be adapted in any other kind of state, and that innovations in governance systems and adaptive borrowings are powerful keys to state excellence [Khandwalla P.N, "**Revitalising the State: Models of the Modern State**", 1997].

When we analyse the state models, we come to understand that the **Minimal State** is a concept from Adam Smith. The supporters of this concept argue that market mechanisms know best and work more efficiently than governments. To have the most favourable conditions for business, the role of government should be kept as minimal as possible. Based on this framework, the role of government is restricted only to preventing monopoly and externalities, providing public goods, and enforcing the law. Government's help to business should be indirect and non-selective.

The **Regulatory State** goes one step further than the Minimal State. The supporters of the regulatory state argue that the government is also responsible for the welfare of society as a whole and may help business people by ensuring a better government. From this point of view, indirect help is not and never sufficient. Government should be more active in giving direct help and should sometimes be selective. Two variants of the regulatory state are the **Associative State** and the **Welfare State**. The **Associative State** frames government to work together with business people and labour to mobilize productivity and allocate distribution for welfare. The **Welfare State** frames government to distribute welfare programmes (e.g. housing, unemployment aid, healthcare, etc.) and sometimes, to protect small businesses from the threat of big business.

The **Developmental State** goes one step further than the Regulatory State. The supporters of the Developmental State argue that the government should direct the trend of national industries and pick the "winners" to become the leading industries (or business locomotives). To play this role powerfully, the government should manipulate industrial policy (protection, subsidies, lower tax), offer cheap loans, and give administrative guidance that can direct business people to choose certain business strategies. The assumption of this approach, contrary to the Minimal State, is that the government knows more than the market how to achieve the highest national economic growth.

The last one is the **Predatory State**. The easiest way to describe the predatory state is as follows: "The predatory state is the developmental state without bureaucratic competence." As a developmental state, the predatory state also directs the trend of business and picks the "winners". However, the criteria for the intervention is not technical competence based on assessments of expertise, but nepotism and corruption. The government's high officials act as rent seekers, giving government facilities and protection to business people, and getting personal benefits in return.

The indirect role of government refers only to the Minimal State. In this category, the role of the government is only to protect market mechanisms and to build infrastructures for the economy. The government may spend much money to build railroads or highways. This role is considered indirect, since what is created is a part of public goods. The direct role of the government refers **to the Regulatory State, the Developmental State and the Predatory State**, since in these states the government's role is to be selective and more than just to protect market mechanisms.

In the history of business, the governments of the United States and Great Britain play roles as Minimal States, Regulatory States and Developmental States interchangeably, from one point of time to another. Compared to the United States and Great Britain, Japan acts as a developmental state much more frequently.

The Relationship Between Model of State, Development and Democratisation

Although there has been considerable discussion in the development economics literature on the role of the state, it is only in recent years that explicit attention has been paid to the model of state and its relationship to development. As development economics moved from a narrow definition of development confined largely to the growth of per capita incomes to a more holistic and needs- and- rights- based approach, the form of the state became relevant to the discussion.

While neo-classical economics was based on the implicit assumption of a minimalist state, all late-industrializing countries chose to deviate from the prescription, giving rise to the concept of a developmental state which played an active role in promoting the country's development. However, a developmental state was not preordained to be either democratic or dictatorial, nor destined to be either socialist or capitalist. The prototype of non-democratic developmental states with capitalist orientation were pre-War Japan and East Asian countries and that with socialist orientation were the former Soviet Union and East European countries. Only the First World countries of Europe and North America had the distinction of combining developmental capacity with a democratic political regime. The basic characteristic of a developmental state was to promote the mobilization of economic surplus and its investment into new industries to ensure self-sustaining growth and rise in per capita incomes.

The developmental state used a large variety of instruments, both direct and indirect, to promote industrialization: general and targeted subsidies; tariffs; credit and direct finance; regulation of foreign investment and foreign capital inflows. Developmental states enlarged the size of the domestic market by unifying their countries politically and by investments in infrastructure.

The jury is still out on whether all countries can or should become a developmental state and whether a developmental state necessarily should be democratic. Historically, there was no strong positive correlation between the two.

The paradigm of a developmental state, which is largely based on the East Asian "miracle" economies is now facing a less hospitable environment as a result of the financial crisis faced by these economies during the late 1990s and the increasing pressures to open up the economies to foreign competition in all spheres.

However, the basic idea of a developmental state with managerial capacity and leadership could still hold a country in good stead in facing the challenges of globalization.

With the change in the scope and objectives of development, the need for defining the form of government to achieve developmental goals has also become imperative. So long as development was defined narrowly as growth, it mattered little how it was achieved and often dictatorial and military regimes (such as in East Asia) performed better than democratic regimes.

