

THE DEVELOPMENTAL STATE UNDER GLOBAL NEOLIBERALISM¹

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1. Introduction

This paper explores the current usefulness of the concept of the developmental state in the present framework of global capitalism, which many people have characterised as shaped by the ideology of neoliberalism (e.g. Harvey 2005, Saad-Filho & Johnson 2005). The approach taken is primarily an examination of the ontological, epistemological and theoretical foundations of the developmental state (hereafter DS) concept.

Given the marginalisation of dependency theory and of Marxism more broadly in the last twenty years, the DS became by about 1990 the main ideological rallying-point for those who wish to contest the appropriateness of neoliberalism and the Washington Consensus as a framework for effective governance and economic development in the global south. In so far as the DS concept can be stripped down to the idea that the state can play a central role in economic development, it has a very long pedigree, stretching back to the mercantilist period at the dawn of capitalism, via the 19th-century critiques of free trade (Hamilton, List), to the period of ‘late development’ (that is, after Britain) as analysed by Gerschenkron (1962). While important aspects of these earlier debates are still very much present, the *locus classicus* of the modern DS concept was undoubtedly East Asia, and in particular the work of Amsden (1989) on South Korea and Wade (1990) on Taiwan². Their insistence that the East Asian ‘miracles’ were due to effective and manysided policies of state intervention in markets, rather than the ‘opening-up’ advocated by the World Bank, won widespread support in the 1990s. Much of the progressive wing of the academic development community then advocated the DS approach as a model for the rest of the global south, and indeed for post-Communist Eastern Europe and the ex-USSR (Amsden et al. 1994).

At the heart of the DS thesis is the relationship between the state and the business sector, especially with regard to the direction and funding of industrial investment. In contrast to the conventionally polar models of liberal free-market capitalism and the state-socialist planned economy, the DS is seen as a distinctive political economy that combines elements of market and plan, linking a ‘mixed economy’ to a political-ideological approach that combines authoritarian technocracy with a relatively egalitarian distribution of income and wealth. It is also assumed that development means industrialisation and urbanisation, following a path laid down by earlier successful developers.

The key DS instruments are designed around the principle that existing price relativities and other market signals should be deliberately distorted, through selective tariffs, subsidies and access to finance, in order to induce a step-change in the pace and direction of

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² The literature on the DS frequently cites Johnson (1982) on Japan as their immediate precursor. For a brief and clear introduction, see Leftwich (2000, ch.7); a good range of views can be found in Deyo (1987) and Woo-Cumings (1999).

capital accumulation. While this might reasonably be seen as emulating the Soviet experience in so far as a planning authority identifies the sectors to be privileged, the DS harnesses rather than suppresses the private sector and the profit motive. Meanwhile, the authoritarian character of the state ensures that competing interests based on class, class fraction or sector are subordinated to the state's goals, which are presented as largely determined by the requirements of industrialisation and technological change. The state can also command through taxation the resources required to provide public goods such as education and public health, while its effectiveness as a Weberian rational bureaucracy ensures that these are produced and distributed in line with the needs of industrial development.

In the East Asian context, DS advocates have recognised regionally-specific factors that have shaped both policy practice and the practice of politics. For many writers, the East Asian DS was underpinned by cultural factors (notably an idealised Confucianism) which supposedly predispose ordinary citizens to conformity and the powerful to compromise; others cite the external geopolitical environment, in particular that Taiwan and South Korea were, at least in the formative period, front-line states in the struggle against communism, and therefore beneficiaries of US largesse. Unsurprisingly, such highly-contingent factors are given less prominence by those (like Weiss 1998) who seek to generalise the DS model in time and space, while critics of the DS analysis see them as much more important. In addition, with the passage of time, and indeed with the very success of the DS strategy, the East Asian archetypes have themselves been transformed by the rise of consumerism, the gradual democratisation of their polities, the end of the Cold War, and the economic and geopolitical consequences of the conversion of the Chinese Communist élite to capitalism.

Despite the changes in the political economy of the East Asian DS since the publication of Amsden's and Wade's analyses, and the lack of evidence for its effectiveness outside of its original historical and regional context³, in the current context of neoliberal globalisation the DS model may still offer an alternative that appears both theoretically and practically viable. The following section reviews some recent contributions, to see what use is currently being made of the concept. Sections 3-6 then deal in turn with the four terms contained in the title, taken them in reverse order: are these four terms being deployed in ways that, broadly speaking, accord with the historical evidence and shed light on the experience of capitalist development? On the basis of the investigation of these four terms, section 7 then ask whether the DS really does provide a general alternative to neoliberalism, rather than a temporally and spatially contingent variety of the more general spread of capitalism as a mode of production.

³ Schneider (1999) points out that the term (or near equivalents such as *desarrollismo*) was widely used in Latin American debates in the 1970s, but for most observers the debt crisis of the 1980s indicated the failure of the Latin American DS actually to achieve development in the sense implied. For more specific comparisons between East Asia and Latin America see also Gereffi & Wyman (1990), and Jenkins (1991).

2. Does the developmental state still exist?

Before examining the four concepts contained in the title, it is important to ask whether the developmental state still exists, whether in reality or potentially, especially following the East Asian crisis of 1997-8; and if it does, to what extent has it retained its classic features, or instead successfully adapted to new circumstances. Following the 1997 Asian crisis, DS advocates rejected the view that it was the result of bad state intervention, blaming instead premature and unsequenced liberalisation imposed by the BWI themselves (and/or the ‘Wall St-Washington nexus’) (see e.g. Chang *et al.* 1998, Wade & Veneroso 1998). But the complex processes of recovery and ‘reform’ since 1997 have been subject to a wide range of interpretations.

One of the most tenacious advocates of the developmental role of the state has been Linda Weiss, in a series of books and articles over the last 15 years. Even before 1997, she had already argued that the DS had substantively evolved into what she termed ‘governed interdependence’ (Weiss 1998), characterised by a more ‘balanced’ relationship that had emerged between private businesses and the state after the widespread abandonment of public ownership and planning. More recently she has argued that globalisation in fact *enables* effective states to promote economic growth and development by leveraging their distinctive advantages in international markets, changing the DS into a ‘transformative’ state (Weiss 2003, ch.1).

East Asia remains the subject of the bulk of work that directly addresses the DS. In the case of South Korea, Cherry (2005) broadly endorses Weiss’s idea of a transformative state: the title of her paper refers to ‘continuing evolution’ in the Korean DS, and in her conclusion she sees a cooperative relationship between the state and big business as “a crucial factor in revitalising the Korean economy” (p.349). However, she argues that “[t]he coercion and conflict seen between the government and the *chaebol* during the formulation and implementation of the ‘Big Deals’ policy [after 1997 – HR] was a far cry from Weiss’s concept of a negotiated relationship based on consensus and cooperation” (*loc.cit.*). Minns (2001: 1038-9) argues that the very success of Korean development defined and strengthened class interests, and undermined the autonomy and therefore effectiveness of the state; he concludes that “..the developmental state has a use-by date imprinted on its basic mechanism”. Hundt (2005) shares this view, but offers a rather different argument. For him, the Korean state after 1997 has successfully combined neoliberal reforms with a new populism: by appealing to civil society and to labour for support in reining in the *chaebol*, the Kim Dae-jung government re-legitimated the state. However, he endorses Cherry’s view that renewed cooperation between the state and business is “crucial to the economy’s well-being” (Hundt 2005: 258).

