STATE-DIRECTED DEVELOPMENT

Political Power and Industrialization in the Global Periphery

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CAMBRIDGE UNIVERSITY PRESS

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press
The Edinburgh Building, Cambridge CB2 2RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521836708

First published in print format 2004

ISBN-13 978-0-511-23017-2 eBook (EBL)
ISBN-10 0-511-23017-6 eBook (EBL)

ISBN-13 978-0-521-83670-8 hardback
ISBN-10 0-521-83670-0 hardback

ISBN-13 978-0-521-54525-9 paperback
ISBN-10 0-521-54525-0 paperback

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PART IV

DASHED EXPECTATIONS

Nigeria

The Nigerian economy at the end of the twentieth century was poor, with a fairly small industrial base, despite the fact that Nigeria's rulers apparently channeled billions of the country's oil dollars toward industrial development. What happened? The following discussion of the Nigerian political economy emphasizes the negative role of a neopatrimonial state. Whatever the changes in regime and leadership, the Nigerian state repeatedly failed to facilitate economic transformation. While professing a commitment to development, state elites focused their energies instead on maintaining power and on privatizing public resources for personal gain or gain by ethnic communities. Why Nigeria ended up with a neopatrimonial state is best understood by noting what did not happen in Nigeria: A public realm failed to emerge. Under such circumstances – with a façade of a modern state but without the normative and organizational underpinnings of such a state – the defining tendencies of the society, namely, personalism and communalism, came to characterize the state as well, weakening the prospects for effective state intervention. The origins of such a state in the colonial period are analyzed in Chapter 8 and the failed attempts of the state to promote industrialization are discussed in Chapter 9.

8

Colonial Nigeria

Origins of a Neopatrimonial State and a Commodity-Exporting Economy

At the heart of Nigeria's disappointing economic performance lies a poorly functioning state, characterized here as a neopatrimonial state. While the economic impact of this state's actions were manifested mainly in the second half of the twentieth century, the distortions were the product of earlier historical developments. This chapter reconsiders existing historical knowledge with the aim of elucidating, first, the nature of the political economies that the British carved into Nigeria and, second, the state and the economy that emerged in colonial Nigeria, both in the early colonial phase, which lasted until the onset of the Second World War, and in the late colonial phase, which ended with independence in 1960.

Three main themes emerge: one concerning the precolonial situation and two focused on the impact of British rule during the early and the late colonial phases. Although the British brought together highly diverse political economies that became Nigeria, the localized political economies shared some important traits: They were generally small-scale, relatively simple political units, and they were based on rather undeveloped technology. Of note, therefore, is the highly rudimentary quality of the polities and economies that would become Nigeria. While most scholars of development do not usually compare "levels of development" within "premodern" settings, it is important to do so. Nigeria at the turn of the twentieth century was at a much lower level of development than any of the other societies considered in this study. It was characterized by a highly fragmented political structure, abysmally low levels of literacy, even among elites, and a simple agrarian technology. Given this disadvantageous starting point, Nigeria simply had a longer distance to travel in its search for development than, say, Korea or even India.

Within these local constraints it would have taken a fierce determination on the part of the British, as well as considerable resources, to develop a well-functioning state and to promote economic and technological development. The British did nothing of the sort and instead ran Nigeria on the cheap. During the early colonial phase the British fostered indirect rule in Nigeria, resulting in a poorly formed state that reinforced a patrimonial, personalistic, and localized pattern of rule. It failed to centralize authority, to develop an effective civil service, and, relatedly, to develop the capacity to tax the population directly. Moreover, given the lack of resources and an ideological commitment to laissez-faire, the colonial state also failed to develop institutions that could promote socioeconomic development. In sum, the British in Nigeria created a country but not an effective state. The public realm that came into being was barely demarcated from the existing private realms, in terms of both organizations and culture – with long-term, negative consequences.

While the British in Nigeria were relatively less intrusive than, say, the Japanese in Korea, the British impact on Nigeria was still considerable. This apparent tension is resolved if one keeps in mind that the rudimentary local societies were more fragile and susceptible to external impact than the complex systems of large parts of Asia. Besides the political impact of indirect rule, the other main agents of change, especially during the early colonial phase, were trading interests and missionaries. New politics and traders helped to link Nigerian economies to international markets, promoting mainly a commodity-export economy, with its well-known advantages and drawbacks. The missionaries provided some education, especially in southern Nigeria, giving rise to a new class of Africans that, in time, would join the ruling class. The origins of three critical vectors in the period before the Second World War – a distorted state, a commodity-dependent economy, and the nature of the new political class – eventually determined the evolution of Nigeria after the war.

Finally, the onset of the war marked an important turning point. The political economy of the late colonial phase came to be characterized by two nearly opposing tendencies that together proved very damaging for Nigeria's search for development: The state became ever more involved in the economy but state power became increasingly fragmented as it became further entangled in particularistic and personalistic networks. The framework of a weak colonial state encouraged the further fragmentation of what was already a feeble and a divided nationalist movement. The British slowly but surely ceded power to a variety of indigenous forces that were divided along ethnic and tribal lines. These forces, in turn, further divided the minimal colonial state, particularly along regional lines. At the same time, the Second World War initiated a move toward greater state involvement in the economy. From the standpoint of sustained economic growth, state intervention in the Nigerian economy was directed in all the wrong directions – much more at encouraging control, extraction, and populism than at promoting national production. The growing fragmentation of state power along particularistic lines only compounded the problem of misguided state intervention in the economy.

I. Precolonial "Nigeria"

Before the British there was, of course, no Nigeria. What there was instead was the Niger River and, around it, a variety of political settlements: North of the river was the Sokoto Caliphate, southwest of it the Lagos consulate and the Yoruba Kingdoms, and in the southeast numerous small-scale tribal communities.[1] The discussion below outlines the nature of these precolonial political economies, mainly to emphasize their rudimentary quality. Two caveats are in order. First, the historical literature on Nigeria rests on fairly limited documentation, as written records of precolonial Nigerian history are meager. Second, there are significant, unresolved controversies in this literature.[2] I refer to these in passing, but only a few of them have a direct bearing on the argument developed below.

Coastal Nigeria participated in the slave trade for several centuries, giving rise to small city-states on the coast that were often controlled by local strongmen who profited from the trade. The area between coastal settlements and the Niger was, in turn, dotted with what historians call the Yoruba Kingdoms, some two dozen more or less autonomous political collectivities of varying sizes.[3] These kingdoms did not refer to themselves as Yoruba Kingdoms; the main sense of common identity instead derived from some shared elements in the spoken language and, more importantly, from a shared allegiance to Ife, a traditional center of Yoruba power and creativity. A modicum of stability was maintained among these kingdoms in the eighteenth century, mainly because of the preponderant role of the most powerful kingdom among them, Oyo.[4] The abolition of the slave trade and the subsequent emergence of "legitimate trade" in the nineteenth century, along with such other external pressures as growing military and religious expeditions from the Islamic north, precipitated significant changes in western Nigeria. Whereas the British established a formal foothold in Lagos and the activities of overseas traders increased, the Yoruba Kingdoms disintegrated over the course of prolonged and mutual warfare. This conflict characterized much of the second half of the nineteenth century and ended only when the British annexed the area in 1893 and imposed a peace.

Viewed from a comparative standpoint, one is prompted to ask why the Yoruba Kingdoms did not produce a larger-scale, more centralized

[1] For a good overview, see Michael Crowder, *The Story of Nigeria*, 4th ed. (London: Faber and Faber, 1978), esp. chaps. 2–11.

[2] See, for example, Toyin Falola, ed., *African Historiography: Essays in Honour of Jacob Ade Ajayi* (London: Longman, 1993), especially the historiographical essays by Robin Law and Paul E. Lovejoy.

[3] For example, see Robert S. Smith, *Kingdoms of the Yoruba*, 2nd ed. (London: Methuen, 1976).

[4] See J. F. A. Ajayi, "The Aftermath of the Fall of Old Oyo," in J. F. A. Ajayi and Michael Crowder, eds., *History of West Africa* (New York: Columbia University Press, 1973), 2: 136.

polity.[5] But given the paucity of historical information, the answers are necessarily speculative. First, only low-level technology was available. Given the near absence of written language, it is hard to imagine how records could have been kept and how a permanent administration could have developed. The main modes of communication across tribal units were also fairly "crude" and often "nonverbal" – via drums, flutes, and objects identified with special events.[6] And finally, the technology of warfare, too, was primitive. Bows and spears were the main weapons; firearms were known, as was cavalry, but these came into use mainly in the second half of the nineteenth century.[7] Moreover, given resource limitations, well-organized standing armies were rare.

A second set of factors that may help to explain the failure of large-scale, centralized monarchies to emerge concerns the nature of power distribution within local political societies.[8] The basic social unit in the region was the tribe – or what some anthropologists call patrilineal descent groups or lineage groups – whose members shared a belief in a common ancestry and whose property was owned communally. While tribal chiefs were powerful because they controlled the mobilization of manpower for warfare, their capacity to extract surplus was limited because they did not personally own property. Kingdoms, in turn, were generally a collection of tribes in which relatively weak kings shared power with tribal chiefs, who not only controlled the manpower for war making but also often constituted the king's "cabinet." Power in the Yoruba kingdoms was thus relatively diffuse. In combination with the low levels of technology, the obstacles to creating large-scale, complex political units would surely have been formidable.

Finally, and most speculatively, one wonders whether there was some functional congruence between a slave-trading economy and fragmented, small-scale political units. Since communities were defined by lineage groups, there must have been a reluctance to sell members of one's own descent group. And indeed we do know from the historical evidence that raiding, enslaving, and selling members of other communities or tribes was the common pattern. This makes intuitive sense because it is hard to imagine a monarch allowing his "citizens" to be sold to others as slaves – internal slavery being a totally different matter – without losing legitimacy. Moreover, slave raiding and selling was a fairly decentralized activity, controlled not by monarchs but by numerous traditional chiefs and traders.[9] Wealth from a

[5] This question informs a useful monograph by Peter C. Lloyd, *The Political Development of Yoruba Kingdoms in the Eighteenth and Nineteenth Centuries*, Occasional Paper no. 31 (London: Royal Anthropological Institute, 1971).

[6] See R. Olufemi Ekundare, *An Economic History of Nigeria, 1880–1960* (New York: Africana Publishing Company (Holmes and Meir), 1973), 47.

[7] See Smith, *Kingdoms of the Yoruba*, chap. 9.

[8] This discussion is based on ibid., chap. 7; and Lloyd, *Political Development of Yoruba Kingdoms*.

[9] Lloyd, *Political Development of Yoruba Kingdoms*, 12–15.

slave-trading economy must therefore have strengthened chiefs and traders at the expense of the palace, further decentering power.

For whatever reason, city-states on the coast and the Yoruba Kingdoms remained more or less autonomous political collectivities well into the nineteenth century. Relative peace was maintained among the kingdoms, mainly because of a balance-of-power type of politics in which a dominant kingdom – Oyo – played a stabilizing role. By the mid-nineteenth century, however, Oyo was disintegrating and warfare had emerged among the Yoruba Kingdoms. Heated debate has characterized the discussions regarding which factors were critical in spurring these changes. Some scholars emphasize the shift from the slave trade to "legitimate trade" in the nineteenth century, on the grounds that new economic activities encouraged new men of power and undermined the stability of the old system.[10] Others argue that the old elites came to control the legitimate trade as well and that the significance of international economic activities for distribution of wealth and power within the Yoruba kingdoms was limited in any case.[11] In this view, the Yoruba Kingdoms disintegrated as a result of internal power conflicts; and to the extent that external pressures were a factor, these were more the military and ideological pressures from the Islamic north and less the economic stimuli from the coast.[12] For our purposes, an overview will suffice: Internal and external changes contributed to growing warfare among the Yoruba Kingdoms, warfare that came to an end only when the British annexed the area and imposed an imperial peace.[13]

A few comments on the region's economy are also in order. As already noted, the region had participated in the international slave trade from the sixteenth century on. While the full impact of the slave trade on Nigerian society and economy will probably never be known, some of its general effects are obvious. First, the "energies and talents of the people

[10] This view was originally proposed in a brilliant, pioneering study by Onwuka K. Dike, *Trade and Politics in the Niger Delta, 1830–1885: An Introduction to the Economic and Political History of Nigeria* (London: Oxford University Press, 1956). While Dike's study was focused on one area, the logic of his argument was subsequently generalized by A. G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973).

[11] For a summary of related debates, see Robin Law, "The Historiography of the Commercial Transition in Nineteenth Century West Africa," in Falola, *African Historiography*, chap. 8, pp. 91–115; Robin Law, "Introduction," in Robin Law, ed., *From Slave Trade to "Legitimate" Commerce: The Commercial Transition in Nineteenth-Century West Africa* (Cambridge: Cambridge University Press, 1995), 1–29; and Martin Lynn, "The West African Palm Oil Trade in the Nineteenth Century and the Crisis of Adaptation," in Law, *From Slave Trade to "Legitimate" Commerce*, 57–77.

[12] This view is especially associated with the scholarship of J. F. A. Ajayi. For example, see Ajayi, "Aftermath of the Fall of Old Oyo."

[13] For such a useful synthetic overview, see A. I. Asiwaja, "Dahomey, Yorubaland, Bargu and Benin in the Nineteenth Century," in J. F. A. Ajayi, ed., *UNESCO General History of Africa*, vol. 1: *Africa in the Nineteenth Century until the 1880s* (Berkeley: University of California Press, 1989), esp. 706.

were either consumed by raiding or being raided" and "hundreds of thousands of the most virile members" of the society were forcibly removed.[14] Second, those who profited from the slave trade often spent those profits on imports. Thus, the impact of the trade on local economic and technological development was negative insofar as for centuries "the slave trade provided an effective barrier against the development of agriculture and industry."[15] Even on strict economic grounds, putting aside the moral repugnancy of slavery, the slave-trading era constituted "a barren three centuries."[16] The turn to exports of palm oil and groundnuts in the nineteenth century had a more positive impact on incomes. But this shift, too, did not contribute much either to technological development or to reduction in the practice of slavery. Illegal slave exports continued, and domestic slavery, especially female slavery, increased, in part to meet the new labor demand to provide exports of palm oil.[17]

Nonetheless, the bulk of economic production was aimed at the domestic market. While there were some crafts and mining, the main economic activity was food production, especially agriculture, which was striking for its "small" and "primitive" quality.[18] While property was owned communally, land could be held in perpetuity, with family farming the primary mode of agriculture, though slave labor was also common. Given the abundance of land, shifting cultivation – that is, moving from one piece of land to another – was widely practiced. "Ploughing was completely unknown,"[19] and the hand hoe was the primary agricultural tool, as draft animals were not used. Even the potter's wheel was still not part of the agrarian economy at the turn of the twentieth century.[20]

Political and economic life north of the river Niger may have been somewhat more sophisticated in the nineteenth century, but not by much. The Sokoto Caliphate was a collection of some fifteen to twenty emirates under the loose suzerainty of an Islamic ruler, the caliph. The caliphate, initiated via an Islamic jihad early in the nineteenth century, struggled for much of the century to establish a semblance of control and stability and eventually came under British control following the Berlin Conference of 1884. There is a lively literature on Sokoto, especially on its politics – on the nature of the jihad, on the manner in which it was governed, and on how it was eventually

[14] James S. Coleman, *Nigeria: Background to Nationalism* (Berkeley: University of California Press, 1958), 40–41.
[15] See Ekundare, *Economic History of Nigeria*, 35.
[16] See Crowder, *Story of Nigeria*, 68.
[17] For a quick overview of the relevant debates, see Law, *From Slave Trade to "Legitimate" Commerce*, 6–9.
[18] See Ekundare, *Economic History of Nigeria*, 40.
[19] Ibid., 41.
[20] See Gerald K. Helleiner, *Peasant Agriculture, Government, and Economic Growth in Nigeria* (Homewood, Ill.: Richard D. Irwin, 1966), 2.

colonized – but, once again, claims often rest on fairly modest evidence.[21] The following is a brief outline of the degree of Sokoto's "stateness" and the nature of its economy.

By the standard of political units in precolonial sub-Saharan Africa, Sokoto would rank among the most centralized, stable, and sizable.[22] The rulers of the caliphate exercised some semblance of control over large parts of what is now northern Nigeria, with political units sharing a common religion, Islam. Over time, norms and practices developed to govern the relationship between the caliphs and the emirs, the underlings who exercised actual power over smaller territories.[23] Political organization was inspired by the more complex political units of northern Africa, and written language was used to maintain records. The resulting political stability allowed for economic expansion, including the production of some luxury goods for export across the Sahara to North Africa.

The political structure of the Sokoto Caliphate was nevertheless rudimentary, especially when compared with other non-Western agrarian monarchies of the period, say, the Yi dynasty in Korea, the Mughals in India, or the Manchus in China, not to mention the Ottomans in Turkey. Sokoto attained high levels of neither political stability nor stateness: There was no central army; centralized civil administration was weak, if not nonexistent; the quality of rule varied across emirates, as well as over time; and jihads, mutual warfare, and slave raids remained common themes throughout the century.