However, with the inclusion of such objectives as social, political and institutional modernization; and widespread improvement in the human condition, including reduction of inequality of incomes, poverty incidence and gender gap, among others, the need for a

democratic dispensation became unavoidable. However, the idea of democracy as a universal commitment is quite new, as it is quintessentially a product of the twentieth century. Throughout the nineteenth century, theorists of democracy found it quite natural to discuss whether one country or another was "fit for democracy." This thinking changed only in the latter half of the last century, when it came to be realized that a country does not have to be deemed fit for democracy, rather it has to become fit through democracy. In fact, both democracy and development have rather steep and non-linear learning curves, climbing which is possible only through considerable investment of perseverance, patience and time [S.M. Naseem, 2004:2].

In his recent work, *Development as Freedom*, Professor Amartya Sen has emphasized the link between democracy and development and has debunked the oft-repeated claim that undemocratic systems are better at fostering economic development. Sen finds no convincing evidence that authoritarian governance and the suppression of political and civil rights are really beneficial to economic development. Systematic empirical studies give no real support to the claim that there is a general conflict between political rights and economic performance. In fact, a harsher political system is often counterproductive in bringing out the full potential of the labour force.

What Are Developmental States and Why Do They Matter?

Again, what do we mean by the developmental state? And why do we believe that this concept contributes something useful to contemporary thinking on development policy?

According to Ghani et al. (2005), a 'developmental' state project must possess at least two essential attributes. First, the state must have the capacity to control a vast majority of its territory and possess a set of core capacities that will enable it to design and deliver policies; secondly, the project must involve some degree of reach and inclusion, and have an institutional, long-term perspective that transcends any specific political figure or leader, and emphasizes commitment. In his view, an ideal-type developmental state is one that demonstrates a 'determination and ability to stimulate, direct, shape and cooperate with the domestic private sector and arrange or supervise mutually acceptable deals with foreign interests' [Leftwich, 2000: 167-8]. Thus, a developmental state is broadly understood as one that evinces a clear commitment to a national development agenda, that has solid capacity and reach, and that seeks to provide growth as well as poverty reduction and the provision of public services.

Drawing on the work of Johnson (1982), Deyo (1987) and Evans (1995) among others, we understand a developmental state to exist when the state possesses the vision, leadership and capacity to bring about a positive transformation of society within a condensed period of time. To be judged developmental, a state does not need to be in control of everything and successful in all spheres. A transformation that is positive overall may be accompanied by a range of negative consequences, such as major environmental damage or greater social tension, which become problems that society and the state have to address in a subsequent phase.

The transformation can also take various forms. In the classic East Asian examples, it was aimed at speeding up growth, while at the same time enhancing opportunities to participate in the modern economy--most commonly through the expansion of public services such as education, health care and agricultural extension. The developmental state was associated with rapid processes of industrialization and/or the adoption of new technologies--that is, moving into higher value-added activities relative to the starting point. Typically, there was a shift from subsistence agriculture to more commercial, export-oriented farming, or to textile processing, or to tourism, or a mixture of these.

Clearly, not all social transformations are actively promoted by developmental states. There are many instances of private-sector-led growth in which the state's role has been quite limited. In addition, not all attempts at state-led transformations succeed.

In fact, in developing countries, ambitious attempts at state-led transformation have commonly met with failure, often with far-reaching negative consequences [Scott, 1998; Lockwood, 2005]. Moreover, the developmental orientation of a state is not a permanent condition but rather a dynamic feature with a limited time horizon. Germany and Japan, for example, had developmental states at critical junctures in their history, which triggered considerable economic and social transformations, while also storing up unresolved issues for the future [Moore, 1966]. Today the challenges are different and those countries' states [regimes] would no longer be considered developmental. Nor need the developmental condition be even across the entire state: a state may be characterized by the co-existence of sectors or institutional areas that have a clear developmental orientation with areas where significant anti-developmental factors are in play.

Developmental states have been the subject of research and analysis at various points in history. The roots of the idea of a developmental state reach back at least to List (1909) and Gerschenkron (1962), whose concern was the role of the state in rapid 'late' industrialization in continental Europe. The most recent experiences with successful transformations generated by developmental states have been those in East Asia between the 1960s and 1980s. Over a period of 30 years, a set of city-states and countries including Hong Kong, Singapore, South Korea and Taiwan underwent rapid economic growth and radical socio-economic change, moving from being poor agrarian societies in the 1960s to producers of high technology and high value-added goods by the 1990s [Fritz and Rocha Menocal, 2006]. These so-called 'Asian Tigers' have generated a considerable literature [Evans, 1995; World Bank, 1993; Haggard, 1990; Kohli, 2004]. Since the 1980s, developmental states in China and Vietnam have also overseen a remarkable process of social transformation. More limited examples of state-led development can be found in countries such as Brazil, India and Mauritius [Evans, 1996; Grindle, 1996; Rocha Menocal, 2004].