Chang & Evans (2005:xx) argue that “[t]he problems of the developmental state lie first of all in domestic politics and in the domestic political consequences of economic success”. They see the origins of decline in the delegitimation of military rule in the 1980s under the Chun regime; thereafter they point to the adoption by “elite circles” of the neoliberal ideology imported by economists trained in the USA; the increasing rejection of state guidance by the *chaebol*; the rise of middle-class consumerism; and of course external pressure from investors and IFIs. After the 1997 crisis these trends supported an accelerated dismantling of the DS, including central bank independence and reforms to the recruitment and career structures of elite bureaucrats: however, Chang and Evans see the post-1997 ‘big deals’ between the government and the *chaebol* as evidence of a revival of ‘developmentalist’

policies. Finally, Pirie (2005) argues that Korea has now adopted a new model, the ‘regulatory state’, citing notably the financial sector.

The case of Taiwan has attracted a good deal less attention recently. In its version of the DS, accumulation centred not on large and powerful conglomerates as in South Korea, but on a mix of public enterprise and smaller private firms: this meant that state industrial policy had always had a more ‘regulatory’ character. Indeed, Wu (2004) argues that Taiwan’s rapid industrial development was due to the efforts of a dynamic network of SMEs, and not to the state. What is more,

“[c]onspicuously, the SME sector was not strategically designed. The market in which it existed was not a governed market [Wade’s term – HR], so its success cannot apparently be attributed to the government’s selective industrial policy” (p.98)

Instead, he attributes success to strong political leadership provided by the emigré elite, arguing that they actually blocked the emergence of large enterprises that might have challenged their power. The state however certainly nurtured the development of the well-functioning market economy to which Taiwan’s success could be attributed (Wu 2004:114). In contrast, Dent (2003:467-8) broadly accepts Wade’s account of Taiwan as a developmental state; while the DS paradigm has been undermined by democratisation and globalisation, he argues that in Taiwan it has ‘adapted’ to these forces, marrying liberalisation to a process of re-regulation that can cope with both domestic political contestation, and the erosion of trade and investment protectionism. This echoes both Pirie’s (2005) analysis of Korea, and the emphasis in Chang & Evans (2005) on the importance of institutional adaptation in the region.

Although the DS was originally identified and analysed as a phenomenon within capitalism, it has also been applied extensively in relation to the People’s Republic of China, beginning at a time when the PRC was almost universally still seen as socialist (White 1984). The similarities were clear: dynamic planned industrialisation, politically authoritarian, and rapid but relatively egalitarian economic growth. But as Howell (2006) argues, the state in the PRC has also been plausibly captured by many other epithets:

“The profusion of competing terms to describe the Chinese state in the reform period, such as ‘developmental’, ‘entrepreneurial’, ‘corporatist’, ‘market-facilitating’, ‘regulatory’, ‘rent-seeking’, reflect not merely alternative explanations of state behaviours arising out of different normative and intellectual starting-points, but, more significantly, highlight deeper problems of fragmentation in governance processes in a context of rapid economic and institutional change and deeper global integration” (Howell 2006:282)

More specifically, Howell states that “state-business relations in China do not approximate the embeddedness described by Evans as conducive to positive developmental outcomes” (*ibid.*:288); overall, she concludes by categorising the PRC as a ‘polymorphous state’.

The DS concept has continued to be a point of reference in discussions of alternatives to neo-liberalism in some other parts of the world, but by no means all. In Latin America, many studies in the 1980s and 1990s highlighted the failure of states and political elites in Latin America to apply the DS model. Instead, the larger and more developed countries in the region applied the Washington Consensus model, with necessary local adaptations – and comparative success in terms of macroeconomic recovery and especially formal political democratization, that is, contested elections (by then of course a key feature of the WC model). These countries however remained highly susceptible to economic and financial crisis. When such crises threatened the economic gains of the growing professional and

middle classes on whose political loyalty the new model depended, the consequence (most notably in Mexico in 1994 and Argentina in 2001-2) was a resurgence of populist opposition which not only rejected the neoliberal model, but also advocated a return to the interest-group politics and the old 'import-substitution' model of autonomous economic development. Coupled with widespread opposition to US attempts to extend NAFTA southwards in a 'Free Trade Area of the Americas', the resistance to neoliberalism might have been expected to provide new opportunities to deploy the DS model. That this has not happened has been attributed to a number of different factors. Higgott & Phillips (2000), in a comparative analysis of Asian and Latin American responses to the late-1990s crises, argue that "Latin American neoliberalism has always conformed more closely to the Anglo-American model of global capitalism" (p.363). They suggest that Latin American economies have been beset by structural distortions and governmental failures, unlike the East Asian DSs, and that its economic policy elites are more uniformly neoliberal in their formation (in US graduate schools).

However, the DS concept remains a point of reference for some writers. Kurtz (2001) even deploys it in relation to the archetypical case of Chile, where the 'Chicago boys' first launched the monetarist experiment after the overthrow of Allende in 1973. He argues that Chile's successful export sectors were precisely those in which the state provided "public intervention to correct credit, information, risk and marketing failures" (2001:2), while export failure was associated with a lack of such intervention. He suggests that this constituted an *ad hoc* "state developmentalism", if by no means a developmental state (*ibid.*:16). Schrank (2007) reviews two recent comparative studies of East Asian development from a Latin American perspective, but concludes that they are equally at fault for muddling up causes and consequences of development, and overemphasising institutional factors: in his view, the key factor behind developmental success in East Asia was that sweeping land reforms broke the power of landowning elites, which in Latin America were always able to block the adoption of macroeconomic policies favouring development. Overall, however, there is little sense from recent literature on the region that anything like the classic East Asian DS model is likely to be adopted: the principle political alternative to neoliberalism is, rather, a revamped radical populism that is still searching for a clear conception of egalitarian and democratic development.

On the other hand, there are countries where the DS model seems to retain more purchase today. O Riain (2000) uses the example of Ireland to propose a 'flexible developmental state' (FDS), linking this explicitly to a putative structural change from monolithic Fordist corporations to 'post-Fordist' networks:

"The [FDS] is defined by its ability to nurture post-Fordist networks of production and innovation, to attract international investment, and to link these local and global technology and business networks together in ways that promote development. This ability is sustained by the multiple embeddedness of the state in professional-led networks of business and innovation and in international capital, and by the state's flexible organisational structure that enables the effective management of this multiplicity" (*ibid.*: 158).

O'Hearn paints a broader picture of the FDS as combining "a neoliberal macroeconomic environment that attracts capital with corporatist policies of social partnership between employers, unions, and other civil organizations, which enhance flexibility" (2000:82). But given the Irish state's evident lack of autonomy and reliance on foreign capital, he concludes that "[t]o consider the resultant model a developmental state, however, is to stretch the concept to a point that renders it nearly empty" (*ibid.*:87). Fine (2007) reports that in South

Africa, the DS has become a rallying-point in political and policy circles; while this is much more rhetoric than reality, “that the notion has arisen at all reflects both progress and potential” (p.12). In similar vein to O’Hearn, however, Fine also suggests that as the DS concept has been extended over time and space, its advocates have ended up taking the position that “[w]herever there is or has been development, there must have been a developmental state”. (*ibid.*:3).