The jihad that brought Sokoto into being was led mainly by an Islamic Fulani elite, who managed to mobilize Fulani and other peasants and pastoralists against the incumbent Hausa kings.[24] While the Fulani leaders owed allegiance to the caliph at Sokoto, especially early in the century, it was

[21] Two overviews that I found most useful are R. A. Adeleye and C. C. Stewart, "The Sokoto Caliphate in the Nineteenth Century," in J. F. A. Ajayi and Michael Crowder, eds., *History of West Africa*, 2nd ed. (London: Longman, 1987), 2: 86–131; and Murray Last, "The Sokoto Caliphate and Borno," in *UNESCO General History of Africa*, 1: 555–99.

[22] Michael Watts thus writes: "The Sokoto Caliphate was to become the largest, most heavily populated, most complexly organized, and wealthiest state system in the nineteenth century West Africa, if not sub-Saharan Africa as a whole." See Watts, *Silent Violence: Food, Famine and Peasantry in Northern Nigeria* (Berkeley: University of California Press, 1983), 49.

[23] The issue of how much control central leaders actually exercised over the heads of peripheral units remains unresolved in the literature. The safest conclusion is that, while this control varied over time and from emirate to emirate, even under the best of circumstances the emirates were quite autonomous. For a variety of views, see Victor Low, *Three Nigerian Emirates: A Study in Oral History* (Evanston, Ill.: Northwestern University Press, 1972); Murray Last, *The Sokoto Caliphate* (London: Longmans, 1967), esp. chaps. 4–6; R. A. Adeleye, *Power and Diplomacy in Northern Nigeria, 1804–1900* (New York: Humanities Press, 1971); and M. G. Smith, *The Economy of Hausa Communities of Zaria* (London: Colonial Social Science Research Council, 1955).

[24] For a discussion of how the jihad was conducted, see Last, *Sokoto Caliphate*, chap. 2. For a somewhat different set of views on the jihad, especially those that emphasize its Islamic and

always only legitimacy that was centralized. Real power, by contrast, was always more decentralized. Indeed, at no time in the history of Sokoto was there ever a centralized army.[25] And as the legitimacy of the original jihad eventually declined, power increasingly came to rest within individual emirates. Factors contributing to the difficulty of establishing any sort of centralized polity, then, were the primitive technology of warfare and administration, the lack of stable economic and manpower resources, and the great distances between Sokoto and the emirates in the context of slow means of communication.

For much of its existence, the Sokoto Caliphate was managed as a dyarchy, with the eastern emirates under the loose suzerainty of Sokoto and the western ones under another center of power, Gwandu. Political stability and quality of rule varied across emirates, with larger, better organized ones generally hegemonized by one tribe or another, whose leader often secured hereditary rights to the position of emir. These emirs paid tribute to their superiors at Sokoto or Gwandu and provided periodic support for warfare, but for the most part they were relatively free to run their emirates as they saw fit. Rule in other emirates was considerably more contentious, with members of various lineage groups and factions jockeying for position. Under such circumstances the caliphs could intervene to mediate and help to resolve the conflicts, but overall their capacity to impose their will remained rather nebulous.

Although sacred authority increasingly came to rest in Islamic institutions, the emirs were secular rulers who generally ran their domains as an extension of the household, with the help of both kith and kin – often fellow Fulani clan members – and household retainers. Many Fulani clans became rather powerful, giving rise to a Fulani aristocracy of sorts. The personalistic, patronage-type relationship of the emirs with this aristocracy was thus central to the smooth functioning of the emirates as the Fulani aristocrats were assigned rights to property and slaves in exchange for collecting taxes and sharing them with the emir. Since land was plentiful, there was a need for substantial amounts of labor, especially slaves. Slave raids were therefore a regular feature of the local political economies.

The historical literature is not clear on the structure of taxation: the rates, the stability of the system, and the specifics of the actual assignment

revolutionary qualities, see a collection of essays in Y. B. Usman, ed., *Studies in the History of the Sokoto Caliphate* (New York: Third Press International, 1979).

[25] Adeleye thus writes: "The Caliphate was not a militarily powerful polity even when religious enthusiasm was its height. Largely for this reason, and partly because of a lack of a centrally directed permanent or regular military force, the presence of hostile enclaves within the Caliphate persisted throughout the century." See R. A. Adeleye, "The Sokoto Caliphate in the Nineteenth Century," in J. F. A. Ajayi and Michael Crowder, eds., *History of West Africa* (New York: Columbia University Press, 1973), 2: 72. See also Last, "Sokoto Caliphate and Borno," 568.

and collection within these emirates.[26] The safest conclusion seems to be that taxation was relatively uneven – though enough to sustain a substantial, parasitic ruling class – and its collection was based on customary obligations, in the guise of the Islamic ideology of *zakat*, and on confiscation by armed raids. Since slavery was widespread – various estimates range from one-third to one-half the population being enslaved[27] – the picture is even more confused. Slaves were, of course, being "taxed" by the virtue of being slaves. Taxation proper was thus aimed at family farmers, plantation owners, pastoralists, and traders, both local and long-distance.[28]

In spite of a relatively low level of centralization and with warfare a constant theme, the Sokoto Caliphate did provide a degree of political stability – especially compared with what existed in the Yoruba Kingdoms in the period. This stability, in turn, begat some economic expansion built on the fairly crude, agrarian economy. Unlike the south, which is thick with forests and mangroves, Sokoto lay in a dry savannah that slowly but surely trailed northward into the Sahara Desert. Besides cereals, groundnut was an important food crop, and cotton and indigo were important nonfood crops. While the evidence is scanty, it seems that jihad and the establishment of Sokoto led to further enslavement, the addition of new lands, and the establishment of some large plantations run by gangs of enslaved labor.[29] Both food and nonfood crops increased, and the latter, especially cotton and indigo, fed into a vibrant textile "industry" around Kano that produced luxury cloth for export across the Sahara, mainly on donkeys and with the help of slave labor, to North Africa. Leather goods, too, were produced for export. Overall, however, contact with European economies was minimal – evidenced by the survival of Kano textiles – and there were hardly any technological changes or innovations throughout the century.

To sum up, a key characteristic of precolonial Nigeria was the rudimentary quality of the local political economies. The Yoruba Kingdoms remained

[26] Watts thus paints a picture of fairly effective tax collection ("surplus appropriation") that was systematically backed by state coercion. See Watts, *Silent Violence*, chap. 2. Given the low level of stateness in Sokoto in general, this view is not persuasive. Polly Hill's characterization of Kano's emir as an "apex" with no "proper substructure" (or with no proper ruling administration) strikes me as closer to the truth for the whole caliphate. See Polly Hill, *Population, Prosperity and Poverty: Rural Kano, 1900 and 1970* (Cambridge: Cambridge University Press, 1970), 10. Hill's view on the nature of power and administration would also be consistent with Ekundare's suggestion that the level of taxation in Sokoto was "arbitrary – imposed on no recognized basis" and often collected by raids. See Ekundare, *Economic History of Nigeria*, 39. Both R. A. Adeleye and Murray Last (see note 21 above) also paint a picture of the taxation system as rather uneven and unsystematic.

[27] See, for example, Polly Hill, "From Slavery to Freedom: The Case of Farm-Slavery in Nigerian Hausaland," *Comparative Studies in Society and History* 18, no. 3 (1976): 395–426.

[28] See Last, "Sokoto Caliphate and Borno," 578–79.

[29] See Paul E. Lovejoy, "Plantations in the Economy of the Sokoto Caliphate," *Journal of African History* 19, no. 3 (1978): 341–68.

more or less autonomous units for much of the century. Agriculture proceeded without a plow and slave raids across these units were a commonplace. Toward the second half of the century these kingdoms fell into constant warring with each other. The coast was dotted by city-states that had originated with the slave trade.[30] I have not discussed the tribal communities of the southeast, mainly because there was not even a semblance of large-scale organized political and economic life in that region. The north, by contrast, was a more complex political society, inspired by Arabs and Islam. But even there state consolidation was minimal, slave raids were a common occurrence, and the economy was fairly backward.

The Nigerian political economy at the turn of the twentieth century was thus at a considerably lower level of development than the political economies we have encountered so far in this study. The well-known colonial scholar of Nigeria, Margery Perham, contrasted African and Asian realities: "Here in place of large units of Asia was the multicellular issue of tribalism; instead of an ancient civilization, the largest area of primitive poverty enduring into the modern age. Until colonialism the greater part of the continent was without the wheel, the plough or the transport animal; almost without stone horses or clothes, except for the skin."[31] A somewhat later account of precolonial Nigeria by Gerald Helleiner differs little in substance: "a collection of communities, essentially isolated from one another and from the rest of the world, engaged primarily with 'traditional' activities . . . of subsistence. . . . The level of technology . . . was very low. The principal instrument of cultivation was the hand hoe . . . and local handicraft were of quite backward nature."[32]

One of my central themes is that this relative backwardness was consequential for Nigeria's long-term development because it presented a formidable obstacle to the emergence of either entrepreneurship or an effective state, two potential agents of economic change. For now, I offer a more general observation. Scholars of comparative development often do not assign significant weight to different starting points when assessing development performance across countries or regions. Instead, there is a tendency to treat all preindustrial, low-income developing countries – especially since the Second World War – as having been at a more or less similar starting point. The analytical puzzle for many thus looks to be why some regions have grown so much more rapidly than others. But such a perspective is ahistorical and misleading. We will see that a Nigeria at the end of the war had little in common with a Korea, save for their low-income status.

[30] Besides the marvelous study of Dike, *Trade and Politics*, other useful studies of coastal settlements include Kannan K. Nair, *Politics and Society in South East Nigeria, 1841–1906* (London: Frank Cass, 1972); and Kalu E. Ume, *The Rise of British Colonialism in Southern Nigeria, 1700–1900: A Study of the Bights of Benin and Bonny* (Smithtown, N.Y.: Exposition Press, 1980).

[31] See Margery Perham, "British Problem in Africa," *Foreign Affairs* (July 1951): 638.

[32] See Gerald K. Helleiner, *Peasant Agriculture*, 2.

Pushing the issue of starting points even farther back – to the turn of the century – the collectivities that eventually became Nigeria were sharply distinguishable from, say, their contemporary counterpoints in East Asia. Many in East Asia, for example, already had a lengthy experience with centralized states, professional armies, exam-based civil bureaucracies, and aristocratic civilizations. They had already seen elaborate attempts to innovate – from large organizational tasks (as, for example, the construction of the Great Wall in China) to productivity-enhancing development of irrigation systems. Korea and Nigeria may thus have both been preindustrial, but that is all that they had in common. Scholars of development generally lack a vocabulary and indicators to measure such distances across preindustrial societies and to assess the significance of these distances for future developmental prospects. I continue to demonstrate the relevance of this distance for Nigeria.

II. Early Colonial Phase: State Construction

The British sought to run Nigeria on the cheap and expended little energy to transform the rudimentary political economies they had colonized into a modern state. Instead, they ran the state as three to four separate regions – demarcated along the northern and the southern divides – and utilized traditional chiefs as their agents. The British in Nigeria reinforced weak centralization, indirect, personal rule, and subordination rather than assimilation – the opposite of what was needed to create a modernizing state.[33] This minimal state was organized along laissez-faire lines, responsible for little more than preserving law and order and for promoting infrastructure and commodity exports. Beyond that it promoted no significant economic or technological progress. The following discussion focuses on the origins and nature of this limited colonial state.[34]

[33] From Max Weber to Charles Tilly, scholars of modern states have understood these issues well. Tilly thus describes the transition from "premodern" to "modern" states in Europe as involving a shift "from tribute to tax, from indirect to direct rule, [and] from subordination to assimilation." See Tilly, *Coercion, Capital and European States* (Cambridge: Blackwell, 1990), 100.

[34] Recent literature on the impact of colonialism in Africa has shifted away from both the earlier colonial apologia and the subsequent dependency anger that stressed themes of economic exploitation. Two important recent volumes that instead lay the blame for Africa's underdevelopment on the nature of the colonial state are Crawford Young, *The African Colonial State in Comparative Perspective* (New Haven: Yale University Press, 1994); and Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton, N.J.: Princeton University Press, 1996). Another volume that stresses greater continuity between precolonial and postcolonial politics, thus suggesting that the impact of colonialism may be easily exaggerated, is Jeffrey Herbst, *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, N.J.: Princeton University Press, 2000). My more limited focus on Nigeria draws on these studies insofar as my focus is also mainly on the political impact of colonialism. However, I depend more heavily on specific historical literature on Nigeria and

The British came to Africa late in the colonial game, having already been in India and elsewhere for decades, and this prior experience influenced the ruling strategy adopted in Africa. The motives in colonizing Africa, as elsewhere, were mixed: in part to ensure that other European powers did not get there first, in part to make profits, and in part to save souls.[35] Since making a profit was mainly the business of traders and saving souls that of the missionaries, the direct role of the colonial state was understood as minimal: to establish territorial control.[36] The consensus therefore – both within the British government and among the local colonial rulers – was that Nigeria would operate with little funding from London.[37] The critical decision to run Nigeria cheaply was further reinforced by a lesson that the British were quickly learning in India, Egypt, and elsewhere, namely, that "educated natives" were trouble.[38] And since the potential for collecting taxes from the very backward local economies was always questionable, the Indian option of creating a significant centralized state, staffed by both British and educated native civil servants, was never seriously pursued in Nigeria.[39] Instead, the British sought to use – especially in the north, but

tread a line somewhere in between the two positions that suggest that colonial impact was either decisive or superficial.

35 Debates on colonial motives in Africa are, of course, long-standing and often divisive; these vary from those who emphasize economic motives to those focusing on intra-European realpolitik considerations. Two recent volumes that stress mixed motives are Thomas Pakenham, *The Scramble for Africa, 1876–1912* (New York: Random House, 1991); and H. L. Wesseling, *Divide and Rule: The Partition of Africa, 1880–1914*, trans. Arnold J. Pomerans (Westport, Conn.: Praeger, 1996).

36 Over time, of course, in Nigeria, as elsewhere, given the needs of taxation, security, and helping traders and missionaries, the colonial state expanded its mission and role. See, for example, D. K. Fieldhouse, *Colonialism, 1870–1945: An Introduction* (London: Weidenfeld and Nicolson, 1981), 16–20. I return to this issue.

37 I do not mean to create a distorted impression here that there was complete consensus on such issues or that related issues were not vigorously debated. For an overview of such debates, see Andrew Roberts, "The Imperial Mind," in A. D. Roberts, ed., *The Cambridge History of Africa*, vol. 7: *From 1905 to 1940* (Cambridge: Cambridge University Press, 1986), 24–76. It is especially interesting to note that the idea of investing in and transforming "Hausa lands" was debated in London among colonial officials but vetoed on budgetary grounds. See ibid., 44. One wonders why the possible returns on investments were not considered an adequate compensation for budgetary expenditures. Also the mere fact that this debate occurred underlines the tortuous process of historical change that is dotted by paths that could have been taken but were not, and relatedly, that it would be far too easy to attribute policy choices to underlying "interests," both because "interests" are not always obvious and because there is always more than one way to pursue "interests."

38 Ibid., 33–42, 53.

39 That this model was not a totally preposterous option is underlined by the fact that it was the mode of rule in the Lagos Consulate in the second half of the nineteenth century. See, for example, I. F. Nicolson, *The Administration of Nigeria, 1900–1960: Men, Methods, and Myths* (Oxford: Clarendon, 1969), esp. 51–52. The idea of excluding educated Africans from government, along with the rise of more explicit racist ideologies, were early-twentieth-century developments.

also in parts of the south – existing authority structures and cloaked this expedient path in the ideology of "indirect rule," a strategy with significant and mostly negative consequences for state building in Nigeria.

Different regions of Nigeria came to be ruled differently and over time came to develop fairly distinct socioeconomic characteristics. British trading interests were significant on the coast and, with the opening of the Niger, even in parts of the southern interior. Prior to 1900, when Nigeria officially came into being, a fairly sophisticated local colonial government was already functioning in the Lagos Consulate.[40] The British expanded their control over Yorubaland from Lagos, often working through missionaries. They made treaties with one traditional chief after another, threatened others into submission, and when all else failed, resorted to military force. Warring Yoruba chiefs were no match for the well-organized British and generally succumbed without much resistance.[41] The movement eastward from Lagos was trickier because there were very few sizable kingdoms that could be readily incorporated by treaty or by force. Where powerful "houses" existed, as they did in the city-states that dotted the delta, the British often subdued house leaders. Other than that, the process was slow: incorporating tribes in a given area, establishing a district with a magistrate in charge, creating a revenue base while dealing with slavery and warring tribes, and then moving further into the interior.[42]

By contrast, the colonization of the north that the British "acquired" at the Berlin Conference required more military force. The attempt to establish real control in the north, with its more complex political units, involved not only negotiations with the caliph and individual emirs, but also the utilization of the British West African Frontier Force to defeat the various emirates militarily if they did not readily capitulate. Central to this whole process was Lord Lugard, one of the numerous eccentric British colonialists whose names dot British colonial history. Lugard's name is nearly synonymous with the establishment of indirect rule in large parts of Nigeria.[43]

The colonial conquest of Nigeria essentially left traditional authority structures intact, especially in Yorubaland and in the North. The British opted not to establish a centralized state that would supplant the power of

[40] For early history of the Lagos Consulate, see Robert Smith, "The Lagos Consulate, 1851–1861: An Outline," *Journal of African History* 15, no. 3 (1974): 393–416. For a discussion of how the Lagos Consulate was administered, see Nicolson, *Administration of Nigeria*, esp. 51–79.