As this illustrates, we can with hindsight quite easily identify developmental states; that is, once the transformative outcomes have become visible. However, it is less easy to specify *ex ante* the key characteristics. Developmental states are marked by a combination of capacities, visions, norms and/or ideologies. They are not associated with specific policies; at different times and in different places, very different policies have ushered in social and economic transformations. At most, as Woo-Cummings (1999: 1-2) explains, the developmental state is 'neither socialist...nor free-market...but something different: the plan-rational capitalist developmental state...[which links] interventionism with rapid economic growth'.

A common factor among developmental states appears to be a committed leadership that is embedded in the 'right' context of demands. **Developmental states are usually characterized by a leadership which is strongly committed to developmental goals, and which places national development ahead of personal enrichment and/or short-term political gains** [Ghani et al. 2005; Leftwich, 2000; Rotberg, 2004]. Historically, many of the examples of the emergence of such a leadership have been associated with a severe crisis (the perceived threat that Japan posed to South Korea, for example), and the response that political elites have designed to overcome it [Lange and Rueschemeyer, 2005; Herbst, 2000]. On the other hand, a degree of political stability is usually a precondition for such capacities to be sustained and to flourish. Aspects of the domestic context are important as well: demands arising from society, and in particular from wider elite groups, as well as international factors, may help or hinder the efforts of a national leadership in pursuing developmental goals [Gordon White, 2006: 535].

Many of the original leaders in post-colonial developing countries had a developmental vision: Julius Nyerere of Tanzania and Kwame Nkrumah of Ghana are perhaps the best known African examples. Patrice Lumumba had the potential to become a visionary leader in the Congo. However, wider conditions were disadvantageous. Domestically, there were strong clientelist demands for spoils, and ethnic/tribal rivalries that needed to be managed. The international context of the Cold War was particularly unfavourable, providing the backdrop to the elimination of potentially good leaders (for example, the murder of Lumumba), as well as the imposition or tolerance of outrageously bad ones.

The importance of the structure of domestic demands is reflected in a fundamental characteristic of the developmental state: what Evans (1995) calls its 'embedded autonomy'. According to Evans, the developmental state is autonomous insofar as it has a rationalised bureaucracy characterized by meritocracy and long-term career prospects, traits that make civil servants more professional and detached from powerful rent-seeking groups. On the other hand, the state cannot be too insulated from society without running the risk of becoming excessively detached, unable to appreciate and act upon societal needs. Thus, it must also be embedded in society, that is, [connected to] a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and renegotiation of goals and policies' [Evans, 1995:12].

State capacities generally cannot increase if a developmental commitment among the state elite is missing or insufficiently resolute. This may be the main reason why so much donor-sponsored capacity building has proven ineffective. However, commitment at the elite level is insufficient on its own. It is usually necessary for the elite to expound a vision that connects the state and society in a mutually binding way, through some form of shared 'national project'. Another of the underlying requirements of the developmental state is thus the creation of a nation-wide public [Ghani et al. 2005]. A nation-wide public need not be rooted in a unified sense of 'nation' based on cultural and linguistic unity, but may well take the form of a more civic identity (as in the case of the US). The important issue is that all citizens see themselves as Ethiopians or Nigerians, Kenyans or Tanzanians as much as or more than as an Oromo or as Igbo or Kikuyu or Nyamwezi. Post-independence leaders in sub-Saharan Africa often understand this challenge, and their drive to expand primary education was in good part aimed at creating a national public consciousness [Turner, 1971; Deutsch, 1953; Connor, 1972].

Many African countries experienced some sort of big push for development during the early independence years. However, subsequently governance deteriorated too sharply for this to be followed through. The deterioration was due to a combination of domestic and external factors. On the one hand, clientelistic and/or neo-patrimonial social structures strangled the potential of promising economic sectors and undermined attempts at state-led industrialisation. Efforts to spread education stalled, inter alia when increasingly authoritarian leaders found that those with some education, but lacking good employment opportunities (due to the clientelistic throttling of the economy), become politically dangerous. National armies discredited themselves through bloody coups and internal divisions along ethnic lines. The project of national integration failed.

Embedding State Autonomy

The big question for political economists in the 1990s was why the East Asian Tigers were growing so dramatically when other strong states were faring badly. Dictatorships and post-socialist states during the same period, for example, were creating the kind of economic and social ruin that caused their populations to detest them.