It is clear from this brief review that there is little agreement on the theoretical meaning or practical viability of the DS. Given the vast literature that explores either development or the state or both, one option for progressive critics of neoliberalism is clearly to move on, and frame critical enquiry in other ways – for example, deploying the Gramscian analysis of hegemony, or the ‘new institutionalisms’ of comparative political economy. After all, how far can a concept like the DS really be stretched to accommodate substantial changes in social institutions and practices, especially if our ultimate concern is not the nation-state considered in itself, but global capitalism as a whole? If it was just a matter of changes within the archetypal states, the answer is ‘quite far’: it is easy to cite empirical evidence (economic data, key political decisions) in support of the thesis that the underlying principles of the DS remain untouched and it has only changed in response to a changed ‘environment’. But in this case, the environment is that of global capitalism, and that is a problem, because the DS advocates tend to regard the neoliberal version of global capitalism as *created by* Northern states in the interests of transnational capital. To sustain a belief in the continuing relevance and efficacy of the DS model, they need to demonstrate that the state and business interests in the DS remain locked into a *national* political economy that is structurally incompatible with global neoliberalism. While it is indeed the case that the neoliberals continue to castigate the South Korean and Taiwanese governments for insufficient liberalization, an alternative view is that the overall character and direction of development in these countries has since (at the latest) the early 1990s been strongly contested *from within* the social forces committed to neoliberalism (Chang & Evans 2005).

If developmental states have undergone transformation, or indeed decline as some argue, as a result of *domestic* change rather than only external pressure, this requires us to examine the economic, social and political underpinnings of those states. Such a research programme can be construed from the broader empirical literature on countries and regions of Asia, Africa, Latin America and Eastern Europe; the remainder of this paper, however, addresses the equally necessary task of exploring theoretically and historically our understandings of the DS and its contemporary context.

3. Neoliberalism

The ideology now called neoliberalism is usually regarded as a modern variant of classical economic liberalism, seen as centred on a belief in the self-regulating capacity of the market, and correlatively the need to restrict the scope of action of the state. These twin beliefs highlight two features of this ideological tradition: the antinomies of state and market on the one hand, and of politics and economics as their respective spheres of operation on the other.

In classical political economy, and in Marx’s critique, the ideology of liberalism is historically intrinsic to the rise of capitalism as a mode of production and of the bourgeoisie

as its ruling class. In this transition, the ‘political’ move from absolutism to bourgeois or constitutional democracy is intimately connected to the ‘economic’ move from the remaining feudal restrictions on property rights to the rule of money and the commodification of all resources (especially labour-power). They are two sides of the same coin, inseparable facets of the project that Polányi (1944) called the ‘market society’.

As the most appropriate political ideology of the new ruling class, liberalism naturally denies both its historical demarcation and its concealment of the exploitative character of capitalism. It does this partly by presenting its key elements as eternal necessities (as for example the state in realist IR, or the market in economics), and partly by the construction or reconstruction of modernity, enlightenment, community, justice, efficiency, etc., to form a set of mutually defining and self-referential concepts. At the same time, like any hegemonic ideology, it retains the capacity for redefinition and refinement: it has strength in depth, embedded in the common-sense as well as in structures of power, which give it the flexibility to meet the challenges that arise during its historical evolution. From the standpoint of the 1940s, it is surely remarkable that liberalism, then reeling from the general collapse of the world economy and the more limited collapse of bourgeois democracy between the wars, has been so successfully revamped since the 1970s as - neoliberalism⁴.

While the classics and Marx were justified in seeing the rise of capitalism as a revolutionary break centred on the mode of production, this break has clearly been contested over wide spans of time and space: even in Western Europe, it was barely complete by the late 19th century after 2-300 years of struggle. Indeed, the present period of neoliberal globalisation may be seen as completing the process of primitive capitalist accumulation in the post-colonial world (Byres 2005; see also de Soto (2003), arguing from a very different standpoint. However, before turning to its currently global nature, we need to look a bit more closely at certain features of generic liberalism, abstracting from the existence of separate territorial states and from the divergence of levels of development within global capitalism, with a view to ensuring the robustness of a critique that at present is clearly inadequate in terms of informing political practice.

The first concerns the relation between the classical political economists and Marx. Marx repeatedly acknowledged his debt to the classics, but nevertheless insisted on the sharp epistemological and theoretical break between *Capital* and the classics (not to mention their epigones, the neoclassicals)⁵. Different ways of ‘bridging’ the divide were offered by the 20th-century contributions of Keynes, Schumpeter, Polányi, Robinson and others; while they should to varying extents be credited with the best of motives, it can be argued that these bridges have all been demolished by modern Marxian critics such as Mattick (1969) and Clarke (1988) through effective restatements of Marx’s original critique. That critique is based on Marx’s analysis of capitalist relations of production (Marx 1867/1954): the apparent regulation of production by the law of value conceals, under the veil of equal exchange, the exploitation that results from the division of society into two classes defined by their access to the means of production. The 20th-century bridge-builders, like their Ricardian-socialist predecessors, present a powerful moral and practical critique of liberal capitalism, but they remain entranced by that veil; once it is torn aside, it becomes clear that the break *cannot* (either logically or historically) be bridged.

⁴ To get a sense of how enfeebled liberalism was at that time as a result of economic depression, fascism and war, see the diagnoses of Keynes (1936), Schumpeter (1942), Beveridge (1944) and Polányi (1944).

⁵ The significance of this break is set out very fully in Postone (1993, esp.ch.2), who argues that traditionally Marxists have failed to build on Marx’s insight.

Secondly, and consequentially, reformist ideologies such as Keynesianism end up, despite the best intentions of their adherents, providing protective defenses that shore up the core beliefs and the political acceptability of liberalism. Once we move from the abstract terrain of ideological constructs to the terrain of practical political economy (or economic policies), the perception that those bridges are actually built with the materials and techniques of liberalism is substantiated in the common-sense of institution-building and policy practice. This elision of subject and critique occurs in tools of economic policy analysis such as the Phillips curve⁶, as much as in institutions of governance such as those created at Bretton Woods.

Thirdly, if we turn from economics to what bourgeois social theory defines as the politics of liberalism, we can observe the same kind of phenomena in relation to the nature of power and the adequacy, or rather inadequacy, of critiques rooted in concepts of democracy. The ideology of liberalism promoted a reconstitution of the state as a public realm separate from the private realm of civil society; the state is legitimated within this public realm by its internal relation to individualised citizenship. Thus,

“In a fully developed bourgeois republic, explicit class relations are banished from the public sphere, as all citizens are recognised for political purposes to be formally equal individuals” (Rupert 1995:24).

Abstracted as bourgeois political thought thus necessarily is from the structures of production and the material interests rooted in them, in the 20th century these interests with equal necessity asserted themselves in the realm of actual everyday politics. For a century, roughly 1870 to 1970, across most of the core capitalist states at least, this realm was dominated by competition for power between political parties, and furthermore, class, broadly as defined by Marx, was arguably the most influential basis for party politics⁷.