[41] See M'baye Gueye and A. Adu Boahen, "African Initiatives and Resistance in West Africa, 1880–1914," in A. Adu Boahen, ed., *General History of Africa*, vol. 7: *Africa under Colonial Domination, 1880–1935* (Berkeley: University of California Press for UNESCO, 1985), 114–48.

[42] See I. F. Nicolson, *Administration of Nigeria*, esp. 85.

[43] For two very different views on Lugard's "contributions," see Margery Perham, *Lugard: The Years of Authority, 1898–1945* (London: Oxford University Press, 1960); and Nicolson, *Administration of Nigeria*, esp. chap. 6.

traditional chiefs because they were simply not prepared to commit the human and material resources necessary for creating an effective central state.[44] In the north, Lord Lugard decided instead to strengthen the hands of former emirs or would-be emirs (often individuals from dominant lineage groups with some hereditary claim to leadership), mainly in exchange for maintaining order and collecting and sharing taxes. While British civil servants supervised these traditional rulers, especially in the important area of revenue collection, the role of established traditional authority in local areas was critical for the functioning of the empire.[45] Reminiscent of Bengali zamindars and pockets of rule by maharajas, indirect rule became the main system of colonial administration north of the Niger and Benue Rivers and essentially remained in place until independence and even beyond.

British rule in southern Nigeria had more of an appearance of direct rule, though this was somewhat deceptive. Given the paucity of British civil servants and the racist reluctance to train and incorporate "natives," colonial rule had to depend on traditional chiefs. Within the Yoruba areas, such chiefs either existed or could be created. The respective lieutenant governors in Lagos encouraged working through such chiefs, again creating an indirect rule of sorts. The south differed from the north, however, in the significant role played there by traders and missionaries. Education and commerce in the south gave rise to "new men" who eventually challenged the authority of the traditional chiefs. A similar process unfolded in the Southern Protectorate, where in contrast to the Yoruba areas, there were no traditional chiefs to be found. The British sought to create "indirect rule" in the Southern Protectorate as well but with uneven success.[46]

The idea of amalgamating these various regions of Nigeria into one central state was debated seriously on several occasions but never really acted on. The first attempt in 1914 was quite superficial and aimed to create a single treasury so as to use the sizable revenues collected in the south to subsidize administration in the north.[47] What started out as an expedient organization for economic purposes subsequently gained an institutional logic, with strong vested interests in maintaining political fragmentation. The next major reorganization did not occur until the late 1930s, but it was not a move toward further centralization; rather, it formally divided Nigeria

44 Related debates are well reviewed in Jeremy White, *Central Administration in Nigeria, 1914–1948* (Dublin: Irish Academic Press, 1981); and in Nicolson, *Administration of Nigeria.* Also relevant here is Lord Lugard's own thinking on these issues; see Lord F. J. D. Lugard, *The Dual Mandate in British Tropical Africa* (London: W. Blackwood and Sons, 1922).

45 For details, see White, *Central Administration in Nigeria,* esp. 33–40.

46 See D. C. Dorward, "British West Africa and Liberia," in Roberts, *Cambridge History of Africa,* vol. 7, esp. 403.

47 See White, *Central Administration in Nigeria,* 41.

into three regions, the west and the east below the rivers, and the north. This administrative grid, in turn, intensified regional identity struggles, which would eventually prove lethal for the functioning of the Nigerian state.

Besides the failure to create a central authority, the thinness of the colonial state was further evident in the fragmented nature of the police and in the weak civil bureaucracy constructed by the British. Once its supremacy was established, Britain maintained a fairly small armed force within Nigeria, numbering some 3,000 soldiers. The size of this military grew during the two world wars but declined in peacetime; most of the time internal governance was managed by police and civil servants.

The police forces were generally of two types: the colonial or civil police and native police.[48] The former was based in Lagos and over time came to be divided into a northern and a southern component. The colonial police force in the north, however, was relatively small: During the 1930s, for example, there were only some 1,200 colonial policemen for the entire region.[49] This police force, controlled directly by the British, was used mainly to enforce political order. The real, day-to-day policing in the north was done by a native police. These numbered some 3,000 in 1939 and were generally an ill-trained force under the command of numerous native chiefs.[50] Within the context of indirect rule, crimes were defined according to Islamic law, as consistent with the British ideology of "respecting native rights and customs." Traditional chiefs were thus given the primary responsibility for raising and managing a native police force to deal with petty crimes and to maintain law and order within the units they governed.

The police force in the South resembled the police force the British had created in other colonies. The British generally sought out ethnic "outsiders," whom they often dubbed "martial races" and trained them for police work. In the case of southern Nigeria, these were the northern Hausas. The officers were exclusively British, often trained in Ireland, where the art of dealing with a colonized people was already well developed. Before the northern and southern colonial police forces were amalgamated in Nigeria in the 1930s, there were about 3,000 policemen in the southern force. After the amalgamation, the number was closer to 4,000 for the entire country – the largest country in Africa – with some eighty British officers.[51] That the British could rule a vast country of twenty million with such a thin coercive presence underlines several factors: the well-honed skills of the British for organizing colonial rule, the vast cultural and technological distance

48 See Philip Terdoo Ahire, *Imperial Policing: The Emergence and Role of the Police in Colonial Nigeria, 1860–1960* (Philadelphia: Open University Press, Milton Keynes, 1991), chaps. 1 and 2.

49 Ibid., 93.

50 Ibid., 47.

51 See Roberts, "Imperial Mind," 49.

between the British and the people they ruled, and, most important, the cooperation of native elites, who held sway over their own people and who often benefited from the strategy of indirect rule.

In stark contrast to India, the civil service the British created in Nigeria reflected the minimal goals of British colonialism in that county and therefore was not very good: The numbers were relatively small; they were not well trained; and very few Nigerians were incorporated. Once the territory was controlled, a basis for taxation established, and a framework to facilitate trade erected, there was simply no perceived need to improve governance.[52] With indirect rule in place in the north, only a handful of British civil servants were required per emirate, mainly to supervise the emirs, primarily in the area of tax collection and expenditure. At the height of colonial rule in the interwar years, there was only one British administrator per 100,000 Africans in the North. The density of civil servants in the South was naturally a little higher, but not by much, especially in areas distant from Lagos. There were some 430 British officers in all of Nigeria in 1930 and the ratio of officers to the people they ruled was approximately one to 50,000.[53] This ratio improved during the 1930s, but even at its peak in 1938 there was still only one British officer for every 20,000 Nigerians.[54] This figure contrasts – for around the same time – with colonial rule in Korea, where there was one Japanese officer for every 400 Koreans, making colonial Korea fifty times more densely bureaucratized than Nigeria. In and of itself, of course, bureaucratic density is neither a virtue nor a folly. But the relevant point here is that when leaders of sovereign Nigeria eventually sought to utilize the state to stimulate economic development, the state at their disposal was relatively ineffective – which followed from the poor bureaucracy they had inherited from their colonial experience.

Not only were the numbers of civil servants in colonial Nigeria relatively small but the quality was relatively low. Unlike in India, recruitment for service in Nigeria was not exam-based. Rather it was fairly personalistic – in the hands of one individual, Ralph Furse, who interviewed candidates, looking not for "brainpower" but for "force of character," especially among recent Oxford or Cambridge graduates.[55] The ethos of an exam-based, well-trained civil service was thus never really transmitted to Nigeria. Instead, after recruitment, training required to prepare for service in Nigeria was minimal. In the words of one observer, "As late as 1940, out of 110 administrative officers empowered to act as magistrates only thirteen were professionally

[52] Or in the words of Andrew Roberts: "Once the foundations of an export economy had been laid and the financial basis of British over-rule secured," there was no need to "innovate" in either government or in the economy. See ibid., 49.

[53] See Nicolson, *Administration of Nigeria*, 228.

[54] See Coleman, *Nigeria*, 33.

[55] See Nicolson, *Administration of Nigeria*, 230; and Roberts, "Imperial Mind," 48–89.

qualified."[56] Moreover, again unlike India, very few Nigerians were incorporated into the civil service, at least until the Second World War.

Colonial government in Nigeria thus developed without unified rule and without such other components of an effective state as a well-organized army, police, and civil bureaucracy. Much of this did not pose any overt problems for the British because their goals for the Nigerian colonial state were minimal. For example, consider the issue of taxation, or, as the British called it, revenue collection. The British made do with a fairly low rate of taxation: Prior to the Second World War tax revenues accounted for no more than 2 to 3 percent of the GDP.[57] Of that, close to 60 percent of the total tax revenues originated in the foreign trade sector, especially from taxing imported liquor.[58] These revenues were the easiest to collect because the points of entry and exit for imports and exports were relatively centralized. By contrast, collecting direct taxes is generally difficult within very poor agrarian economies, and the British also expended minimal effort to that end. They mainly left taxation in the hands of the emirs in the north, where in the early colonial years "tax collection" often resembled "plunder."[59] As the tax system in the north was systematized over the years, it often brought British civil servants fairly deep into the social hierarchy. Nevertheless, these contacts were fleeting and reserved for no more than an occasional encounter between the state and the citizen.

Collection of direct taxes in the south posed real problems. While the Yoruba areas were somewhat easier because they had a tradition of direct taxes and traditional chiefs could be utilized to do some of the collecting, when direct taxes were introduced in the southeast, the local population rebelled and the British were forced to cancel the plan. Over time some direct taxes were collected regularly but with great difficulty: Most of those being taxed were self-employed; large parts of the economy were not monetized; accounting practices were nonexistent; and the ranks of civil servants were far too thin to establish any form of systematic taxation.[60]

[56] Nicolson, *Administration of Nigeria*, 49. I do not mean to suggest that there were no skillful and professional administrators. Well-known individuals such as Anthony Kirk-Greene, who served in Nigeria after the Second World War, would qualify any such blanket generalization. I am indebted to Crawford Young for this qualification.

[57] See Helleiner, *Peasant Agriculture*, 296–97.

[58] Ibid., table 50, see also Ekundare, *Economic History of Nigeria*, 106–17.

[59] See Watts, *Silent Violence*, 160–66.

[60] See Helleiner, *Peasant Agriculture*, 206; Ekundare, *Economic History of Nigeria*, 116; and A. W. Pim, "Public Finance," in Margery Perham, ed., *Mining Commerce and Finance in Nigeria* (London: Faber and Faber Limited, 1948), 225–79. Another interesting source, a diary of sorts of a British civil servant, is Walter R. Crocker, *Nigeria: A Critique of British Colonial Administration* (Freeport, N.Y.: Books for Libraries Press, 1971). This "diary" gives a good feel for how remote the colonial government was from many areas supposedly governed, even in the south, and how difficult it was to collect taxes.

A modest tax base and a poorly formed state did not detract from the minimal economic role the British expected governments to play at this time, both at home and in the colonies. From the middle of the nineteenth century until the Great Depression, Britain championed a free-trading, laissez-faire empire. Fieldhouse's generalization about the British in much of Africa applies well to Nigeria: The imperial officialdom had "a very restricted concept of economic management in the colonies .... They normally assumed that the economic development of tropical colonies would follow a 'natural' course.... It was not until the 1940s that any colonial ministry began seriously to think of economic development in terms of... inadequate industrialization."[61]

The hands-off policy implied by the ideology of laissez-faire was not always practiced. The British colonial government in Nigeria intervened where it was deemed necessary, in particular, in areas essential to British trading interests. The "basic objective" of colonial economic policy, according to Ajayi and Crowder, was "to stimulate the production and export of cash crops ... to encourage the importation of European manufactured goods, and, above all, to ensure that [this trade] was conducted with the metropolitan country."[62] Following these general objectives, the colonial government in Nigeria introduced a new currency pegged to the British pound, established banking, and put custom regulations in place. A major area of intervention was infrastructure: railways, roads, communications, and a system of navigation. To be evenhanded, the British also invested in health and education, areas that were related only peripherally to British trading interests.

The actual data on public expenditures by Nigeria's colonial government broadly support this discussion of the state's economic role.[63] During the interwar years the colonial state generally followed a conservative fiscal policy, keeping expenditures in line with revenues. The largest chunk of public revenues was spent on running the colonial government itself: Civil and police administration absorbed nearly one-third of the total. Expenditures on health and education, at approximately 15 percent of the total, were also sizable, an outcome reflecting the active role of missionaries in the making of colonial policy. Besides public administration, investment in infrastructure (or "public works," as the British called it) was the largest single area of public expenditure, at approximately 10 percent. The importance of roads, ports, and railways for trade hardly needs mentioning. What ought to be noted, however, is that the British encouraged public ownership of utilities,

[61] See Fieldhouse, *Colonialism*, 27–28.

[62] See J. F. A. Ajayi and Michael Crowder, "West Africa, 1919–1939: The Colonial Situation," in J. F. A. Ajayi and Michael Crowder, eds., *History of West Africa*, 2nd ed. (Harlow, England: Longman, 1987), 2: 593–94.

[63] I am drawing here on the data presented in Gerald Helleiner, *Peasant Agriculture*, 232–34, esp. 223, table 55.

setting a pattern with long-term consequences. And finally, also noteworthy is the negligible amount the colonial government spent on agricultural or industrial production.

Thus the British colonial state played a minimal role in promoting production in Nigeria. The government did play some role in promoting agriculture, but mainly in cash-crop production for export. Even this did not lead to any significant changes in agrarian technology, however; for example, the hand hoe was the main agricultural implement when the British arrived in Nigeria and it was still the main one toward the Second World War. Industry was totally ignored. British manufacturers preferred exporting their manufactured goods to establishing industries in the colonies, and the British colonial government actually reinforced these preferences. Moreover, the colonial state "almost never actively encouraged indigenous entrepreneurs to invest in local import-substituting industrial production. The government did not provide medium or long-term loans. . . . There were very few technical schools capable of training men to become managers or businessmen."[64] One has only to recall the contrasting role of the Japanese in Korea to realize that there was nothing inevitable about these outcomes; they were the result of choices the British made. The choices, in turn, had long-term implications, both for the manner in which Nigeria's economy developed and for the nature of the limited colonial state that was developed in that country.

To sum up, Britain in Nigeria created a fragmented and ineffective state on a social base hardly suited for ready transformation into a modern state. Given their minimal goals and the related need to economize, the British simply did not try very hard. Even from a "liberal" standpoint of what constitutes a good, minimal state – something that the British came closer to devising in colonial India – the colonial state in Nigeria left much to be desired. So while the colonial state served the minimal needs of the British, it was also a distorted developmental state in the making.

III. Early Colonial Phase: Economy and Society

Between 1900 and 1930, Nigeria's average per capita income grew at about half a percent per annum and then essentially stagnated until the end of the war.[65] Economic growth in the first three decades was mainly a result of growth in exports of palm oil, groundnuts, cotton, and cocoa: Export output of these and other commodities jumped some fivefold and export value jumped sevenfold. The underlying dynamic has often been explained with reference to Myint's classic model of "vent for surplus," which suggests that, given international demand, such unused or "underused" factors of

[64] Fieldhouse, *Colonialism*, 68.
[65] Helleiner, *Peasant Agriculture*, chap. 1.

production as land and labor were brought into use, facilitating increases in production.[66] This model is consistent with the evidence that colonialism linked a variety of Nigerian markets to the world market. However, Sara Berry's important corrective is also noteworthy: Supply response was not all that "automatic," but required important institutional changes, such as in the organization of landownership patterns and especially in modes of coercive labor organization.[67] Behind such institutional changes were new laws enacted by the colonial state and the not-so-indirect role of the same state in mobilizing labor.

The principal items that were imported in this period were spirits (gin and rum), cotton goods, building materials (cement, iron, steel), railway items, motorcars, bicycles, and various daily consumer goods. These items were either mainly for consumption or to facilitate the colonial state's infrastructural activities. The trade of both imports and exports was controlled by a handful of British companies: In 1949, for example, 66 percent of Nigeria's imports and 70 percent of its exports were controlled by the Association of West Africa Merchants, an association of United Africa Company and five other European firms.[68] This was the classic colonial pattern: exports of commodities and imports of manufactured goods. Moreover, British authorities discouraged Nigerian exports to countries other than the United Kingdom and imposed import quotas to keep out competitive German and Japanese goods.[69] We see once again that the free-trade ideology was often observed in the breach.

British demand for Nigerian products collapsed with the onset of the Great Depression, and foreign trade suffered from 1930 until about the end of the Second World War, with the result that production more or less stagnated and incomes declined.[70] Following the decline in foreign trade, government revenues, which had been dependent on taxing this trade, declined as well. With its resource base so diminished, the colonial state in Nigeria was in no position to provide a Keynesian response of "demand management." Unlike the other cases, especially the Brazilian case, therefore, Nigeria of the 1930s was not marked by the beginnings of governmental intervention to stimulate the economy.