One answer came from Peter Evans, who identified two linked factors that distinguished successful 'developmental states' from economically failing ones, which he called 'embedded autonomy'. 'Embeddedness' he defined as good communication and ties with the private sector--the factor stressed by those promoting a 'developmental state' in Ethiopia regarding

pro-poor inclusion. But this factor was bound up with 'autonomy', defined as political autonomy or insulation, which would simultaneously allow state officials to make policy professionally and independently of special private-sector interests [Peter Evans, 1995: 45]. In Evans' analysis, the interdependency of these factors was crucial. Social embeddedness without political autonomy would leave state officials vulnerable to private pressures, leading to corruption and cronyism. Autonomy without embeddedness would leave state officials isolated from real events, prone to bad decision-making and, in the worst scenarios, ruinous miscalculations [ibid].

For embedded autonomy to work, Evans observed, the state must create a meritocratic bureaucracy of highly skilled people who can freely combine their close contacts with the private sector with their independent understanding of the global market to help steer economic planning in directions good for the national economy as a whole.

Notably, a meritocratic bureaucracy has nothing to do with democracy. South Korea, Taiwan and Singapore were, until recently, repressive dictatorships (as was Brazil). These states used the peasantry (as long as it lasted) for agriculture to drive growth; they did not look out for peasant interests or any interests that didn't serve central state growth. Not until the 1980s were the rising middle classes in these states able to launch effective struggles for greater political voice, precisely because the states were so strong.

Hence a tangential debate about developmental states is that if early authoritarianism enabled the East Asian Tigers to overcome entrenched private interests, then Ethiopia, for example, is hampered in this respect because Ethiopia today is a constitutional democracy where authoritarianism has no place whatsoever.

Money and Autonomy

While authoritarianism may be a necessary condition, it is not a sufficient one. Even pro-authoritarian development analysts admit that other necessary conditions are needed: notably, the financial power that supported strong states in Asia.

Where did that power come from? The answer clarifies that the key factor for the Tigers was not authoritarianism but yet another conspicuously neglected truth about the developmental-state model that should give its admirers pause: for several decades, the US Administration pumped billions of dollars straight to the East Asian Tigers' governments in order to consolidate their compliance and capacity in the Cold War. This massive external funding greatly strengthened these states in relation to their private sectors, allowing them to operate with unusual independence and autocracy. Yet, oddly, this enormous financial and political factor is entirely overlooked by many who enthuse about the capacity of least developed countries such as Ethiopia and other states to blossom economically simply by emulating some South Korean policy regarding the bureaucracy.

This massive external funding greatly strengthened these states in relation to their private sectors, allowing them to operate with unusual independence and autocracy.

The same factor explains why authoritarian Latin American states have been unable to follow the East Asian Tigers' model: because their states lacked that external funding and even by the late 1970s were running aground on debt. Instead, extensive direct foreign investment in Latin America (again mostly from the US) strengthened the private sector in relation to governments, and effectively made the 'developmental state' model unworkable on most of the continent. Generally, entrenched oligarchies and repressive landed elites stifled development in the rest of Latin America precisely because they were in control of the state. In other words, these states were socially 'embedded' but profoundly lacked insulation from private elite interests--indeed, they were composed of those interests and existed entirely to serve them. In these conditions, which endure today, leftist revolutions and democratic reforms have had disappointing impact in improving the lot of the poor.

That this vital finding of the 'developmental state' literature is not even heard is perilous to the Ethiopian debate. For it boils down to this: it's no good including more people in the nation's development project (even poor people who clearly deserve more voice in state planning) if the state bureaucracy lacks sufficient political insulation, because otherwise this lauded 'inclusion' will just foster more savoury deals, clientelism and tender abuse.

The challenge for Ethiopia as a democratic developmental state in the making is the same challenge that faces countries everywhere: to develop institutions and policy instruments, to win the hearts and minds of the majority of the population around democratic developmentalism, to secure resources, particularly foreign savings, to build an efficient, meritocratic and meritorious public service, and to insulate the state from private political pressure enough to allow 'inclusion' to be a positive form of 'embeddedness' rather than just another distortion. Only then can the state play a genuinely positive role in relieving Ethiopia's endemic poverty and inequality and truly serve the nation as a whole. The future of Ethiopia surely lies in building a robust democratic developmental state where democracy and development co-exist as 'kissing cousins', because "**bread without democracy is bitter and democracy without bread is fragile.**"

"If a country's problems require radical remedies, you need a radical government. But how can you have a radical government without radically-minded officials? Difficult problems are solved by people who desperately want to solve them: not by people who had been fully prepared until polling day to make those self-same problems worse, rather than better."

[Sir John Hoskyns, 1982].