Political sociology struggled against Marxism for decades, seeking to deal with the problem of reconciling theory and reality by finding ways in which the politics of class could be rendered compatible with the basic tenets of liberalism. This process of recuperation has passed through several phases. In the 1960s theoretical constructs such as modernisation (Rostow 1960, Huntington 1968), civic culture (Almond & Verba 1963), pluralism (Dahl 1961) and the end of ideology (Bell 1960) challenged Marxism by offering alternative discourses linked closely to the practical politics of postwar Keynesian-welfare-state reformism and post-colonial development. Economic and political developments in the late 1960s and 1970s – the end of the postwar boom, the US defeat in Vietnam, East-West détente, the rise of OPEC and demands for a new international economic order – fuelled a progressive agenda which appeared to bridge the divide between Marxism and the mainstream, for example the concepts of neocorporatism (e.g. Schmitter & Lehmbruch 1979, Goldthorpe 1984) and dependency (e.g. Frank 1967, Cardoso and Faletto 1979, Evans 1979). However, a refoundation of political analysis on methodological individualism and economic reductionism was also under way, for example in Buchanan’s ‘public choice’ critique of the activist state (e.g. Buchanan & Tollison 1972). In the late 1970s and 1980s, mainstream political sociology sought to displace class analysis in favour of ‘bringing the state back in’ (Evans *et al.* 1985) and in reviving forms of institutionalism (March and Olsen 1989),

⁶ The economist A.W. Phillips (1958) identified an apparent trade-off between inflation and unemployment in the long-term historical record of the UK; in monetarist hands, this was transformed into the modern theory that unemployment is caused by labour-market rigidities (see e.g. Baker 1998).

⁷ It is no coincidence that this is also the period of the ‘age of the nation-state’, as the next section makes clear.

allocating to classes, as organised economic interests, a secondary and contingent role in politics.

In the 1990s, the refusal of class to disappear from the lives and consciousness of citizens led to a further reformulation of liberal ideology, by now widely labelled neoliberal, in which concepts such as governance and civil society were deployed in ways that deflected the citizen from class identification in favour of a contractual relationship with the state (World Bank 2000, Fukuyama 2004). In practice this relationship has increasingly become one of individual consumption of services organised through the state, but provided by private-sector capitalists. The representative-politics component of the relationship has been largely reduced to a circulation of political élites through a banal and etiolated electoral form of democracy (Gills *et al.* 1993, Cammack 1998), prefigured 50 years ago by Anthony Downs (1957). Effectively, today's neoliberalism seeks to commodify the state-citizen relationship in a way that reduces that relationship entirely to individual economic self-interest – still as ever the liberal holy grail.

4. Globality

What does it signify to add the qualifier 'global' to neoliberalism? A first take on this might start from the debates on globalisation⁸, and postulate an antinomy between the global and the national; on that basis, neoliberalism is regarded by many of its critics as a 'globalisation project' aimed precisely at outflanking the bastions of collectivism in the welfare state and organised labour (Radice 2000). It seems obvious that 'social market capitalism' is necessarily national in character, rooted in national social contracts among organised interests, while 'Anglo-Saxon capitalism', embodying neoliberal ideology, is global and rooted in an emerging and many-sided transnational order. The competition between these two alternative orders, and their associated visions of what is and what should be, has in this view replaced the Cold War competition between capitalism and communism in shaping the range of possible futures for the world⁹.

Many writers have questioned the way in which the national and the global are related in the popular discourse of globalisation¹⁰. The very term denotes a process of evolution from the former to the latter, and it seems only natural to imagine forms of social organisation as appearing first as localised phenomena within particular territories, and then gradually spreading through wider linkages in cultural and political affairs as well as in economy and technology. If we treat of globalisation *within* capitalism, this fits with the old stories of pioneers and followers, of the sequence of ever-more-fully-capitalist hegemony shaping the extent and character of ever-deepening global integration (Arrighi 1994), or more recently of the gradual predominance of an emerging transnational capitalist class (Robinson 2004) whose ideology is global neoliberalism. Some writers detach globalisation from the limits of the capitalist mode of production, tracing the historical process back much further through earlier social orders: there is a growing literature, discussed in Niederveen Pieterse (2006),

⁸ Representative overviews of the vast literature on globalisation include Held & McGrew (2002), Steger (2003), Scholte (2005) and Bissley (2007); see also the readings collected in Held & McGrew (2003). For a survey of theoretical perspectives in the field of global political economy more widely, see Palan (2000).

⁹ The forms of advanced industrial capitalism are discussed further in the following section; for an examination of the methodology of the comparative political economy literature see Radice (2004).

¹⁰ See notably the essays in Rupert & Smith (2002).

which argues that an ‘oriental globalisation’ preceded the rise of Western Europe, and that the recent rise of Asia as the focus of global wealth and power signals merely an end to a 2-300-year interval in which Europe or ‘the West’ briefly took over the guiding of world affairs.

A different set of views, however, restricts the historical scope of globalisation to the epoch of capitalism, or of modernity. While it is currently fashionable to argue that such approaches are unnecessarily Eurocentric, that complaint does not get us very far, given the extraordinary rise of the West to global dominance precisely in the framework of capitalism: it is only if one adds the corollary that this order is natural and eternal, or is some sense necessarily morally and/or materially superior, that the complaint is valid. But if we do make this restriction, then it seems abundantly clear that the transition to capitalism in Europe was at once national and global, both in terms of observable economic impulses, and the correlative changes in political order, and the consequences for ‘ways of life’. This is every bit as much the case in the 17th century as it is in the 21st.

The naive ‘national to global’ story seems to arise from a convenient historical and geographical elision, in which the starting-point is seen as the period leading up to 1914 in which the nation-state supposedly become the exclusive form of sovereignty, and the world order defined as ‘inter-national’. As well as ignoring the earlier history of capitalism, this story also treats the rest of the world - above all, the colonial South - as marginal, or indeed in important parts *terra nullius*, an empty world to be occupied and shaped for inclusion in the modern world: which was precisely how European imperialism acted on the wider world. In an important but still neglected analysis, Bukharin (1918/1972) sought to give some historical and theoretical depth to Lenin’s programmatic characterisation of imperialism, arguing that it should be seen as precisely the dialectical interaction of two trends intrinsic to capitalist expansion, which he termed *nationalisation* and *internationalisation*. Drawing, like Lenin, on Hilferding’s (1910/1981) analysis of finance capital, he suggested that in the high period of pre-1914 imperialism, the nationalisation trend was dominant, shaping internationalisation into its imperialist form. The increasing salience of the state in national economic life, coupled with the growing power of finance, pushed the political economy of the advanced industrial states towards neomercantilist policies of tariffs and currency blocs, and the competitive annexation of territory in pursuit of raw materials and markets. Importantly, while Lenin roundly rejected Kautsky’s perception of the possibility of ‘superimperialism’ by the *assumption* that socialism would arrive first, Bukharin put forward the *argument* that the trend of nationalisation could not be reversed - that national monopolies and national finance capital could not be undone – and this gave some substance to Lenin’s view.

Nonetheless, both Bukharin and Lenin fail, in their major texts at least, to place these developments in their full historical context, and as a result their analysis has been open to essentialist and teleological interpretations. In more recent Marxist scholarship, the history of the last 4-500 years sees *both* the rise of the modern sovereign nation-state¹¹ *and* the creation of a global economy as integral parts of the emergence and spread of capitalism: as Bromley puts it,

“In short, Marx’s theory of capitalism dispels the illusion that modernity and globalisation are fundamentally different phenomena, since both are shown to be aspects of the social forms through which the worldwide expansion of capitalism has

¹¹ As distinct from its predecessor in most of Europe, the absolutist state.

been constructed and reproduced” (Bromley 1999, pp 285-6; see also von Braunmuhl 1978, Lacher 2003, Teschke 2003).