Both the growth and the decline in foreign trade have to be kept in perspective: Nearly 85 percent of the total production was in the subsistence

66 Ibid., 12.

67 Sara Berry, "Cocoa and Economic Development in Western Nigeria," in Carl K. Liedholm and Carl Eicher, eds., *Growth and Development of the Nigerian Economy* (East Lansing: Michigan State University Press, 1970), 16–27.

68 See Coleman, *Nigeria*, 81.

69 See Ekundare, *Economic History of Nigeria*, 214–16.

70 Dorward thus notes that "the net barter and income terms of trade were to remain below levels of the 1920s until after the Second World War." See Dorward, "British West Africa and Liberia," 443.

or traditional sector, so the local economy was largely insulated from global trends.[71] Both production and productivity therefore probably changed little during this period. A number of factors help explain this stagnation. First, growth of agricultural production for exports had been mainly extensive, facilitating very little technological change or productivity growth.[72] There was thus no technological learning or "spillover" from one sector to the other. Second, colonial land laws made it almost impossible for foreigners to own land and to initiate large-scale plantation agriculture. And finally, the government undertook little or no investment to promote new agrarian technology. Cumulatively, then, in the words of an African economist, "the system and techniques of [agricultural] production remained largely primitive."[73]

Finally, in this brief discussion of the colonial economy, we note the near absence of manufacturing or industry in colonial Nigeria. The special obstacles in the Nigerian case are a mix of factors in the local economy and society combined with factors related to the colonial framework.

We have seen that British manufacturers were more interested at this early stage in selling their products to Nigeria than in setting up industry locally, mainly for economic reasons. But local conditions and colonial institutions were also relevant: Skilled labor was scarce and the costs of importing it rather prohibitive; infrastructure was poor; the domestic market was very small; major trading companies had a strong local foothold and a vested interest in protecting profits from foreign trade; and the empire's open-door policy was well suited to the needs of manufacturers in Lancashire or Manchester.[74] Local, would-be entrepreneurs faced all these same economic problems, plus more. First, there were few indigenous entrepreneurs with experience in risk taking and organizing large-scale industrial production. Second, those that existed faced serious competition from foreign products. And third, the colonial state certainly did not encourage and may even have consciously discouraged industrial growth in Nigeria.

The colonial government, as noted above, did not undertake even the most minimal government activities to promote industry: provide loans, facilitate technology transfer and protect "infant industry," invest in technical and business schools, and/or initiate some direct public investment that would feed industrial efforts. More serious, the colonial state on occasion violated the norms of a laissez-faire state when it "actively discouraged" certain types of local "manufacturing activities."[75] The underlying rationale was

[71] See Helleiner, *Peasant Agriculture*, 6–7.

[72] See Ekundare, *Economic History of Nigeria*, 156, 200.

[73] Ibid., 157.

[74] See, for example, the related discussion in Helleiner, *Peasant Agriculture*, 16; and for broader generalization on the subject, see Fieldhouse, *Colonialism*, esp. 90.

[75] See Carl Liedholm, "The Influence of Colonial Policy on the Growth and Development of Nigeria's Industrial Sector," in Liedholm and Eicher, eds., *Growth and Development*, 57.

mainly to protect the interests of British manufacturers, but it also, especially in the case of Lord Lugard and few others in the north, reflected an anti-industrial bias rooted in their own aristocratic backgrounds and in their sympathy for the local rulers.[76] Thus, the colonial state discouraged local textile manufacturing by imposing tolls on caravans carrying local goods but not on those carrying British goods;[77] it levied freight charges that discriminated against African and smaller companies;[78] and it "enforce[d] . . . stringent regulations" and "exact[ed] . . . heavy trade licenses" on the marketing of African produce.[79]

In spite of the economic and political obstacles, there were some private efforts to initiate manufacturing in colonial Nigeria. Some of these failed; a few succeeded. Early efforts at establishing crushing mills to process palm kernels ran into problems of unreliable supply of inputs, incompetent labor, high costs of supervisory personnel, and a limited market for by-products. Similar problems plagued subsequent efforts. African entrepreneurs also faced a shortage of medium- or long-term capital. Eventually, prior to the Second World War, a few manufacturing plants were established, but mainly by foreign entrepreneurs: a few soap factories in the east by Unilever, a few sawmills and cotton gins in the west, and one cigarette manufacturing plant by the British American Tobacco Company. Even by the standards of developing countries, this was an abysmally low level of industrial development for the middle of the twentieth century.

Shifting the discussion from the economy to the social structure, three sets of changes are noteworthy for their long-term impact on the politics of Nigeria's economic development: the role of missionaries and of the newly educated, the impact of land policy, and the importance of growing regional identities. Missionaries in southern Nigeria penetrated the local society much more deeply than the colonial state ever did. They succeeded in mass conversions, first in Yoruba areas and then in the southeast.[80] Among those who embraced Christianity, a significant proportion belonged to the lower strata, especially former slaves. Moreover, missionaries offered access to education, mainly in English, and this helped to create an English-speaking educated elite in the south. By contrast, as part of the deal Lugard struck with the northern emirs, missionaries were essentially kept out of the

76 One gets a sense in the historical literature that, on occasion, British rulers in the colonies were still fighting out their own proxy "class war" (aristocracy vs. the bourgeoisie) in the colonies, and this long after the battle over the Corn Laws had been lost. This certainly seems to have been the case with Lord Lugard. See, for example, Nicolson, *Administration of Nigeria*, esp. 125–26.

77 See Carl Liedholm, "The Influence of Colonial Policy," 57; and Dorward, "British West Africa," 410.

78 See Ajayi and Crowder, "West Africa, 1919–39," 594–97.

79 See Coleman, *Nigeria*, 83.

80 For a good overview, see ibid., chap. 4.

north, where Islam was part and parcel of the traditional authority structures that indirect rule sought to preserve. These northern hierarchies would have been profoundly threatened by missionaries, conversion of slaves, and Western education. Thus, Nigeria saw a differential process of social change: spread of Christianity and education in the south and the preservation of traditional authority and Islam in the north.

Even with the introduction of English education by the missionaries, however, the level of education and literacy in Nigeria was still low; at the time of the Second World War, for example, only 12 percent of Nigerian children of school age were receiving instruction.[81] Certainly, the colonial state did not promote education on its own, as there was no perceived need for trained manpower. Missionary education thus focused on "morals," "character," and "religion" but not on vocational training. Moreover, higher education was minimal. By the early 1950s Nigeria had 1,000 university graduates in the entire country, and the majority of them were Yorubas.[82] This differentiation at the higher level reflected a much deeper and growing divide: By the early 1940s literacy in the Roman script was about 18 percent in the west, 16 percent in the east, and 2 percent in the north.[83] The north was thus basically without an English-speaking middle class.

Given the low level of literacy in precolonial Nigeria, the introduction of even a thin layer of educated people was bound to have important consequences. The educated professionals in the south often challenged and undermined the authority of traditional chiefs. Had it not been for colonial support and for the land policy, tribal chiefs would have lost even more of their legitimacy than they did. Moreover, the newly educated slowly but surely challenged the colonial state and eventually sought control of that state. Unlike in other cases such as India, however, the nationalist impulse in Nigeria was relatively weak, especially prior to the war, for several reasons related to education: The number of educated was small; education was introduced late and the educated were just beginning to come of age; and, from the very beginning, the educated were divided along ethnic lines. According to Coleman, "The interwar period was largely one of nationalist gestation, when new influences were being felt, new associations were being formed, and a new generation was coming of age."[84]

Colonial land policy varied from region to region and imparted lasting legacies. These were especially significant in the north, where, for example, Lugard interpreted past practices as implying that land was not really "owned" by the emirs but was "communal property."[85] This, in turn, led to a

[81] Ibid., 126.

[82] Ibid., 141.

[83] For details, see White, *Central Administration in Nigeria*, esp. 118.

[84] See Coleman, *Nigeria*, 202. See also J. B. Webster, "African Political Activity in British West Africa, 1900–1940," in Ajayi and Crowder, *History of West Africa*, vol. 2, chap. 17.

[85] This discussion draws on Watts, *Silent Violence*, esp. 158–78.

policy whereby much landownership came to be vested in the colonial state. Since land could not be readily sold, a landlord class did not develop and the white settler option was essentially eliminated. In practice, taxpaying peasant smallholders came to dominate agriculture. The status of traditional chiefs was also diminished, insofar as they appeared more and more to be doing the bidding of colonial masters. Indirect rule thus led to several perverse outcomes: a real landlord class that might have had an interest in developing agriculture never came into being, and a rational-legal authority structure, with rule by competent civil servants, never really emerged. What continued instead was a traditional, hierarchical society, more or less frozen in time, in which governance below the thin colonial structure was mainly in the hands of personalistic, often corrupt, and despotic rulers.

Finally, as a result of various political and economic changes discussed above, social distinctions across the regions of Nigeria were beginning to be further accentuated. Foreign trade, for example, was differentially concentrated: The western region traded four times more than the northern region, with the eastern region somewhere in between. It comes as no surprise therefore that per capita income in the west was twice that of the north around the Second World War. As we have seen, education was unevenly distributed. In turn, the nature of elites and their aspirations varied across regions: Whereas the northern elite wanted to minimize socioeconomic change so as to protect their political position, those in the south were a product of such changes and wanted even more change, including access to state power. These deepening differences would create additional problems for future collective action. Given the framework of an already weak central state, a fragmented indigenous elite was thus a serious political problem in the making. Prior to the war, however, British rule still appeared secure and the fault lines of future problems were difficult to detect, though they were only a decade or two off.

IV. Late Colonial Phase: State and Politics

The Second World War marked a turning point in the evolution of the political economy of colonial Nigeria. Britain mobilized the resources of many of its colonies, including Nigeria, to pursue its war efforts. The colonial state in Nigeria thus became more statist, initiating new polices to control the economy and ensure a steady supply of resources. This trend toward statism was maintained and intensified in the postwar period, with the goal not so much to promote production as to extract and distribute existing resources. These political economy trends were sustained by underlying political forces: a colonial state that was increasingly on the defensive, willing to appease and to concede power to demanding indigenous groups, and a fragmented nationalist leadership more concerned with building patronage networks and shoring up its power base than with promoting some broader conception of the "national" or "public" good. A commodity boom that started during the war and continued afterward sustained this perverse political economy for a period. In retrospect, however, it is also evident that the outlines of a distorted state were by now clear, a state that in due course would prove incapable of either governing or stimulating industrialization in Nigeria's commodity-dependent economy. The following discussion of the late colonial phase focuses first on emerging political trends and then on the patterns of state intervention in the economy.

Northern and southern Nigeria were more or less ruled as separate political entities until the war. For administrative convenience, southern Nigeria was further divided into west and east in 1939. While this division was really not well thought through – although it did reflect Britain's continuing penchant for the easy way out in its African colonies – it did mark the formal beginning of what would eventually turn out to be a deep and bitter three-way political division of Nigeria. The onset of the war created a shortage of British civil servants. As a result, power and administration further devolved from the minimal center to the three regions, such that by the end of the war the regions came to be endowed "with an individuality."[86]

As if to confirm these growing trends, Britain in 1945 announced a new constitution for Nigeria – known in the literature as the Richards Constitution – that came into effect in 1947. This constitution created a central legislature in which, for the first time, the northern and the two southern regions were supposed to participate. James Coleman's observation is pertinent: "Prior to 1947, there really was no central government in Nigeria."[87] But this constitution turned out to be too little, too late. For one thing it was widely opposed by Nigeria's emerging political class. And in addition to creating a central legislature, it also created regional councils that became the focus of regional identities. By means of a revised constitution in 1954, formal and substantive powers essentially devolved to the three regions, leading a major newspaper to editorialize that henceforth "economically as well as politically there will be three Nigerias."[88] Any move toward a proper centralized government that may thus have begun in 1947 – however doubtful – was certainly reversed by 1954, continuing instead the longer-term trend toward a fragmented, ill-formed colonial state.

The weak and fragmented impulse of Nigeria's anticolonial movement has to be understood at least in part against this background. Initially shaped by a fragmented colonial state, Nigeria's nationalist movement during the interwar years, especially compared with India's, was not a very significant political force. Over time the divided movement further disunited an already weak central state. Over the next two decades there were spurts of nationalist

[86] Coleman, *Nigeria*, chap. 11.
[87] Ibid., 50.
[88] The editorial from *West Africa* is cited in Crowder, *Story of Nigeria*, 236.

activity,[89] but by 1960, when a weakened Britain granted independence to Nigeria, the nationalist movement was still largely elitist and divided along personalistic, tribal, ethnic, and regional lines.

Further, the Nigerian anticolonial movement had been confined mainly to the south, as the traditional elite in the north ruled in alliance with the colonial power and had little incentive to oppose it. Moreover, since the British ruling strategy had kept missionaries and Western education out of the north, the usual developing-country intelligentsia – barristers, doctors, educators, and other professionals – that has often spearheaded nationalist movements elsewhere was simply missing.

By contrast, the colonial state had fostered different types of societies in the south. Commerce and education gave rise both to an intelligentsia and to urban workers. Some of the educated went overseas and, as elsewhere, came back imbued with ideas of self-determination and national sovereignty. The Second World War also provided fertile ground for political activism, especially because Britain was now ruling Nigeria with fewer civil servants but had an even greater need to control the society and the economy. In practice, growing wartime statism meant wage controls, lower producer prices for exported commodities, and further limits on credit. Nationalist politicians such as Nnamdi Azikiwe mobilized not only workers unhappy with wage controls but also other dissatisfied elements in the society. Nigerian soldiers who had participated in the war also came back less intimidated by white superiority and feeling a greater sense of empowerment. Nonetheless, all this did not form the basis for a significant nationalist movement, as intraelite divisions sapped the movement's political energy.

James Coleman identified several factors that help to explain the weakness of Nigeria's nationalist movement: a divided elite, resulting from a prior weak sense of a nation; the absence of a transtribal, transregional commercial class; the absence of a coherent colonial state; and the fact that the British increasingly conceded the demands of indigenous elites.[90] While essentially correct, these points can be restated more parsimoniously: The framework of the colonial state conditioned the nature of the nationalist movement. One can then identify two sets of causal mechanisms. First, the varying ruling strategies adopted by the fragmented colonial state for different regions created diverse regional societies, with different elite interests. The problem was therefore not some antecedent "primordial" tribal affinities per se. After all, basic ethnic divisions characterized Indian nationalist elites as well,

[89] The best study remains Coleman, *Nigeria*. Also of related interest is Richard Sklar, *Nigerian Political Parties: Power in an Emergent African Nation* (Princeton, N.J.: Princeton University Press, 1963). A quick overview of the subject is to be found in Olajide Aluko, "Politics of Decolonization in British West Africa, 1945–1960," in Ajayi and Crowder, *History of West Africa*, esp. 2: 706–16.

[90] Coleman, *Nigeria*, conclusion, esp. 411–13.

but they were able to overcome them in the process of forging a nationalist movement. A second factor was probably at work as well: There was no coherent powerful colonial state to inspire the development of a unified nationalist movement. The underlying logic here is that a powerful enemy enables opposing elites to overcome their fragmented identities to forge a united front. Moreover, the object of a powerful colonial state also generates a sense that the end of the struggle will yield significant rewards of power and privilege. But the postwar colonial state in Nigeria was neither coherent nor powerful, and by then, the British were more interested in concessions and accommodation than in confrontation. That a Nigerian nationalist movement never really developed thus becomes comprehensible.

The Richards Constitution of 1947 was opposed by many Nigerians, not so much on its substance but on the grounds that it was imposed without consultation. Yet the so-called nationalists did not oppose the significant devolution of power to the regions implied by the constitution.[91] And when the British agreed to consult – taking the steam out of any possible unified struggle – the Nigerians turned upon each other with suspicion. The tripartite administrative division of the country had already begun to provide a focus for political entrepreneurs to mobilize communal "imaginations" into ethnic politics. The fact that each of the regions was dominated by different tribal groups – Yorubas in the west, Ibos in the east, and Hausa-Fulanis in the north – provided the raw material for this mobilization. Instead of focusing on the British, Nigerian politics increasingly concerned itself with real or imagined threats of "Fulani domination," of "rising power of the Ibos," or of the "plans of the more educated and commercially advanced Yorubas to run post-independence Nigeria."[92]

Competing ethnic political tendencies found expression in the emergence of political parties that quickly became identified with the dominant groups of each of the three regions.[93] As in other colonies, the British conducted limited elections. The results of the 1951 elections confirmed that there was no national political party in Nigeria; instead, the outlines of a polity fractured along tribal-ethnic-regional lines were already emerging. The British were also by now in no mood to undertake any significant political engineering. In the aftermath of the bloody division of the Indian subcontinent into India and Pakistan, they were mainly looking for graceful exit strategies in Africa. Aimed at preparing Nigeria for "self-rule," the new constitution of 1954 decentralized real political power into the three regions, essentially marking the end of any nationalist impulse in Nigeria, however limited. According to the new arrangements, national revenues were

[91] Ibid., chap. 12. For a somewhat different interpretation that tends to view Nigerian nationalists as more concerned about national unity, see Crowder, *Story of Nigeria*, chap. 16.

[92] See, for example, Aluko, "Politics of Decolonization," 710.

[93] For details, see Sklar, *Nigerian Political Parties*, passim.

to be divided among the regions in the same proportion as their original contribution to the whole (the principle of "derivation" instead of "need"); marketing boards, established during the war and by now critical sources of public revenue, were increasingly to be brought under regional control; elections in different regions were to be conducted under different rules; and both the civil service and the judiciary were regionalized. Nigeria was ruled under this constitution through independence and until the military coup of 1966, when a different government was forcibly established and a bloody civil war ensued.

Although the question of how power and resources would be distributed in a sovereign Nigeria became a dominant issue, there was a fundamental problem: National power, like national wealth, has to exist before it can be distributed. The failure to understand and act on this key political insight by both the British and the Nigerians was the essence of the tragedy of state construction in colonial Nigeria, as well as in many other parts of Africa. We have seen that the colonial authorities did not construct a centralized state. A coherent nationalist movement that could have overcome the collective action problem of creating centralized authority never materialized. And finally, regionalization of the civil service in 1950s precluded the possibility of a national civil service that could have provided a functional substitute of sorts for missing centralized authority.

On this last critical point, at the end of the Second World War, Nigeria was run by some 1,400 senior civil servants, of whom only seventy-five were Africans.[94] As noted above, this was not a very high quality civil service, with even the British members chosen rather personalistically. The civil servants primarily managed the infrastructure (thus, Railways, Marine, and Public Works Departments employed nearly 800 of the total) and provided general administration (with nearly 500 senior employees). A few civil servants also served in agriculture, education, and police. Those employed were mainly generalists who focused their energies on the minimal tasks necessary for the functioning of the colonial state.

Nigerian politicians had increasingly demanded "Nigerianization" of the civil service: the employment of large numbers of Africans at higher levels. This process was relatively slow until about 1954, when the British obliged by hiring more Africans. But the process of Nigerianization of the civil service also coincided with the growing three-part regionalization of Nigeria, as outlined in the 1954 constitution. Educated Africans were readily available in the west, where with Lagos as a base, there was also a tradition of a better civil service. Nigerianization there proceeded fairly rapidly and smoothly, at least in the early years. The north, by contrast, had very few qualified indigenous personnel but, fearful of southern domination, preferred expatriates to southern Nigerians. The attempt to create their own civil service

[94] This discussion draws on Nicolson, *Administration of Nigeria*, 256–300.

was hurried and superficial. Quick training courses focused on how to wear uniforms, on etiquette and mores, and more generally on ceremonial rather than on problem-solving roles.[95] The problems faced in the east were somewhere between those of the west and the north, with the quality of the resulting civil service closer to that of the west.

Meanwhile, the Federal Civil Service was also expanded and filled rapidly with Nigerians. Between 1955 and 1960, the number of Nigerian senior civil servants grew from 550 to 2,308. Many expatriates also left around this time. According to a close observer of the situation, the growth and rapid Nigerianization of the Federal Civil Service was "haphazard," "confused," and driven by considerable "political interference." The resulting bureaucracy thus lacked "confidence, leadership, decision, and initiative."[96]

To sum up the discussion so far, the interaction of a weakened Britain and assertive Nigerians served to concretize the fragmentation of the colonial state, led to a poor-quality, regionalized civil service, and produced a weak anticolonial impulse that readily fractured along particularistic lines – not a good beginning for a new state. Most obviously, these problems would contribute to continuing problems of political instability in Nigeria, as political elites focused more on securing their respective power bases than on pursuing any larger public good. To put it in a different way, the British colonial impact on Nigeria produced a weak public realm, both in terms of organizations and in terms of a cultural ethos, that encouraged the appropriation of governmental functions and resources by private actors. This pattern of state-economy interaction during the late colonial phase in Nigeria became much more pronounced in the postindependence period.

V. Late Colonial Phase: State and Economy

The Nigerian economy performed moderately well in terms of growth in the late colonial phase. Since the colonial state also intervened more heavily in the economy in this period, it would be tempting to propose some connection between the growing statism and higher economic growth. However, the proposition linking statism to economic growth does not hold for the Nigerian materials. While state intervention in the economy did facilitate some growth, especially in manufacturing, Nigerian economic growth in this phase was driven for the most part by an international boom in commodity markets. Moreover, from the onset state intervention in the economy exhibited trends with problematic long-term implications: near exclusive reliance on taxing foreign trade for public revenues, wasteful "social" expenditures, and an inability of the state to promote indigenous capitalism and manufacturing.

95 Ibid., 294.
96 Ibid., 297–300.

Conceding that Nigerian statistics are not always reliable, we can nonetheless say that the Nigerian economy appears to have grown at about 4 percent per annum during the 1950s.[97] With an annual population growth rate of some 2 to 2.5 percent, the per capita income grew at 1.5 to 2 percent per year.[98] This was a marked improvement over the prewar per capita growth of approximately half a percent per year. Underlying this growth was increasing investment that grew from some 7 percent of the GDP in 1950 to 15 percent in 1960. Also notable, however, is that the domestic savings rate in the same period actually fell from 9.5 percent in 1950 to 7.5 percent in 1960.[99] Clearly, neither the more activist state nor private actors were saving more than before. The gap between domestic savings and overall investment was made up by foreign resources: direct foreign investment and Nigeria's newly empowered regional governments drawing down Nigeria's own "foreign reserves," which had been built up during the pre-1954 commodity booms, related first to the Second World War and then to the Korean War.

Within these macro trends, the Nigerian economy during this phase continued to be dominated by traditional agriculture (about half of the total production), produced mainly for domestic food consumption. Growth in this sector, at approximately 2 percent per annum, barely kept up with population growth.[100] Underlying this sluggish growth was the relative neglect of this sector by the government, an issue to which I return below. Production growth was thus mainly extensive. It continued to depend on low-level technology and was propelled for the most part by a growing labor force and the cultivation of additional land.

The main source of economic growth throughout this late colonial period was foreign trade. The demand for such Nigerian commodities as palm products, groundnuts, and cocoa increased during the war and stayed high until about 1955. Prices for some of these products rose sharply, especially during the Korean War. Nigeria imported mainly consumer products, as little effort was devoted to developing industrialization. And growth in export-oriented agriculture was also mainly extensive. While the colonial state devoted some resources to technological development in cash crops, the overall level of technology remained low: As late as the mid-1960s, the main instruments of agricultural production continued to be "hoes, cutlasses, axes and knives"; the use of fertilizers, too, was limited.[101]

Manufacturing also grew rapidly during this period, but from a very low base. If manufacturing constituted about 0.5 percent of the GDP at the

97 The factual economic information in the account that follows is drawn mainly from three sources: Helleiner, *Peasant Agriculture;* Ekundare, *Economic History*; and Sayre P. Schatz, *Nigerian Capitalism* (Berkeley: University of California Press, 1977).

98 See Ekundare, *Economic History*, 250.

99 Helleiner, *Peasant Agriculture*, 26.

100 Ibid., 28.

101 Ibid., 45; and Ekundare, *Economic History*, 280.

beginning of this period, toward the end, after significant growth, its overall share was still only some 3 percent. Most of this growth, moreover, was generated by foreign investors who produced such consumer products for the growing local market as textiles, cement, rubber products, beer and soft drinks, and oil products.[102] Manufacturing was first encouraged during the war years, when incomes started to grow, but scarcity of shipping discouraged imports and some de facto import substitution took place. Nigerian nationalists drew the same policy lesson from this temporary delinking from the global economy as did nationalists elsewhere in the developing world, namely, that it is protectionism and not laissez-faire that supports national industry. These policy lessons, however, were not put into practice until the late 1950s, and then mostly after independence. The colonial state also raised tariffs on imports, but the logic was more to collect revenues than to promote domestic manufacturing. Nevertheless, foreign investors took advantage of these tariffs and produced for the protected market; indigenous entrepreneurs, however, failed to respond to the same incentives.

Economic growth, fed mainly by a commodity export boom, was paralleled by growing state intervention in the Nigerian economy. A number of factors promoted this growing statism. First, Britain's wartime needs encouraged greater political control of the economy. Second, following the war, with the growing significance of Keynesian economics and welfare state politics in Britain and elsewhere in the West, statism was by now in the air. This Western ideology focused more on state intervention for "welfare provision" and relatedly for "demand management" than it did on the direct stimulation of production. Third, growing participation of Nigerians in the colonial state further encouraged a greater role for the state, to some extent by stimulating manufacturing but mostly by building infrastructure and encouraging education and other "welfare" expenditures. And finally, resources were increasingly available to fuel an activist state, and taxation of growing foreign trade filled the public coffers.

What is notable about the pattern of state intervention in the Nigerian economy is that it got off to a perverse start, and over time, such perversities only intensified. A central task here and in the next chapter is to identify these perversities and then connect them to state distortions and to the ensuing poor economic performance. If persuasive, this claim will strengthen one of the major arguments of this study, namely, that it is the type and not the degree of state intervention that determines the patterns of economic progress in low-income countries.

Patterns of state intervention in late colonial Nigeria were influenced both by British needs and by the growing political impact of Nigerian

[102] Ibid., 295. See also Schatz, *Nigerian Capitalism*, chaps. 1 and 6. While Schatz's focus is mainly on the postindependence period, one can still glean important insights from his work about the late colonial phase.

political forces. Three areas of intervention are especially important: patterns of revenue extraction, patterns of spending, especially on education, and attempts to stimulate indigenous manufacturing. It is also important to note what the state neglected, namely, traditional agriculture. This simply continued the existing British political neglect of production activities in their African colonies. Emerging Nigerian elites reinforced this tendency, and because peasant farmers were never really mobilized as part of the anticolonial struggle, they did not constitute a vital constituency for the emerging leaders. Thus, the political neglect of agriculture and its unfortunate outcome reflected the interests of both the British and the new elites. Since food production probably constituted half or more of the total national production at this time, this neglect was an early and costly mistake.

In trying to understand the emerging nature of the Nigerian state as an economic actor, we turn first to revenue extraction, or taxation, while emphasizing that the role of the Nigerian public sector in the economy during the late colonial phase was not all that great. At this stage it generated only one-third of the gross capital formation, which was low even by Africa's standards. Nearly 70 percent of all public revenues were generated by taxing foreign trade.[103] At the same time direct taxes contributed only about 20 percent of total revenues,[104] because of the relatively superficial downward reach of the colonial state. The trend of taxing foreign trade began in the interwar years and continued in the postwar years, as foreign trade grew sharply. One of the major sources of public revenue was custom duties on imports, averaging some 20 to 30 percent at this early stage – and this was well before there was any talk of infant industries or import substitution. Exports were also taxed, both directly and indirectly. This indirect taxation through the institution of marketing boards (MBs) was substantial, with long-term harmful consequences.

To ensure a steady supply of industrial inputs within planned expenditures, British authorities during the Second World War started purchasing Nigerian exports at fixed prices. From there it was only a short step to "the introduction after the war of permanent marketing boards to control prices paid to peasant producers."[105] While the main rationale for MBs was price stabilization, their main utility over time became revenue collection. The crude underlying mechanism was just one more means of appropriating agrarian surplus: MBs would buy exportable commodities from peasants at a fixed price and then sell them internationally, often at a higher price, and keep the difference. Helleiner's excellent work on the subject suggests the following conclusions. During the war, Nigerian peasants were certainly taxed through this mechanism and thus supported the war effort; between

[103] Ekundare, *Economic History*, 233.

[104] Helleiner, *Peasant Agriculture*, 210–11, table 50.

[105] Michael Crowder, "The 1939–45 War and West Africa," in J. F. F. Ajayi and Michael Crowder, eds., *History of West Africa*, vol. 2, 2nd ed. (England: Longman, 1987), 679.

1947 and 1954 the earnings of MBs were kept mainly in low-yield British securities, thus again benefiting the colonial rulers; and from 1954 on revenues of MBs became a major source of funding expenditures by newly empowered regional governments, aimed at development, but with mixed results.[106]

The colonial state's heavy dependence on taxing foreign trade led to various perverse trends. First, not only the economy, but also governmental resources were heavily dependent on international commodity demand. This classic colonial situation, in which the government's capacity to intervene remained a function of commodity exports, continued in Nigeria well into the oil-boom period and beyond, when oil prices declined. Second, the pernicious MBs not only squeezed the already poor peasantry but over time also generated incentives against agricultural production. After 1954, moreover, the resources in the hands of the regionalized MBs further eroded the capacity of a national state to function effectively. And finally, the MB resources also became a source of corrupt and irregular public spending by the new regional elites.

A second problematic area of state intervention concerned an inclination toward social spending, as exemplified by the significant public expenditures in primary education that Nigerian federal and regional governments undertook in the post-1955 period. In principle, such expenditures should be desirable not only as an end in themselves but also as a valuable investment in human capital and thus in development. Unfortunately, the Nigerian project failed to achieve its stated goals and ended up an exercise in massive waste. Public energies to expand primary education were expended mainly in the South, where the new nationalist elites were concentrated; the northern elite, by contrast, remained wary of rapid socioeconomic change and continued to resist the expansion of education. As for motives, the emerging southern elite really did not have any long-term, national development project in mind. The elites in both the southwest and the southeast instead viewed education as a route out of backwardness and toward upward mobility within the colonial structure. A focus on promoting mass education also allowed elites to differentiate themselves from the exploitative colonial government that had often ignored education and to establish their own credentials as men of the masses.

In this way universal primary education was proclaimed a goal in much of the south. Despite the enormous resources devoted to this end, the results fell short: Public contracts to construct school buildings often resulted in shoddy or incomplete construction; qualified teachers, books, and supplies were not readily available; and overall follow-through from the new political leadership was missing. As a result, by the late 1950s, "two million primary students . . . were receiving substandard instruction from ill-trained teachers

[106] Helleiner, *Peasant Agriculture*, chap. 6.

in overcrowded and inadequate facilities."[107] Scarce resources were thus utilized ineffectively, mainly to satisfy the short-term political needs of the emerging leadership. This, too, was a longer-term perversity in the making.

Finally, it is important here at least to touch on the emerging role of the state in promoting manufacturing, especially by national entrepreneurs, as these early trends were indicative of future patterns. A fuller discussion follows in the next chapter. It is important again to keep the overall context in mind: While manufacturing grew rapidly in the 1950s, only 3 percent of the GDP originated in manufacturing in 1960. We are thus referring to a preindustrial economy.

The fact that a Department of Commerce and Industry within the government was first established only in 1947 testifies to the minimal role played by the colonial state in early industrialization. As the participation of Nigerians in the government increased, the state came to play a more active role in promoting industry. A series of policy measures to promote industry was adopted, for example, tax reliefs, favorable import rules for producers, and the establishment of industrial estates. Whereas established foreign enterprises responded to these incentives, indigenous entrepreneurs did not. Why not? The simple answer is that such entrepreneurs simply did not exist: "Most Nigerians lacked any knowledge of managerial and technical skills required for industrial development."[108] But this is not the complete explanation. While it is true that one would not expect a significant presence of an experienced, entrepreneurial stratum, the real question is why, given appropriate incentives, were more indigenous entrepreneurs not forthcoming?

Sayre Schatz argues that the real obstacle to industrialization was not so much the "missing entrepreneur" as the obstacles in the "economic environment" that limited profitability: scarce skilled manpower, a shortage of capital equipment, the small size of the local market, poor infrastructure, and limited markets.[109] This argument, too, is incomplete. Many other developing countries also faced situations in which there were few skilled entrepreneurs and numerous "market imperfections" that generated obstacles to profitability and thus to risk-taking enterprise. But this is not so much an explanation as a description of underdevelopment. Why, then, do some countries manage to break out of such low-level traps while others do not? Why was the situation in Nigeria especially precarious?

[107] Ibid., 307. Some other analysts qualify this conclusion by suggesting that these problems were indeed real, but they were really short-run problems; on this view, the impact of public spending on education was more benign over the longer run. See, for example, Sara Berry and Carl Liedholm, "Performance of the Nigerian Economy, 1950–1962," in Carl K. Liedholm and Carl Eicher, eds., *Growth and Development of the Nigerian Economy* (East Lansing: Michigan State University Press, 1970), 80. I challenge this position in greater detail in the next chapter.

[108] See Ekundare, *Economic History*, 295. This argument also finds support in Helleiner, *Peasant Agriculture*, 263–65.

[109] See Schatz, *Nigerian Capitalism*, esp. pt. 2.

Analytical consistency demands a restatement of path dependency. Thus, relative levels of backwardness matter, as does the importance of different starting points. Compared with other countries discussed above, Nigeria in the 1950s was simply more backward, having far fewer skilled entrepreneurs and facing far greater environmental obstacles. But other countries have also faced obstacles and overcome them. Among the factors that helped some countries in this regard was the constructive role of nationalist and developmental modern states, whether cohesive-capitalist or fragmented-multiclass. From the beginning this important variable was missing in Nigeria.