This allows us to see the period of ‘deeper’ globalisation since the 1980s as a new phase in the spread of capitalism across the globe, characterised by changes in institutional structures and state policy practices at both national and global levels. As Rosenberg (2000, ch.1) argued, the ‘new’ globalisation needs to be understood not as a *cause* of economic, political, social and cultural change, but as the historical *consequence* of global capitalist development within the actual historical context of the post-1945 settlement. Murray (1971) considered that what Bretton Woods permitted was the mutual accommodation of the powers of state and capital in a process of ‘territorial non-coincidence’ - something that can of course also be seen historically in the long gestation of capitalism *prior* to the late 19th century, and something that persisted even in the shadows of liberal retreat in the interwar years. Keynes’ own struggles over the tension between national and global, theoretical as well as political, illustrate this very well (see Radice 1988). From the early 1970s, it is precisely because profitable accumulation could no longer be contained by the ‘embedded liberalism’ of the postwar settlement that the national models of welfare state interventionism in the ‘north’ and developmentalism in the ‘south’ came under attack, as business and political élites promoted the new institutional and policy order of neoliberalism.

But if there is, in effect, no fundamental antinomy between the national and the global - if it is a matter of contingent configurations or solutions to the tensions that arise from territorial non-coincidence - it could still be argued that because neoliberalism is somehow more appropriate to the new phase of globalisation, opposition to neoliberalism should take the form of espousing the restoration of a progressive national capitalism¹². Given the highly uneven development of both neoliberalism and globalisation in recent decades, empirical evidence can readily be found to knock down the straw man of ‘hyper-globalisation’. But as long as the opponents of *economic* neoliberalism wish to retain liberal *political* values and institutions - notably the continued recognition of property rights with only carefully delimited qualification in the interests of the public good - they have to advance their diagnosis of the superiority of their alternative to neoliberalism on the terrain of liberal-democratic politics, which has of course become itself ‘reglobalised’. Rather than neoliberalism being global and antineoliberalism national, the struggle between the two is, like other contradictions in capitalism, played out at both levels. In order to examine the prospects for different varieties of capitalism, and eventually that of the developmental state, we have first to look more closely at the nature of the capitalist state.

5. The state

The nature and role of the state and its relation to society has been central to the debate over the relative merits of neoliberal capitalism (NLC) and social-market capitalism (SMC) touched on in the previous section¹³. In NLC, the state ideally stands apart from, or indeed over and above, society: it performs specific required functions for an essentially self-regulating market society. In the ideal SMC, on the contrary, the state both represents and

¹² For a critique of this approach within the 1990s globalisation debates see Radice (2000).

¹³ This has been the main focus in recent years of the field of ‘comparative political economy’; see for example Hollingsworth *et al.* (1994), Berger & Dore (1996), Crouch & Streeck (1997) and Hall & Soskice (2001). Although there are many variations in taxonomy and nomenclature, the bimodal approach presented here is the norm.

integrates society: it is not superordinate to or merely contiguous with society, but imbricated with it and a necessary part of societal self-regulation (it is thus compatible with more traditional forms of political liberalism). But what is the ontological status of this distinction? Does it serve perhaps to conceal rather than reveal the range of possible forms of social relations?

Marx's critique of the state in capitalism centred on the role of political authority in embedding the reproduction and accumulation of capital in lived social relations. The old chestnut of "the executive committee of the bourgeoisie" actually summed this up rather well, but was wide open to reductionist interpretations, especially when combined with the misinterpretation of historical materialism as a mechanical stages theory of history. The failure of 1917 to trigger a global revolution, and the consolidation of a 'Soviet' state that showed no signs of withering away as Marx had hoped, eventually led to a theoretical reexamination of the capitalist state in the 1960s and 1970s, drawing on themes of class struggle and social praxis developed earlier by Gramsci, Lukács, Korsch and others. In Western Marxism, this crystallised first in critiques of orthodox Communist 'state monopoly capitalism' theory, which in the UK led to the debate between Miliband (e.g. 1973, 1979) and Poulantzas (e.g. 1973, 1976). Other views, however, also emerged from the renewal of the Marxist tradition, including Regulation Theory, value-form analysis, Italian 'operaismo' and 'open Marxism'; all sought to reinvigorate the critique of the state through *historical* approaches which accepted the complex and contingent nature of state-society relations. For these explorers in social theory, the Poulantzas/Miliband debate only really touched the surface; Clarke (1977) argued indeed that both sides remained locked in an analytical tradition running from Smith to Weber, basically a 'sociological' interpretation of Marx that neglected especially the constitutive role played in Marx's analysis by the theories of value and surplus-value.

A key argument in the renewed debate was that the state in capitalism is first and foremost a *form of capital*: that is to say, its very existence as a social form, institutionally separated from society, is rooted in the social relation of capital. As Poulantzas puts it: "As regards the relationship between State and economy, this structure [of capitalist relations of production – HR] further generates the relative *separation* of the State and the economic sphere..... This separation of the State and the space of the reproduction of capital is therefore specific to capitalism: it must not be understood as a particular effect of essentially autonomous instances composed of elements that remain constant whatever the mode of production. It is rather a peculiar feature of capitalism, insofar as it maps out new spaces for the State and the economy by transforming their very elements." (Poulantzas 1978:18)

The problem lies, however, in understanding how the shape of these 'new spaces' and their interrelations are transformed through the historical development of capitalism. In particular, the concept of the 'relative autonomy' of the state – the idea most firmly associated with Poulantzas' own work – is in practice impossible to distinguish from the 'essential autonomy' that he disavows. What is needed is an explanatory framework that instantiates the limits placed by capitalist relations of production on the variation in the scope of state action. Reviewing the classical positions of the early twentieth century, on the one hand dogmatic Marxism-Leninism adopted an economic-technological reductionism in which the 'forces of production' compelled changes in the 'relations of production', which the all-seeing revolutionary party of the working class could foresee and perhaps hasten. On the other hand, revisionist social-democratic Marxism took as reality the appearance of state autonomy, and thought that the political forms of bourgeois society could be given a radical 'class content'

through the electoral success of workers' parties. The historical failure of both these political ideologies in the twentieth century should be attributed, at least in part, to their failure to break definitively from the bourgeois conception of economics and politics as separate spheres.

Put more practically, perhaps the real difficulty for critics of capitalism is that the predominantly liberal political hegemony that shapes the form and functions of the state entails a congruence of ideas, interests and institutions that form a self-referential totality. The historical constitution of the liberal-democratic state creates a common-sense that steers critical opposition towards compromise, through promises of accommodation as much as through threats of repression. Thus, attempts in the 1970s to push the state beyond the limits of the post-1945 settlement - from embedded liberalism to embedded social-democracy, if you like - required a risky and ambitious strategy of being 'in and against the state' (L-EWRG 1980) at the same time. Understanding the subtle ways in which the state-in-society sought to head off the challenge of an increasingly demanding working class had to start with a return to basics - the critique of political economy (Clarke 1988). From this standpoint, the defense of the egalitarian gains of the post-war Keynesian welfare state, while being preferable to mere acquiescence in its demise, runs the risk of drawing a veil over its historical inadequacies in transforming capitalism¹⁴.