The federal government did not play an important, direct role in promoting national industry during this phase. Although it did adopt some important new policies in the 1950s that attracted foreign investors and generated some "easy" import substitution, much more support would have been needed to move nascent national industry to the fore. But this support was not forthcoming, mainly for political reasons.[110] First, the federal government was weak, as was manifest in the fact that total public revenues were shared nearly evenly at this stage between the federal and the regional governments.[111] The impact of Nigerian nationalists, moreover, was felt mainly on regional governments. To the extent that the nationalists helped to direct the federal state as an economic actor, it was mainly toward increasing social expenditures – and not toward industrial development. Nearly one-third was spent on running the government, and the remainder went to infrastructure, education, and health.[112] Had the federal government tried to promote national industry directly, it would have been stymied by the absence of the well-trained manpower necessary for such interventions.

The public bodies that did take on direct promotion of industry at this stage were not so much federal agencies as development corporations (DCs). Their activities were funded mainly from resources accumulated by the MBs, and the functioning of these, in turn, was heavily influenced by the regional governments.[113] The developmental activities of DCs were quite significant, especially in the more advanced western region. Overall the DCs during the 1950s commanded nearly one-third of all the resources available to the regional governments, or nearly 10 percent of the total public investment in Nigeria. Since this expenditure was specifically aimed at stimulating economic development, the role of DCs was potentially vital. They promoted plantations, buying equity in foreign enterprises, owning manufacturing

[110] It is important to note here that this discussion is not informed by any implicit dependency type of bias against foreign investment and for national investment. It is, however, informed by a historical view that no sizable country has ever industrialized successfully without significant national participation.

[111] See Ekundare, *Economic History*, 234, table 12.2.

[112] See Helleiner, *Peasant Agriculture*, chap. 9, esp. 233, table 55.

[113] This discussion of the activities of the DCs is heavily informed by ibid., chap. 10.

activities, and supporting (mainly by providing loans and equity participation) small- and medium-sized indigenous entrepreneurs.

While the DCs had some success in promoting plantations and in their activities with foreign enterprise, their record in promoting indigenous enterprise was poor. This was a harbinger of things to come. Publicly owned manufacturing activities in such areas as oil mills, boat yards, and a canning factory were the least successful: "a high proportion of these projects were badly planned and managed."[114] Loans to local entrepreneurs were provided without proper credit checks and were also influenced by "politics" in the sense that the recipients often had personal connections to powerful regional politicians or were politicians themselves. Equity participation in Nigerian-owned firms was similarly corrupt.

Personalism of this kind in state–private sector interactions is common in the developing world. We encountered it even in the successful Korean case. What was distinct about Nigeria, however, was the utter lack of "discipline" and "expertise" within the state sector. Diagnosing the failures of these DCs, Helleiner cites Sir Arthur Lewis to argue that the more appropriate role of the DCs would have been to impart "knowledge and experience" of industrialization.[115] Precisely – but such knowledge and experience were missing, however, reflecting the poor quality of civil service that had come into being. What also would have helped was a keen political commitment on the part of the emerging elite to some larger conception of the public good that could have translated into the political discipline to demand performance from public bodies. As discussed above, however, both the public ethos and the level of expertise were relatively weak in the emerging state. The results included perverse patterns of state intervention in the economy, with detrimental consequences for Nigeria's long-term development.

VI. Conclusion

This chapter has provided the background for understanding the larger puzzle of Nigeria's ineffective state and failed industrialization. The next chapter builds on these materials to provide a fuller solution to the puzzle. For now, we recap the main points developed so far and briefly situate the discussion in a comparative context. First, the various polities and economies that the British incorporated into Nigeria were profoundly backward to begin with: They had not experienced order and prosperity of a centralized state; centuries of slavery had robbed them of their best; they existed in relative isolation, carrying out subsistence agriculture without plows and without draft animals; and they hardly used written language. These rudimentary political economies had a long way to go before they could be transformed

[114] Ibid., 260.
[115] Ibid., 265.

even into what the preindustrial world elsewhere recognized as centralized agrarian bureaucracies.

While British colonialists established a semblance of order and authority over these disparate polities, the effort they expended in their African colonial ventures was minimal. Britain's "effortless" colonialism laid the foundations of a distorted state and a commodity-dependent economy. What the British wanted most in Nigeria was a revenue base to finance colonial rule and to use that colonial rule to facilitate trade, and they created the ruling arrangement to satisfy those minimal needs. The result was a fairly poorly formed state without a central authority, without a national civil service, and without any real capacity to reach down into the society to facilitate even such elementary government functions as systematic taxation. Instead, there developed various personalistic and despotic forms of rule, justified by the ideology of indirect rule. The British used this minimal state to promote trade and financed the operation of the colonial state mainly by taxing this trade. Rather than undertaking any significant economic interventions, the colonial state presided over ongoing backwardness and the emergence of a classic colonial economy that exported commodities and imported manufactured goods.

Commerce and missionary-led education propelled new social forces that would eventually challenge these arrangements. Unfortunately, these challengers also never came together in a cohesive and purposive nationalist movement. A fragmented colonial state encouraged the regionalization of the nationalist movement, and new, regional forces further tore apart the weak centralist impulse of the colonial state. Thus, the late colonial phase saw a regionally fragmented Nigeria with a low-quality civil service. As state intervention in the economy grew, this distorted state increasingly imparted new perversities in such areas as dependence on taxing foreign trade for public revenues, premature obsession with social expenditures, and ineffective public promotion of industrial activities. These were long-term trends in the making, with sharply negative consequences for Nigeria's development efforts.

To conclude, it may be useful to juxtapose Nigeria's colonial encounter to that of other cases discussed above, especially Korea and India. At the turn of the twentieth century, Nigeria was already at a much lower level of political and economic development than the other cases discussed in this study. Half a century of colonial rule did little to bridge this gap. On the contrary, the processes of state formation and industrialization had by mid-century proceeded much further in the other cases than in Nigeria. Why? If the relative brevity of colonialism is thought to be a major variable, the contrasting experience of Korea under Japan provides a quick check on that argument. Clearly, the main issue of concern instead is the nature of colonialism. The British in Nigeria sought to pursue their agenda of political control and economic exploitation very differently than the Japanese did in Korea: Japan sought to control and exploit while transforming the traditional Korean society, whereas the British in Nigeria pursued similar goals while squeezing the traditional society. The Japanese in Korea thus left behind the rudiments of a modern state and an industrial economy on which a rapidly industrializing political economy could be built, while Nigeria in 1960 found itself ill-prepared to pursue such a journey.

The comparison of Nigeria and India on the dimension of the "modernizing" impact of colonialism is also useful, especially because both were British colonies. The British in India left behind a considerably more effective state than in Nigeria. Why? The British had ruled India for much longer than they had Nigeria. This was consequential because nineteenth-century British colonialism in India differed from twentieth-century British efforts in Africa. Control of India lay at the heart of British imperial expansion in the nineteenth century. A centralized state in India, including a well-developed armed force, was part and parcel of these global designs. There was also a belief in this early period that such colonial investments would reap economic payoffs. By the time the British colonized Nigeria, however, they were much "wiser." The aim was minimal: to keep other European competitors out. Whatever political arrangement facilitated such political control was deemed sufficient, especially if it could also be financed with local revenues. This approach essentially reinforced the power of existing local despots that enabled the mobilization of some revenues and an economic exchange of manufactured goods for commodities.

The differing patterns of colonial state formation in India and Nigeria were further reinforced by the more and less cohesive nationalist movements that developed in these respective cases. Of course, political entrepreneurs in India could more realistically use their history to create a nationalist imagination than could their counterparts in Nigeria. However, the incentives for nationalists created by more or less centralized colonial states also differed. It made sense for Indian nationalists to unite and undertake mass mobilization against a cohesive enemy, the British colonial state. By contrast, Nigerian nationalists were mostly content to assert control over their own regions and/or ethnic groups. Both the colonial pattern of state formation and the nationalist movement pushed India toward a more coherent, modern state. By contrast, both colonial and nationalist forces moved Nigeria in a fragmented direction, creating the façade of a modern state but enabling various personalistic and sectional interests to gain and maintain control.

9

Sovereign Nigeria

Neopatrimonialism and Failure of Industrialization

Nigeria's attempts to promote industrialization have been a dismal failure. If modern manufacturing contributed some 3 to 4 percent of Nigeria's GNP at independence in 1960, the share of manufacturing toward the end of the century was still under 10 percent. Nigeria's economic performance is clearly the worst of the cases discussed in this study. Especially puzzling is that Nigeria's rulers apparently channeled billions of the country's oil dollars into industrial development, yet reaped no significant gains. What happened? This chapter finds its answer in the negative role of the neopatrimonial state. Whatever the current regime, the Nigerian state has repeatedly lacked the commitment and the capacity to facilitate economic transformation, as state elites focused their energies on maintaining personal power and on privatizing public resources. The result – to restate a theme emphasized by the late Nigerian intellectual Claude Ake – was not so much that development efforts failed but that they were never really made.[1]

A variety of factors, some more and some less persuasive, may be invoked to explain Nigeria's economic failure. The view that Africa's economic woes are rooted in antiagrarian policies pursued by self-seeking, pro-urban rulers, for example, has only limited applicability to Nigeria.[2] Nigerian agriculture has not performed all that poorly; when it has, the reasons have included factors other than pro-urban policies.[3] More important, this tells us nothing about why industrial growth has also been so poor. Another argument – this one miscast – may stress Nigeria's vulnerability to global economic

[1] See Claude Ake, *Democracy and Development in Africa* (Washington, D.C.: Brookings Institution, 1996), passim, but esp. 7. Ake is generalizing about all of sub-Saharan Africa, so it is fair to assume that he intends the argument to include his native Nigeria.

[2] This view is associated with Robert H. Bates, *States and Markets in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981).

[3] For evidence on agricultural performance, see Tom Forrest, *Politics and Economic Development in Nigeria*, rev. ed. (Boulder, Colo.: Westview Press, 1995), 136–37 and chap. 9.

forces.[4] The relevant question is why Nigeria has been incapable of translating globally fueled economic booms into sustained economic growth. Relatedly, one could also invoke a Dutch disease type of argument, positing that windfall commodity exports overvalue exchange rates and create dependence on cheap imports, a situation that becomes a liability when export earnings decline.[5] But many countries manage such problems – even other oil exporters in the developing world, such as Indonesia, were more successful than Nigeria in utilizing oil wealth. And finally, one may stress such domestic socioeconomic weaknesses as the poor quality of indigenous entrepreneurs, low levels of technical competence, and/or a poorly trained but activist working class.[6] These are important issues that in fact connect the present focus to the earlier emphasis on Nigeria's disadvantageous starting point. But especially prominent among the failures of the neopatrimonial state were the failures to promote entrepreneurship, technology, and a disciplined, productive working class.

The hypothesis that a neopatrimonial state is at the root of a variety of political and economic problems in Nigeria (or, for that matter, in other parts of Africa) is not novel and has received considerable attention in the literature.[7] While I build on this material to situate Nigeria comparatively, it is also the case that important analytical links are not always clear in the literature, which often does not specify exactly how such a state harms economic growth. This analysis looks specifically to the failure of the neopatrimonial state to foster such economic capabilities as entrepreneurship, technology, infrastructure, and a productive working class. Similarly, the literature often fails to address why a neopatrimonial state does what it does, namely, privatize public resources, why the Nigerian state is so neopatrimonial to

4 Such a view is commonly expressed in many official documents of the Nigerian government.

5 See, for example, M. Roemer, "Dutch Disease in Developing Countries," Discussion Paper 156 (Cambridge: Harvard Institute of International Development, 1983).

6 For an overview of such subjects, see Paul Kennedy, *African Capitalism: The Struggle for Ascendancy* (Cambridge: Cambridge University Press, 1988); and Paul Lubeck, ed., *African Bourgeoisie: Capitalist Development in Nigeria, Kenya and the Ivory Coast* (Boulder, Colo.: Lynne Rienner, 1987).

7 With reference to Nigeria, see Richard A. Joseph, *Democracy and Prebendal Politics in Nigeria: The Rise and Fall of the Second Republic* (Cambridge: Cambridge University Press, 1987); and Peter M. Lewis, "Economic Statism, Private Capital, and the Dilemmas of Accumulation in Nigeria," *World Development* 22, no. 3 (1994): 437–51. For a generalization of such a view to sub-Saharan Africa, see Thomas M. Callaghy, "The State as Lame Leviathan: The Patrimonial Administrative State in Africa," in Zaki Ergas, ed., *The African State in Transition* (London: Macmillan, 1987), 87–116; and Richard Sandbrook, *The Politics of Africa's Economic Stagnation* (Cambridge: Cambridge University Press, 1986). A useful conceptual essay that goes back to Weber and distinguishes patrimonial from neopatrimonial states (the latter have a façade of a modern state while mainly using public resources for private use) is Jean-François Medard, "The Underdeveloped State in Tropical Africa: Political Clientelism or Neopatrimonialism," in Christopher Clapham, ed., *Private Patronage and Public Power: Political Clientelism in the Modern State* (New York: St. Martin's Press, 1982), 162–92.

begin with, and why a public realm failed to emerge. The inheritance of a sovereign but weakly centralized state with a poor sense of a nation from its colonial past was discussed in the last chapter. The current chapter considers why repeated efforts to create a more effective sovereign state – democratic or authoritarian – also failed and what the economic consequences of this failure were.

An important caveat, the same as for the earlier period, is in order. Factual information about Nigeria remains in short supply. The observation offered by the *Economist* in its 1982 survey of Nigeria still holds: "This is the first survey published by the *Economist* in which every number is probably wrong. There is no accurate information about Nigeria."[8] Given these constraints, I have estimated as best I could, resting the argument more on gross facts and less on nuance and detail.

The discussion is organized chronologically. Discussed first are democratic rule and an open economy that emerged from colonial rule. The sections that follow focus on how and why a variety of governments – military and civilian – squandered oil resources. There is a brief analysis of the half-hearted efforts at structural adjustment in the late 1980s – again with very few positive economic results and therefore again pointing to the continuing centrality of an ineffective state. In sum, neither a variety of regime types nor a range of policies seemed to have mattered much for economic outcomes in Nigeria. The economy remained mainly reactive to shifts in global demand for oil. Underlying this commodity-dependent economy was the absence of both an effective state and indigenous capitalism, which could have laid the groundwork for national industrialization.

I. A Poor Beginning: From Sovereignty to Civil War

The British left Nigeria in 1960 more for their own reasons than because they were pushed out by the nationalist movement, which, as we have seen, was neither cohesive nor mass-based, certainly nothing like what we encountered in India. Following the Second World War, Britain's international position was weakened and colonialism had become profoundly delegitimized. With a belief that friendly regimes in former colonies would facilitate continued economic relations, British rulers began a negotiated retreat from much of Africa, including Nigeria.[9] While sovereignty brought a wave of optimism to Nigeria, the underlying conditions were not auspicious from the standpoint of sustained development. There was simply not an effective state that could help to put Nigeria on an upward trajectory.

[8] *Economist* (January 31, 1982): 4.

[9] For a general discussion of decolonization in Africa along these lines, see D. K. Fieldhouse, *Black Africa, 1945–1980: Economic Decolonization and Arrested Development* (London: Allen and Unwin, 1986), esp. 231–33.

The key ingredients of this state were a fragmented and contentious polity with little commitment on the part of leaders to national development; an incompetent bureaucracy that reflected the broader political fragmentation and personalism; and a relatively small armed force that quickly adopted the broader political tendencies of regionalism and patronage politics. All of these issues were continuities from the colonial period, and many of them worsened in the early sovereign phase. The cumulative impact was gross state failure, leading to a military coup and a civil war in 1966.

Within a few years of decolonization, the basic, long-standing fault lines of the Nigerian polity came to the fore and were manifested in the ethnic cleavages that divided the Hausa-Fulani north from the Yorubas in the southwest and the Ibos in the southeast.[10] Each tribal grouping dominated its respective region, which was also home to other tribes. While far from internally homogeneous, these three main groups differed from each other along a number of dimensions: language, a sense of unique historical ancestry and customs, and to an extent religion, with Islam predominant in the north and Christianity widespread in the south.

Power sharing in the central government and sharing related resources were the main sources of conflicts. Moreover, even after independence, the north continued to be organized as a series of emirates controlled by traditional Fulani rulers, whereas in the south a variety of educated and commercially oriented men dominated the political life of both the Yorubas and the Ibos. These differences made for varied policy preferences in what was otherwise a fairly naked ethnic struggle over power and resources. Yorubas and Ibos could mobilize higher levels of education and economic achievement, while nearly half of all Nigerians lived in the poor north. As in cases of ethnic conflict elsewhere, however, prior ethnic differences only hardened as respective political elites mobilized ethnic sentiments to their service.

At independence, modest compromises among the leadership of the main groups enabled the formation of a sovereign central government. In retrospect, however, it is clear that the British presence had been vital for the functioning of the state. Decolonization, therefore, "left Nigeria with no centralized authority with indigenous roots."[11] Thrust into this political vacuum, the main Nigerian contenders fought bitterly, going from crisis to crisis between 1962 and 1966, leading to a military coup and the infamous Biafra War.[12] These were the roots of early state failure.

After independence the educated and commercially advanced Yorubas occupied a prominent political position in Nigeria. Soon enough, however,

[10] A good study of ethnic and political conflicts in postindependence Nigeria is Larry Diamond, *Class, Ethnicity and Democracy in Nigeria: The Failure of the First Republic* (Syracuse, N.Y.: Syracuse University Press, 1988).

[11] Forrest, *Politics and Economic Development in Nigeria*, 39.

[12] These crises are ably analyzed in Diamond, *Class, Ethnicity and Democracy in Nigeria*. The discussion of specific political conflicts that follows draws mainly on this study.

factionalism reemerged among Yoruba elites, pitting the two politically prominent chiefs, Awolowo and Akintola, against each other. This conflict was mainly about personalities, intra-Yoruba ethnic tensions, and competing ambitions. Seeking to outmaneuver Akintola, Awolowo sought to trim the patronage rewards within the western region, driving Akintola to forge a winning political alliance with the north. In this seemingly prosaic struggle lay the origins of what was to become an enduring ruling alliance of northern elites and some of the Yoruba factions. One is left to wonder what Nigeria's political trajectory might have been if Awolowo had won the power struggle and succeeded in trimming the patronage politics. Might he have been another Nehru, introducing the necessary political unity and public-spiritedness that would have enabled Nigeria to graduate from dysfunctional neopatrimonialism to a functioning, fragmented-multiclass state? Even in Nigeria, it seems, there were historical beginnings that never came to fruition, cautioning analysts against a view that what happened had to happen, as well as against simplistic notions of continuity or path dependence.

A political alliance of northern elites and Chief Akintola's faction of the Yorubas proved formidable. In 1963–64 after marginalizing Awolowo, they ganged up on the Ibos over control of the results of a national census that would have documented the size of various ethnic groups, thus further fueling power-sharing conflicts. Chief Awolowo responded by mobilizing workers and calling a general strike in 1964. What appeared to be a classic instance of class politics quickly also assumed a regional-ethnic dimension because the central government – now dominated by northern elites and foreign enterprises – joined hands against workers, who were mainly southerners. The army was called in, but not before the workers had gained some significant concessions. And finally, a fraudulent national election in 1964 and an even more fraudulent regional election within the western region in 1965 took the conflict to the streets. As leaders hurled invectives at each other and mobilized ethnic hatreds, the military intervened, bringing the brief democratic beginning to an end – with northern elites and some Yorubas on the winning side and Ibos and other Yorubas on the losing side.

Development was not much of a possibility under these circumstances. For one, the political elite was preoccupied with securing and maintaining power. There was no national vision. In the words of one analyst, Nigerian "politicians had no real commitment to national economic development."[13] And another concludes that "public policies and the general direction of development were not sharply defined."[14] These contentious

[13] See James O'Connell, "The Political Class and Economic Growth," reprinted as appendix D in Peter Kilby, *Industrialization in an Open Economy: Nigeria, 1945–1966* (Cambridge: Cambridge University Press, 1969), 378.

[14] Forrest, *Politics and Economic Development in Nigeria*, 39.

beginnings only reinforced the already growing view of the citizenry that the state was a partisan agent of distribution in society and not a neutral umpire or "night watchman" – and even less an agent of national good that might promote economic growth and industrialization.

What about a counterfactual, then? If Nigerian elites had reached some compromises on running the government, could the state have been a more effective agent of development? The answer is: maybe somewhat more, but not by much. The most important piece of evidence for this conclusion is that individual regional governments – which were not as debilitated by ethnic conflicts and which controlled a significant share of developmental resources – were also not very effective at promoting economic growth. The bottom line can thus be stated very simply: Political leaders in Nigeria were more interested in utilizing public resources for personal gain or for the gain of their kin and communities than in pursuing such a public good as economic development. The issue of why this was so is considerably more complex.

Certainly, the issue of developmental commitment of leaders varies widely, as we have seen with Rhee versus Park in Korea, Goulart versus the military rulers that followed in Brazil, and Nehru versus Indira Gandhi in India. Nigeria, however, stands as an extreme case of the absence of such commitment. How and where leaders are socialized appears to be an important underlying variable in any explanation of why some are more developmentally oriented than others.[15] Park and a number of Brazilian military leaders, for example, were socialized in national security–oriented armed forces, and Indian elites in a prolonged nationalist movement. Nigeria had no such national crucible. A colonial state that accentuated ethnic distributional concerns only fed the personalistic and communal yearnings of Nigerian leaders and their quest for relative gains across elite and community lines.

We have seen that the bureaucracy that Nigeria inherited from its colonial past was of poor quality, in stark contrast to India, which reached independence with a civil service that was enormously professional in the Weberian sense – competent, hierarchical, and rule-bound. During the late colonial phase in Nigeria, especially in the 1950s, the quality of this bureaucracy declined further and the trend only continued after independence.

Politicians were very much in command in this early postindependence period in Nigeria. Higher civil servants, in particular, enjoyed great respect and prominence in society, being better educated than most other members of the society, relatively anglicized, and inheritors of offices hitherto occupied by white colonialists. Moreover, they were generally more modern

[15] This issue of leadership commitment is slightly different from the issue of why leaders in some places are more corrupt than in others. The latter draws attention to institutional constraints on and public scrutiny of leaders.

and developmentally oriented than the political elite, who were relatively "traditional," "communal," and "patronage-oriented."[16] Nevertheless, these political leaders enjoyed substantial nationalist legitimacy – however shallow and short-lived this proved to be – and were very much in command of their British-style parliamentary democracy. While civil servants thus took decisions on "technical, noncontroversial matters . . . on matters of real interest to politicians . . . policies were actually determined by the politicians, and they ensured that civil servants implemented such policies."[17]

The tendency of political leaders to emphasize personal power and relative gains for their own ethnic communities quickly seeped into the bureaucracy. At independence there were some 70,000 personnel employed by the federal and regional governments (not including the military, local governments, or the parastatals), with some 60 percent of the senior employees being Nigerians. The bureaucracy grew rapidly after independence, employing some 115,000 by 1965.[18] Much of the growth resulted from patronage-oriented political pressures. Several pieces of evidence support this conclusion. First, the political economy in this early period was hardly a classical, state-directed, import-substitution economy; it was rather a relatively open economy, welcoming foreign investors and mainly oriented toward promoting commodity exports. Second, much of the bureaucratic growth occurred at the regional level, where significant attempts to consolidate ethnic bases of power were under way and civil service jobs helped to build support among the more educated. And finally, the resulting jobs went mainly to ethnic kith and kin, with little regard for merit.[19]

The result was bureaucratic development in any direction but a Weberian rational-legal one, though there were important regional variations. The bureaucracy in the Yoruba-dominated western region, for example, was superior to that of the other regions. Indigenization had proceeded the furthest in this region prior to independence, facilitated by the availability of educated Yorubas who demanded jobs.[20] Toward the end of the period under discussion, the Yoruba bureaucracy was considered "efficient"

[16] O'Connell, "Political Class and Economic Growth," 378–79.

[17] See Ladipo Adamolekun, *Politics and Administration in Nigeria* (London: Hutchinson and Company, 1988), 85. For a somewhat different perspective that suggests that civil servants were considerably more powerful, even in the first republic, see Peter M. Koehn, *Public Policy and Administration in Africa: Lessons from Nigeria* (Boulder, Colo.: Westview Press, 1999), 61. As I read the evidence, the power of civil servants grew significantly but mainly in some subsequent periods.

[18] See Ladipo Adamolekun, "Postscript: Notes on Developments in Nigerian Administration since 1970," in D. J. Murray, ed., *Studies in Nigerian Administration* (London: Hutchinson University Library for Africa, 1978), 322.

[19] Koehn, *Public Policy and Administration in Africa*, 18–23.

[20] Ibid., 19.

and characterized by a sense of "esprit de corps."[21] But even this judgment needs to be kept in perspective: Even in the western region the quality of bureaucracy just below the top was relatively poor, manifest most clearly in the repeated failure to collect income tax.[22]

The quality of the bureaucracy in the Hausa-Fulani north was low throughout its ranks. Even as the northern regional government grew, the native authorities of individual emirates continued to exercise control. The personnel of these emirates were recruited according to ascriptive criteria, such that there was not even the façade of a modern state. The regional government of the north also sought to expand and indigenize, however haltingly. But again, given the low level of formal education in the region, there was great scarcity of competent personnel. By 1996, for example, one-third of the senior administrators had essentially been shifted from various native authorities to Kaduna, the regional capital, and quite a few expatriates continued to occupy responsible positions on paid contracts.[23] Any sort of coherent and competent regional bureaucracy thus remained a distant goal.

The growing power of the north at the federal level further impeded the project of building a good national bureaucracy. At the time of independence, only twenty-nine of the 4,398 administrative officers of the federal government were northerners,[24] again reflecting the paucity of well-educated people from the region. As the political power of the north grew, however, northerners came to find this situation unacceptable. There was no ready solution. The needs of a growing state could have been pursued only by employing more southerners – a politically unacceptable solution. So some expatriates were kept on and many unqualified or underqualified northerners were hired, based often on personalistic and ascriptive criteria. This way the national civil service, too, grew in defiance of the basics of a good bureaucracy, and professionalism was repeatedly subverted by political interference. With bureaucratic behavior "greatly influenced by personal preferences, loyalty considerations, and face-to-face interaction," and decisions frequently "reached on an ad hoc basis without reference to written documentation," the foundation was laid for the massive corruption that was to follow in subsequent periods.[25]

Finally, we turn to the third main component of the state: the armed forces. When the British left Nigeria, the military was relatively small – some

[21] See D. J. Murray, "The Impact of Politics on Administration," in Adebayo Adedeji, ed., *Nigerian Administration and Its Political Setting* (London: Hutchinson Educational, 1968), 22.

[22] See George M. Walker, "Personal Income Tax Administration," in Murray, *Studies in Nigerian Administration*, esp. 279–82.

[23] See Murray, "Nigerian Field Administration: A Comparative Analysis," in Murray, *Studies in Nigerian Administration*, 97, n. 2.

[24] See Koehn, *Public Policy and Administration in Africa*, 21.

[25] Ibid., 22.

8,000 armed men – and more of a constabulary force trained for internal security than for military purposes.[26] Moreover, it was already ethnically divided, with mostly northern Hausas recruited by the British to the rank and file, but southerners, especially Ibos, recruited to the officer ranks because of their education and willingness to join. Of the thirty commissioned officers in 1959, for example, six were northerners, ten were Yorubas, and fourteen were Ibos.[27]

Between 1960 and 1966 the armed forces also grew from some 8,000 to 11,000 men, and from 61 to 511 officers.[28] This nearly ninefold growth in the officer corps over six years was rapid, indeed, and with long-term consequences. First, haste brought in individuals without appropriate professional training and experience, leading to "deficiencies in professional experience and organizational cohesion" that seriously affected the "professional efficiency, discipline, and morale of the army."[29] In fact, junior officers were often better educated – creating conflicts in the hierarchy and disciplinary problems. And all this occurred within the first few years of independence.

The armed forces were also plagued by growing ethnic conflict, mainly northerners versus Ibo officers. The increasingly powerful Hausa-Fulani elite found this situation unacceptable and sought to alter it, leading to the establishment of quotas within the armed forces: As many as half of the new officer-rank positions were reserved for northerners. The result was again that unqualified or underqualified officers started filling the ranks, generating hostility between them and the better-qualified Ibo officers. Whereas similar problems in the civil service undermined the professional character of the national bureaucracy, the result in the army was more ominous: This ethnic hostility was a civil war in the making.

The national political situation deteriorated sharply in 1965, with ethnic and regional conflicts on the rise, leading the army to intervene in a bloodless coup in early 1966. Six of the seven majors who organized the coup were Ibos. And so while its leaders proclaimed it a "national coup," there was a widespread sense that it was Ibo-led and that it had dramatically shifted national power away from the northerners.[30] Junior officers from the north reacted sharply, in turn, pulling off a much bloodier countercoup within a few months. Thousands of Ibos and numerous Ibo army leaders were killed, leading others to proclaim Biafra – the Ibo-dominated east – a sovereign country and precipitating the civil war, which the Ibos lost.

In retrospect it is clear that the state that Nigerian leaders inherited from the British was not much of a state. The new leaders, personalistic and

[26] See Jimi Peters, *The Nigerian Military and the State* (London: I. B. Tauris, 1997), 76.
[27] Ibid., 79.
[28] See Robin Luckham, *The Nigerian Military: A Sociological Analysis of Authority and Revolt, 1960–1967* (Cambridge: Cambridge University Press, 1971), 90.
[29] See, respectively, ibid., 90, and Peters, *Nigerian Military and the State*, 78.
[30] See Luckham, *Nigerian Military*, chaps. 1 and 2, esp. 43–50.

preoccupied with communal affairs, accentuated these defects by further polarizing ethnic conflicts and by pursuing kinship gains at the expense of national development. Similar tendencies also quickly seeped into the bureaucracy and the armed forces, undermining their professionalism. We turn now to a consideration of the political underpinnings of what would be minimal industrial development.

Nigerian per capita income during this phase grew at the modest rate of some 2 percent per year,[31] most of this growth stimulated by commodity exports. Oil exports contributed nearly 0.5 percent annually to growth in production; the other major exports were palm products, groundnuts, and cocoa.[32] The economy at this stage was mainly agricultural, with agriculture contributing some 50–60 percent of the GDP and manufacturing still under 5 percent. Marketing boards in each of the main regions kept agricultural prices below world prices, probably hurting production. Nevertheless, agricultural production grew during this period, as indicated both by the fact that food imports were minimal despite very low tariffs and by the fact that food prices fell.[33] This growth was facilitated by colonization of new lands and by productivity improvements facilitated by better inputs. But industrial growth – the main subject of the present discussion – was not insignificant: Starting from a very low base, it grew at some 8 percent per annum.[34] This growth, however, was problematic, as neither indigenous entrepreneurs nor public sector enterprises contributed much. Instead, most of this growth originated with foreign corporations, which mainly undertook last-stage-assembly type of production that was import- and foreign-exchange intensive. Only the growing oil revenues kept balance-of-payment crises at bay.

We begin by observing that this was not a planned economy. Such planning documents as were prepared – mostly by expatriate economists – did not receive much political support, as there was no cohesive national economic thinking or direction. As elsewhere in the developing world following independence, there was talk of supporting national capitalism and even of pursuing "socialism," but in Nigeria it was short-lived. These mutterings came mainly from the more nationalist leaders from the south, but they rapidly lost political ground to northerners. Moreover, both indigenous capitalists and public sector enterprises proved ineffective. The less nationalist northern leaders thus turned to foreign economists to create a set of "open" policies that provided the basic macroframework for the economy.

[31] See Peter Kilby, *Industrialization in an Open Economy: Nigeria, 1945–1966* (Cambridge: Cambridge University Press, 1969), 9.

[32] See Sayre Schatz, *Nigerian Capitalism* (Berkeley: University of California Press, 1977), 18.

[33] See Kilby, *Industrialization in an Open Economy*, 14.

[34] Manfred Berger, *Industrialization Policies in Nigeria* (Munich: Weltforum Verlag, 1975), 236.

Peter Kilby described the Nigerian economy of the period as essentially "open,"[35] meaning it had a conservative monetary policy and, given the availability of foreign exchange, an open trading regime. Tariff levels averaged 20 to 30 percent, in contrast to the much higher levels of India and Brazil during this period, and the internal price structure was "fairly closely related to world prices – bringing efficiency in domestic resource allocation."[36]

Given the weaknesses of the national center, a fair amount of economic drama unfolded within each region, with some similarities and some variation from one region to the next.[37] They shared considerable dependence on marketing boards for revenues, a widespread pattern of political use of these revenues to build patronage networks and enhance personal wealth, and a focus on such "distributional" activities as education and health. In terms of the variation, the government in the western region – given the influence of nationalists and Fabian socialists – went furthest in its attempts to promote industry directly – a little bit of India in Nigeria. The government in the east, though also activist, was mainly ineffective in its support of the private sector. And the economic attitude in the north, by contrast, ruled as it still was by various emirs, was mainly defensive, that is, it was looking to ensure that the developmental distance between the north and the south did not widen even further. The north was also reluctant to embrace "modernity" out of fear that modern education and new industries would create new centers of power that would threaten traditional power, which was based on the prerogatives of birth and lineage.