Returning to the understanding of economics and the state in contemporary comparative political economy, we find that the advocates of SMC adopt a fundamentally Keynesian framework, as if this of itself constituted an epistemological break with (neo)liberalism. However, as argued above in the section on neoliberalism, this means accepting the limits that Keynes himself placed upon his critique. As an old-fashioned political liberal, Keynes found the forced egalitarianism and sociopolitical repression of Soviet-style state socialism deeply unpalatable; but more important is his insistence that, with appropriate instruments of economic intervention to hand that could correct the deficiencies of market self-regulation, then capitalism could be preserved in a form that provided not the best, but the best *feasible*, combination of economic efficiency and political freedom (see e.g. Keynes 1933). Rhetorical flourishes about the euthanasia of the rentier, and thus the practical need for a "somewhat comprehensive socialisation of investment" (Keynes 1936, ch.24), should be attributed to the degree of pessimism engendered in Keynes by the long series of *débâcles* in international decision-making from Versailles to Munich.

The contemporary critics of NLC, true to their Keynesian inclinations, view the state as intrinsically politically neutral, if potentially subject to capture by special interests such as high finance or radical trade unions; and they view the market as an instrument of resource-allocation rather than exploitation. For this tradition, the experience of incomes policies¹⁵ in the 1960s and 1970s served to illustrate the dangers of carrying state intervention too far, tipping the balance of the 'mixed economy' towards a fundamental breaking-point in which the value of labour-power and the sectoral pattern of capital accumulation would no longer be the outcome of market competition, but of state decision. The clearest illustrations of the real

¹⁴ Apple (1980) argues that even the supposed Keynesian commitment to full employment through fiscal activism was only actually honoured for a few years in the 1950s. As the events of January 2008 attest, however, the *idea* of fiscal activism is still wheeled out when monetary policy falters in the face of a threat of recession.

¹⁵ Incomes policies entail the setting by the state of permissible rates of increase in wages or earnings. They were the preeminent tool for controlling inflation, especially in the Anglo-Saxon economies, in the 1960s and 1970s. See e.g. Hirsch & Goldthorpe (1978).

limits placed by capital upon the role of the state in the advanced industrial world can be discerned in key events in the 1970s: at the global level, the demise of the gold-dollar standard (Hampton 2006); in Britain, the blocking of Labour's 1974 manifesto commitment to extensive industrial planning (Clarke 1988: 311-6); and perhaps most of all, the revolt of the bourgeoisie in Sweden against the Meidner Plan, under which workers would deploy their pension contributions to buy the companies that employed them through union-managed investment funds (Wilks 1996, Ramia 1996).

In short, it is hardly surprising that not only Keynesian economics, but also the political-sociological concepts of pluralism and corporatism, seemed to be heading for the dustbin of intellectual history once Mrs Thatcher and President Reagan began their assault on the welfare state and the working class at the end of the 1970s. In these ideas, so central to the dominant understanding of the postwar consensus, the state was envisaged as in principle not only neutral between distinct organised social interests, as already noted, but also capable of effective action. Such a state inevitably risked capture, under conditions of electoral democracy, by political forces aiming at a real transformation of society: in other words, there was an irreducible 'proto-socialist' element in the political practice of Keynesianism. From the standpoint of the capitalist class, this called for a return to a liberal conception of the state with a clearly restricted role and functions, and preferably hated and mistrusted by a majority of tax-paying citizens.

The eventual response of progressive social scientists to this dramatic shift in the political landscape centred on the defense of the old order. In the early 1980s, the deep economic recession engineered by the new regimes in the UK and USA was transmitted, via increasingly integrated global financial markets, across the entire world economy. In France, this derailed Mitterand's initial Keynesian-interventionist programme; in non-oil-producing less developed countries and in Eastern Europe, it led to the Mexican debt default of 1982 and thence to the traumatic debt crisis and the re-emergence of the Bretton Woods institutions as global debt collectors for capital (on which more below). However, during the rest of the 1980s those societies whose institutional systems resisted the neoliberal tide appeared to be the most economically dynamic and competitive, and the relatively weak performance of the neoliberal heartlands provided dissidents with powerful arguments against the mantras of privatisation and deregulation. In the USA, Japan became the role model, particularly in relation to its industrial policies and innovatory capacity (Burkett & Hart-Landsberg 1996), while in Britain it was Germany's regulated labour markets and 'patient' finance (Hutton 1995).

These empirical comparisons formed a solid foundation for the new comparative political economy of the 1990s¹⁶, notwithstanding the abrupt end of the Japanese 'miracle' and the post-unification slowdown in Germany, and the parallel recoveries, at least in terms of macroeconomic performance, of the Anglo-Saxon economies. Although corporate governance, innovation systems and labour markets were important arenas for comparative analysis, the dominant focus in this literature is on the role of the state. As global neoliberalism continued its relentless advance, the defence of Keynesianism and state interventionism was mobilised on two fronts. First, it was argued on theoretical grounds that free-market capitalism remained in reality critically dependent on the institutions and actions of states: the apparent retreat of the state concealed a shift in certain state functions to collective provision by international institutions, coupled with a reconfiguration of state

¹⁶ See the references in footnote 13 above.

institutions to reflect deliberate shifts in government policies (notably the growing importance of finance ministries). Second, it was argued on empirical grounds that states could, if they wanted to, retain high levels of state expenditure, intervention and welfare: any shift towards the neoliberal order was a matter of political choice, not externally-enforced necessity¹⁷.

Surveying the advanced industrial countries in late 2007, however, it is hard to deny that the centre of gravity within the continuing diversity of state practices has shifted markedly in the neoliberal direction, and for the past quarter-century every riposte from the 'centre-left' has accommodated that shift. The immediate problems in global banking and credit markets indicate only that capitalism remains prone to periodic crises, not that it is about to return to a supposed social-market capitalist norm. But has neoliberalism also subordinated the developmental state in the global south?

6. Developmentalism

When the Third World emerged as a more-or-less organised force in world politics in the 1950s, its leading anti- and postcolonial political movements shared the then-current Northern belief in the neutrality and effectiveness of the state as an agent of social change. Postwar decolonisations were undoubtedly helped by the undermining of the established imperial powers occasioned by the US assumption of hegemony over the West and the onset of the Cold War, but the institutions and practices of independent statehood were still strongly shaped by the heritage of colonial capitalism. In addition, the UN Charter and the Bretton Woods institutions provided a global framework within which anti-colonial movements could move on from political independence to programmes of state construction¹⁸.

At the national level, development became the order of the day, and with rather few exceptions it was assumed that the predominant role in both nation-building and economic transformation would be played by a modern state apparatus using tools drawn, for the most part, from the experience of centralised administration among the belligerent powers in 1939-45. The objective for each new nation-state was national industrialisation and urbanisation, with the state ensuring the planned transfer of resources from agriculture to industry. It was widely assumed that planning techniques broadly similar to those of the USSR - at that time, universally seen as the most dramatic example of industrial modernisation in history - could be separated off from the political system of that state; thus, every self-respecting postcolonial state had its five-year plans, its state corporations (usually modelled on those of the former colonial power), its fiscal and monetary activism guided by Keynesian principles, and of course its parliamentary democracy, to ensure political legitimacy in a period in which rapid development would entail massive social upheaval. Given the widespread popular support enjoyed by the veterans of anti-colonial struggle, and the unity of purpose across the Third World from the 1956 Bandung Conference to the stillborn New International Economic Order of the 1970s, it is not so hard to understand why there were such great expectations in

¹⁷ Both lines of defense are developed in detail across a wide range of policy areas in the essays in Weiss (2003).

¹⁸ Leys (1996 ch.1) argues that the pragmatic orientation of early development 'theory' can be attributed to three factors: the scale and urgency of the problems revealed by decolonisation, the political constraints placed on social science by the Cold War, and the scope and effectiveness of state action apparently permitted by the Bretton Woods institutions.

the 1960s that development would rapidly bear fruit under the benevolent guiding hand of the state - although even then, there were dissenting voices at the margins¹⁹.

The euphoria was not to last. By the mid-1970s the enormity of the task was only too clear in the aftermath of the first oil crisis and subsequent Northern recession. While respectable rates of economic growth were achieved by many Southern states, this was all too often on the basis of chronic balance of payments deficits and growing internal and external indebtedness. Prominent among the explanations put forward for development failure was the idea that it resulted from structural dependency, a theory that emphasised first and foremost the consequences of highly unequal trade and investment relations between the industrial North and the primary-producing South. Trapped in global market sectors suffering secular relative price declines (apart from oil) and short-term revenue volatility, Southern states were unable to generate the large and stable export revenues needed to finance development, or even to maintain the living conditions of the middle classes staffing the state and directing the process. Economic dependency included important financial and technological components, and demands for aid, trade preferences and investment flows necessarily generated political dependency, whether on former colonial masters or on the competing neocolonial superpowers.

However, although the theorists of underdevelopment and dependency such as Frank (1967) and Cardoso & Faletto (1979) proposed a very different analysis of North-South relations from that of the mainstream, it is striking that they broadly shared the latter's understanding of the desired *objective* of development. Wallerstein (1971) put it thus:

“In a formal sense, what we mean by development is first of all increase of the overall productivity of an economy to increase the surplus, and secondly expansion of its capital base, presumably by foregoing a certain amount of immediate consumption of this surplus in favor of investment” (p.277-8);

He goes on to argue that both the capitalist and the socialist ‘models’ of development place the state at the centre of the process, and within a context of imperialism and international inequality,

“...the essential problem of development can be posed as follows: how is it possible to install and maintain in state power a regime with the will and the possibility to transform the social structure in a way that would make possible a dramatic rise in productivity and investment how to maintain it in power over a long period of time, perhaps thirty to fifty years, during which time sufficient capital accumulation could take place, a national economy could be erected, and national (as opposed to sub-national) classes could be sufficiently organised so that the state machinery is structurally resistant to outside intervention, internal secession and palace *coups d'état*.” (*ibid.* p.280).

It is immediately apparent that Wallerstein shares with the mainstream an essentially ‘economic’ understanding of development, and at the same time *derives from this* the ‘political’ requirement of a ‘regime’ that can carry it through. The difference lies in identifying the obstacles to successful development, their causes and their cures. The dominant paradigm married an optimistic economics based on the Keynesian-neoclassical synthesis, with a project of political ‘modernisation’ (Huntington 1968) based on structural-functional sociology. The critics offered instead a pessimistic left-Keynesian economics, which highlighted structural obstacles to sustained accumulation, coupled with a radical

¹⁹ See notably Bauer (1971). Fascinating insights into the early period of development theory and practice can be found in the essays by ten ‘pioneers’ of development economics in Meier & Seers (1984).

pluralist political sociology, typified by the critical analysis of authoritarianism and corporatism in Latin America (Malloy 1977).

Either way, however, the paradigm of development was taken to be that of the advanced capitalist societies and states. This is perhaps surprising, given the context of the Cold War, which as Saull (2005) has argued pitted against each other not only two states in a secular balance-of-power struggle, but two very different socio-economic systems. Desai (2004) explains this apparent contradiction by the sustained attachment of Soviet power to Lenin's original evaluation of the progressive role of the national bourgeoisies in the rebellious colonies. The implication is that the capitalist character of development arose not simply because of the external environment of global capitalism, but also from the class interest of Third World elites. The demise of the Soviet Union and its distinctive socioeconomic system in 1989-91 removed any possibility for these elites to play off East against West in obtaining aid and military hardware, but by that point only North Korea, Cuba and (for a few more years at least) Vietnam made any pretense of emulating the Soviet model²⁰.

In any case, when the Third World debt crisis exploded in August 1982, it seemed to signal the death-knell for postwar developmentalism. Yet while the disaster scenarios played out across Latin America and Africa, in East Asia a different story had begun to emerge: of effective states that repaid debts, successfully climbed the ladder of industrialisation, educated their workers, reformed their agricultures - in short, developed. The Bretton Woods institutions, restructured under the neoliberal mantra, put this down to open markets, most notoriously in the World Bank's 1993 report *The East Asian Miracle*. But developmental state theorists such as Amsden (1989) and Wade (1990) argued that the East Asian miracle owed more to extensive, well-coordinated state intervention, by a state that was effectively autonomous from competing social interests. Even if originally the fiscal capabilities of these states owed more to US largesse towards front-line states in the fight to contain communism, their continued success came from creating competent institutions and cadres who could allocate resources for development better than the market. By 1990, despite the slide into stagnation in Japan, the ebullient 'tigers' appeared to signal the potential rebirth of developmentalism. Even the World Bank had eventually to acknowledge the DS model obliquely in developing its 'good governance' agenda (World Bank 2000), although they always seemed more comfortable lecturing on the risks of state failure than hailing state success.

However, changes were under way in East Asia in the years before and after the 1997 crisis that were not in the DS recipe book. First South Korea, and then Taiwan, abandoned key tools in the DS armoury, including planning, widespread public ownership and the selective state direction of private investment. South Korea under Kim Young-Sam (1993-8) adopted a strategic philosophy of globalisation, and more practically permitted the *chaebol* to emancipate themselves from financial subservience to the state by moving into banking, and to borrow and invest heavily around the world (Chang & Evans 2005) - a far cry from the DS focus on the national cultivation of comparative trade advantage. Rapid financial liberalisation exposed the entire region to speculative risk, with consequences even for South Korea in 1997, although Taiwan was protected by its peculiar role in the very different Greater China miracle. The two countries also underwent substantial political change, with significant liberalisation of their authoritarian regimes, the emergence of electoral competition

²⁰ For a wide-ranging review of the consequences of the end of the Cold War on the Third World see the essays in Fawcett & Sayigh (1999).

and burgeoning organisations of ‘civil society’ such as trade unions and environmental movements; an important consequence was the establishment of more inclusive welfare states (Kwon 2005²¹).

The implications of these changes for the developmental state concept are taken up in the next section. But where does developmentalism now stand? In keeping with the fashion for ‘postisms’ of all kinds, some writers have argued that the age of development, as an explicitly modernist form of social engineering, has now ended; instead, the remaining diverse fragments of the former Third World have no choice but to embrace the opportunities and risks associated with neoliberal globalisation. Others simply eschew any ‘grand theories’ of social change, and seek pragmatically for ways to alleviate the very visible ills of poverty, disease, unemployment, landlessness, and environmental degradation through whatever agency comes to hand.

A third approach, embraced especially by Northern governments and the BWI, is to focus on improving the capacity and performance of actors private and public, national and transnational. The new literature of the 1990s on failed states is typical of this approach, which claims to shift the emphasis from development ends to means: ‘good governance’, enforced by forms of political conditionality, becomes a precondition for successful development. But once we examine critically the causes of state failure (Cliffe & Luckham 1999, Milliken & Krause 2002), it becomes clear that capabilities can only be improved through concrete policy initiatives, and that these in turn – perhaps most notably in the dismal story of the WTO’s Doha Round – continue to serve first and foremost the economic and strategic interests of global capital. In these unpromising circumstances, Wade (e.g. 2003) has joined forces with other critics of neoliberalism, notably Stiglitz (2002, 2006), to argue in effect that in the context of globalisation, the developmental agenda can still be advanced by reforming the Bretton Woods institutions; this approach has been especially notable in the campaign waged by both Southern governments and NGOs over the Doha trade round. In effect, this is a return to the 1970s agenda of the New International Economic Order, pressing for institutional reform of the BWI and the UN system as a necessary precondition to a more equitable global capitalism within which benevolent and effective states can promote – development.

7. Bringing class back in: or, who is doing what to whom?

Having examined, both theoretically and historically, the four terms in our title, this final section reconsiders the status of the developmental state, both as a practical framework for development policy, and as an analytical focus for opponents of neoliberalism.

This can be addressed first by asking how DS advocates understand the dynamics of global capitalism today: in other words, who is doing what to whom? Are world dynamics fundamentally structured around opposition between beleaguered nation-states valiantly still pursuing national development objectives largely unchanged since the 1950s, and the unchained (perhaps unhinged) forces of neoliberal darkness? Forgive the caricature, but that is how the DS idea is expressed outside academe: it is ‘them’ (the BWI, TNCs, global finance, US imperialism) against ‘us’ (peoples and governments of the global South – or for

²¹ See also the references to section 2 above.

that matter the SMC North). In this last section, I want to suggest that this is a mirage, because the key social actors are not states or interstate organisations or TNCs, but classes: without denying the role of the former as institutions of capitalist governance, we cannot discover who does what to whom in global neoliberalism unless we reinstate class at the centre of our critique. Among students of the politics and political economy of development, this means breaking with the dominant discourse epitomized by *Bringing the State Back In* (Evans *et al.* 1985): whatever the original intention of that discourse, it had the effect of marginalising class analysis except as a category of descriptive sociology.

In particular, a crucial issue is the allegiance of ruling classes in the global South. For Baran (1957), among a host of other critical observers of post-colonialism, indigenous bourgeoisies remained fundamentally *comprador* in character. As peripheral industrialisation accelerated, the *comprador* relationship extended from the trade patterns of the old colonial division of labour to the modern form of global sourcing by or for transnational corporations: this had the effect of embedding significant parts of the subaltern classes in the same structure of external dependency (Sunkel 1973). As we have seen, the role of the state expanded throughout the South around the project of development, just as it did in the North around the provision of growth, welfare and security: but in the capitalist world the state first and foremost represented and promoted the rule of capital.²²

In this context a critical alternative to the DS perspective starts from the proposition that globalization has not entailed fundamental changes in how the ideas, interests and institutions that constitute the capitalist political economy are configured. I remain cautious about endorsing the concept of a transnational capitalist class (TCC), in the sense of either the Amsterdam School of IPE (van der Pijl 1998) or the radical development sociology of Sklair or Robinson (2004); while there is abundant evidence that elite interests in the global South are now *substantively* the same as those of the North, the concept of the ‘progressive national bourgeoisie’ has always been more rhetoric than reality (Desai 2004). In particular, political developments in diverse parts of the world point to the recognition that neoliberal capitalism offers in general a more effective framework for reproducing exploitation and class rule than political forms based on direct appropriation and force. At the same time, contrary to the widespread view that the working class has ceased to exist in advanced capitalism, and was politically stillborn in the postcolonial South, the world is immensely more proletarian than ever before in history - in the sense of being bereft of direct access to means of production and relying of necessity on wage-labour. The social forces that engender awareness of common interests and thence class consciousness operate as they always have done under capitalism - that is, in the teeth of ideological hostility and state repression - with the important, but nonetheless ontologically secondary, distinction that these forces increasingly operate at a global level.

In this context, the DS, like SMC in the North, rests on the historical terrain of reformism. As a political strategy for citizens who believe that capitalism can and should be terminated, reformism rests now as always on twin beliefs in the existence of (a) a politically-neutral core of institutions and practices that can be redeployed to undermine the existing order from within, and (b) a substantial part of the ruling classes that can be won over to the cause. The reformist credentials of the DS thesis are not always easy to see, but we can accept that its ‘cause’ has indeed been the improvement of living conditions and life chances for the masses of ordinary citizens in the global South. The *actual politics* of the DS,

²² It is at least arguable, in the light of events from 1989 onwards, that the same ultimately was true of the so-called communist alternative (Radice 2007).

however, are another matter. With the benefit of hindsight, and from the standpoint of those masses, the developmental trajectory of the East Asian archetypes up to the early 1990s repudiates any suggestion that the DS ever contained the seeds of anything other than the consolidation of capitalism. The dismantling of core mechanisms of state direction, together with the limited and selective character of liberalisation and democratisation since then, point in that direction, but above all the state even in Korea and Taiwan during the apogee of the DS remained a capitalist state: since then it has continued, in the time-honoured manner of such states, to absorb or rebuff challenges from below (see Gray 2008 on Korea).

This leads to two significant propositions. First, the political economy of the DS represents an important aspect of how capitalist classes establish and consolidate their overthrow of earlier social formations, whether precapitalist or colonial. The appeal to nationalism or religion, as cross-class ideologies of mobilisation; the use of state force to wrest resources away from groups not disposed to capitalist accumulation; the formation of the state itself, and the capacity to contain divergent internal interests (e.g. of exporters as against importers) and defend insiders against predatory external forces; these are part and parcel of how, historically, states and societies have become capitalist. Secondly, in so far as the DS concept can be and has been extended in response to both changes in the archetypes and the realities of conditions elsewhere in the world, it has lost what emancipatory content it ever had. It certainly continues to offer alternatives at the level of the economic and social policies of the capitalist state, and in my view there will continue to be circumstances in which within particular states it can function effectively to raise living standards and improve life chances for substantial sections of society, but of itself, it has no emancipatory content.

What is more, whatever its shortcomings in terms of the DS agenda, the Washington Consensus *has succeeded* in globally embedding what we might call ‘normal capitalism’. Normal capitalism includes: periodic financial crises and mass unemployment; grotesque inequalities of income, wealth and life chances; unconstrained consumerism; Downsian electoral democracy; the subordination of public finances to private capital markets. It also includes the real possibility of state failure and state collapse, and the military policing of such zones by the great powers, notwithstanding the proliferating figleaves of multilateralism. We remain therefore in the world order envisaged by Marx in 1848 – with the critical difference that we now face an ecological catastrophe that requires an end to material economic growth, and an end to unconstrained privilege – and thus an end to capitalism as we know it. It is not however capitalist states as presently constituted, whether their allegiance is to the DS or the WC models, that are going to meet this coming crisis, but popular movements, based on the necessarily social practice of production for human need, that can see beyond the choices currently available and challenge the available common-senses of class rule.

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