How in this context did the key economic actors – foreign and national firms – behave? First, foreign multinational corporations (MNCs) continued to dominate Nigeria's modern manufacturing. A survey in 1963, for example, documented that 68 percent of the equity in large-scale manufacturing was private and foreign, 10 percent was private Nigerian, 3 percent was owned by the federal government, and the remaining 19 percent was owned by regional governments. This trend had originated in the colonial period, and given the weak nationalist impulse, independence did not mark any discontinuity. On the contrary, foreign investors were encouraged – even if quietly – with favorable incentives, especially tariff protections on finished products for the domestic market.[38]

The end of the colonial monopoly and modest tariffs imposed by the sovereign Nigerian government – mainly as a source of revenue rather than as a part of a planned ISI strategy – raised concerns with such foreign

35 See Kilby, *Industrialization in an Open Economy.*

36 Ibid., 1.

37 This discussion builds on Forrest, *Politics and Economic Development in Nigeria*, 35–36.

38 Schatz thus notes that disappointment with both national capital and public sector initiatives quickly set in, leading to an "unacknowledged shift" in the early 1960s toward "increasing reliance upon foreign-owned enterprises." See Schatz, *Nigerian Capitalism*, 6. This shift also corresponded with the growing power of the north within the federation.

companies as the British United African Company that they might lose their Nigerian market.[39] A typical corporate strategy was to increase production locally and then, given the high cost of employing expatriates for management, ask the national government for further protection. Manufacturers of both beer and cigarettes, for example, followed this pattern, and the federal government obliged.[40] Some de facto import-substitution industrialization thus took place, mainly in consumer industries and mainly led by foreign companies.

This new foreign investment was not part of any coherent industrialization strategy advanced by the government, however. The federal government was far too ineffective to have any such strategy, and even the policies to attract foreign investors were not very effective. Interviews with companies revealed, for example, that fiscal incentives offered by the state were not a huge draw.[41] Instead, the main motivation for investors was to protect their Nigerian market. New investment thus remained in existing branches of industry, and there was little industrial diversification.[42] Moreover, much of the production was last-stage production, based largely on imported inputs, including management.[43] This reflected the supply inelasticity of the indigenous economy and the failure of the government to set terms for foreign investors. This was a long-term pattern in the making: Foreign investors were interested in Nigeria only as long as plenty of foreign exchange was available to import nearly all the inputs and then to assemble the products and sell them to Nigerians, often behind some protectionist walls (the exception was the oil sector). This low-value-added import- and foreign-exchange intensive strategy of industrialization would, of course, work as long as oil exports boomed; short of that, this was long-term industrial failure in the making.

If foreign investors did facilitate some industrial growth, indigenous efforts were unsuccessful – not surprising, given an ineffective state. First, a fair amount of what passed for public sector investment was really not in productive sectors but rather was channeled into such symbol-driven expenditures as luxury hotels, airlines, a merchant marine, stadiums, and television stations. Second, ethnic conflict politicized important economic decisions, for example, the building of a steel plant in the late 1950s. After years of wrangling, it was finally decided that each region would have its own steel plant, but in the end none of them was built. Third, public investments were made in such areas as cement, textiles, breweries, and oilseed crushing plants – nearly all of which ran at a loss. The government's own review of their operation concluded that root problems included "nepotism and favoritism, ethnic rivalry over board membership and employment, ministerial

39 See Berger, *Industrialization Policies in Nigeria*, 46.

40 Along with cement and textiles, beer and cigarettes constituted nearly half of Nigeria's modern manufacturing at this stage. See Kilby, *Industrialization in an Open Economy*, chap. 4.

41 See Berger, *Industrialization Policies in Nigeria*, 240.

42 Ibid., 236–37.

43 See Kilby, *Industrialization in an Open Economy*, 24.

interference, and poor management and administration."[44] In sum, the state sector contributed little "to rais[ing] indigenous technical capacity from its low level or to accelerat[ing] structural change towards intermediate and basic industry."[45]

Why Nigerian entrepreneurs also failed to respond to economic opportunities, especially those that would have required a medium- or large-scale response, is harder to understand. There are two related and mutually reinforcing components to the puzzle of "missing entrepreneurs." First, indigenous entrepreneurs with managerial and technical skills necessary to undertake large-scale manufacturing were indeed in short supply. Second, and more important, was the failure of the sovereign state to provide an adequate framework for the development of national capitalism.

The issue of scarcity of capable entrepreneurs was examined by Peter Kilby, who in the mid-1960s undertook detailed case studies of public efforts to promote indigenous industry by providing loans, establishing industrial estates, and offering a variety of other incentives. The results, he argued, were generally disappointing, mainly because of inadequate entrepreneurship:

> With few exceptions, Nigerian industrialists are unwilling to provide continuous surveillance of their business operations, in terms of both physical supervision in the factory shop and in utilizing the principal instrument of managerial control, written records. This disposition is combined with a general lack of interest in production efficiency and in possibilities for improving product quality. Nigerian entrepreneurs are generally slow to move when their operations hit a snag. They show little propensity to undertake innovations.[46]

Deeper reasons for such inadequate entrepreneurship, he suggested, were not so much economic – especially because the policy framework was open and facilitated competition – as "traditional socio-cultural factors." And the way out would necessarily require broader social change, including changes in the political, ideological, bureaucratic, and technological spheres.[47] Another survey of small- and medium-sized Nigerian entrepreneurs, conducted at about the same time, concluded similarly that technical and managerial experience and capacities were very low and contributed major obstacles to further growth, that the "ability – rather than willingness" – to respond to economic opportunities was missing, and that the government could play a "strategic role" in helping entrepreneurs.[48]

44 Cited in Forrest, *Politics and Economic Development in Nigeria*, 35.

45 Ibid., 8.

46 Kilby, *Industrialization in an Open Economy*, 338.

47 Ibid., 341–42.

48 See John Harris, "Nigerian Entrepreneurship," in Carl K. Eicher and Carl Liedholm, eds., *Growth and Development in the Nigerian Economy* (East Lansing: Michigan State University Press, 1970), 319–20. See also E. Wayne Nafziger, *African Capitalism: A Case Study of Nigerian Entrepreneurship* (Stanford, Calif.: Hoover Institution Press, 1972).

"Poor entrepreneurship" is, of course, more a description of underdeveloped capitalism than an explanation of a weak indigenous developmental impulse. It is no surprise, then, that a list of potential explanations that has been offered reads like a list of explanations one could offer for Nigeria's overall failure to industrialize and grow rapidly: the economic power of foreign trading companies, a long history of involvement of compradors, a lack of managerial and organizational experience, the siphoning-off of the most talented individuals into the civil service, the waste of capital by marketing boards, or, most diffusely, the fostering of unproductive use of capital.[49] While there is a grain of truth in several of these explanations, the fact is that well-constructed sovereign states have been able to overcome such obstacles and facilitate the emergence of robust entrepreneurial classes, as we have seen in the other country studies. What was missing in Nigeria all along, however, was precisely such a developmental commitment and capacity on the part of the state.

Some specific examples of what a more effective state in Nigeria might have done to promote national entrepreneurs may help to support the general argument. First, we reiterate that this unstable, neopatrimonial state had no long-term framework for promoting indigenous entrepreneurs: little or no protection for infant industries, no business schools or training for entrepreneurs, no systematic efforts to facilitate the use of advanced technology, and little or no capacity to bargain with foreign corporations to help to indigenize some management and technology. Second, the logic behind the means adopted to promote private economic activities was often personal gain rather than economic effectiveness. Regional governments, for example, generally favored contractor finance to promote projects. As this inevitably brought significant kickbacks to decision makers, it perpetuated both rent seeking and ineffective projects, including poor-quality infrastructure.

Among the more indirect contributions the state might have made was to create and train a more effective working class. Instead, the state often caved in to populist challenges. And finally, given the low level of competence within the state, Nigeria's small entrepreneurial class did not have much faith in it. Thus, a majority of industrial managers surveyed in the 1960s rejected the idea that the government could help to train private sector personnel, mainly because of the low quality of such public-supported programs.[50] Clearly, this state was in no position to promote national capitalism, and any indigenous development here would be in spite of rather than because of state actions.

Given this picture, the limited efforts as were undertaken to promote national entrepreneurs did not amount to much, for example, in trying to

[49] For such a summary, see Forrest, *Politics and Economic Development in Nigeria*, 26.

[50] See Berger, *Industrialization Policies in Nigeria*, 152.

promote a private national textile industry.[51] Textiles would have been an ideal import-substitution industry for Nigeria: There was demand; cotton was available; technological requirements were not overly onerous; and textiles tend to be a labor-intensive industry. Early public support of private efforts, however, led to failed firms. In addition to poor-quality entrepreneurship – poor decisions, poor management, petty trader mentality, poor salesmanship, and bad accounting practices – there were failures that could be traced back to politics. Thus, regional elites jockeyed for regional advantage rather than choosing the most economic solutions to production problems; poor infrastructure cost dearly (in one case, for example, imported looms were damaged in transport due to poor road conditions between Lagos and the North); and the quality of labor was poor, because of lack of education, tribal hiring practices, and populist activism. There was also no follow-up by the authorities after providing financial help, especially in terms of technical help, and there was no effort to achieve quality control. When initial efforts to promote national private industry failed, Nigeria's leaders very quickly turned to the more efficient foreign industry in textiles, as well as in other industries, creating additional obstacles for the development of national capitalism.

To sum up this discussion, Nigeria started out as a democracy and an open economy. Under the Nigerian circumstances, however, these turned out not to be suitable conditions for economic development and welfare maximization. Democracy proved rather fragile when it came to accommodating ethnic hostilities; indeed, democratic competition exacerbated such conflicts. Problems of weak central authority were further compounded by the fact that both the normative and the organizational components of an effective public realm – in the political, bureaucratic, and the coercive components of the state – remained diffuse and underdeveloped and encouraged personalism and communalism within the state. Shortcomings in the public sector directly reflected the state's own weaknesses, and the small entrepreneurial class could not count on consistent state support. Whatever industry did develop was mainly foreign and tended to produce low-value-added, last-stage assembly of products for the local market, creating an economy that would remain heavily dependent on imported inputs and the availability of ample foreign exchange for continued growth.

II. The Nature of Military Rule

The Ibo-led military coup of early 1966 was soon followed by another military coup, this time led by northerners. This in turn precipitated a civil war.

[51] I am drawing here on Kilby, *Industrialization in an Open Economy*, esp. chap. 10. While Kilby emphasizes poor entrepreneurship as the main cause of failure, he provides enough material to recast the argument. For examples of failure in industries besides textiles (such as in construction), see also Schatz, *Nigerian Capitalism*, chaps. 9–12.

The northern-dominated military eventually prevailed in the Biafra war, but not easily; the civil war lasted more than two years. The victorious military rulers announced with some bravado their commitment to reconstruct the Nigerian state and at last to commence Nigeria's long journey toward economic development. But the military rule lasted until the end of the century, with a brief civilian interregnum during 1979–83 and numerous coups and countercoups during the remaining period. And unfortunately, the results of any reform efforts came up short. Personalistic patrimonialism continued, and efforts to utilize Nigeria's immense natural resources for sustained economic development were miserable failures. By 1991 after two decades of oil boom, bust, and apparent structural adjustment, for example, manufacturing still contributed only 8 percent of the national product (and declined to 5 percent by 1995). And per capita incomes (excluding oil income) were not much higher in the 1990s than they were in the pre–civil war period.[52]

The period 1970–91 corresponds roughly to the years of increase in oil revenues, followed by a decline in oil earnings and a brief experiment with externally imposed neoliberal economic policies that were abandoned in 1991 when oil prices rose again and brought a renewal of the earlier patterns. An important analytical question for the Nigerian case is why – unlike Korea or Brazil – even prolonged military rule failed to provide an alternative to personalistic and patrimonial politics. The answer lies in the nature of the political rule under the military, which had neither a developmental ideology nor the professional talent to offer itself as a distinct political force in the society. The military thus found itself dependent for governance on the very problematic civil service. Instead of creating a cohesive-capitalist alternative to corrupt, civilian politics, therefore, the syncretic rule of military and civil servants in Nigeria reproduced it. Neopatrimonial politics thus continued, leading to waste and developmental failures – but now with a vengeance, given the magnitude of the oil resources.

The military that came to rule was not much of a military, certainly not capable of ruling an ill-formed polity. At the time of the civil war in 1966, for example, there were some 11,000 men in uniform and only 511 officers.[53] The victorious northern officers who came to dominate the national army came mostly from lower-class backgrounds and from the most underdeveloped emirates of the far north. While a handful of these officers had received more advanced training at staff colleges – often abroad in England or India – most officers "were poorly educated and unlikely to have a high level of comprehension of the major political and social issues of the day."[54] Levels of professionalization among officers were also low, as we have seen.

52 See Lewis, "Economic Statism," 438.
53 See Luckham, *Nigerian Military*, 90.
54 Ibid., 96.

This poorly trained military dominated by northerners came to depend on a handful of British-trained higher civil servants – often southerners – for the running of the government it had captured by force. As the military grew rapidly during the civil war years – up to some 270,000 men by 1970 – its quality deteriorated even further, with most new recruits being less-educated northerners who in turn were hastily trained by their ill-qualified officers.[55] Basic military competence and internal discipline were absent. Lacking an intelligence corps, for example, the Nigerian military could not even undertake what militaries elsewhere do when they enter politics, namely, impose systematic repression. The overall lack of discipline traveled down the hierarchy, even to the rank and file, so that the bloated military in the 1970s was generally marked by "a high level of corruption and fraudulent activities," including soldiers periodically going on "rampage, molesting civilians."[56]

The military elite, though aware of these problems, was unable to address them.[57] For example, during General Gowon's rule (1966–75), efforts were made following the civil war to trim the armed forces and improve their internal discipline. Some demobilization occurred, but the fact that the military had become a major source of employment for poor northerners proved to be a formidable political obstacle. Attempts to improve internal discipline were also not very successful. Similar efforts at reform were made but again with similar failures during the rule by Generals Murtala Mohammed and Obasanjo (1975–79). The political situation in Nigeria, however, was a catch-22: The military was in power precisely because it controlled the use of force and because civilian leaders were fragmented; given the limited legitimacy enjoyed by these military leaders and given their need to maintain the support of those within the armed forces, they had only limited power resources at their disposal to reform the military itself.

Unlike the military rulers that we encountered in the cases of South Korea and Brazil, Nigerian generals had a fairly limited conception of their role as political leaders: They had no independent developmental goals and fairly quickly came to mirror the broader political society around them, especially its personalism and communalism. General Gowon and his colleagues, for example, had no coherent political views, certainly nothing that could be called a developmental ideology.[58] The same was true of General Mohammed and of General Obasanjo, who actually committed the military to withdraw from politics, thus paving the way for a brief civilian interlude in 1979. The Nigerian military in power thus viewed itself more as a "caretaker" or a "corrective" regime and less a "transforming" or a "developmental" one.

55 See Peters, *Nigerian Military and the State*, chap. 5, esp. 109.
56 Ibid., 144.
57 Ibid., chap. 6.
58 See Luckham, *Nigerian Military*, chap. 12.

Its priorities were mainly political and not economic,[59] the primary goal being the creation of a more centralized and stable Nigeria with the power balance tilted toward the Hausa-Fulani north. Subsequent military leaders during the 1980s, especially Generals Buhari and Babangida, did have some clear economic goals – but these were also primarily responses to an economic crisis and therefore aimed mainly at satisfying international creditors and investors.

Another important characteristic of military rule in Nigeria was that it quickly internalized such societal characteristics as ethnic divisions and the tendency to use public resources for private ends: "the boundary between the military and civil society" in Nigeria proved to be rather "permeable."[60] There are several underlying reasons for why this happened. First, as early as 1962, recruitment into the army was based on regional quotas. Pushed by northern politicians, this struggle for "group representation" weakened professional norms.[61] The civil war, of course, further intensified ethnic consciousness within the armed forces, and the numerous coups and countercoups that followed only reinforced these tendencies in the name of redressing power imbalances across ethnic groups.

Further, there was little effort in Nigeria to foster an esprit de corps, or separate professional identities for military officers. On the contrary, the social distance between the officers and civilians was rather narrow: "On evenings and at weekends, there is constant stream of brothers, kinsmen, acquaintances from the same village or town-ward or the same ethnic group who came to pay respects at an officer's house and to drink his beer and Fanta orange . . . [bringing] unsolicited gifts . . . [and seeking] small or big favors."[62] The officer corps was thus highly "vulnerable to corruption and political pressure."[63] And finally, this corruption spread with access to oil wealth, from those at the apex to those below.

If militaries enjoy any legitimacy as rulers, it is often based on their claim to rise above the politics of intergroup conflict and corruption. When militaries in power actually manage to achieve some such goals – as, for example, during Park's rule in South Korea or under military rule in Brazil – they may use their concentrated power to facilitate economic development. In this regard the Nigerian military never really succeeded.

59 For example, Bennett and Kirk-Greene list nine priorities of the Nigerian military regime prior to the Second Republic (1979–83); not one of these involved any direct innovation in the pattern of economic development. See Valerie P. Bennett and A. H. M. Kirk-Greene, "Back to the Barracks: A Decade of Marking Time," in Keith Panter-Brick, ed., *Soldiers and Oil: The Political Transformation of Nigeria* (London: Frank Cass, 1978), 19.

60 See Joseph, *Democracy and Prebendal Politics in Nigeria*, 70.

61 Ibid., 71.

62 Luckham, *Nigerian Military*, 112–14.

63 Ibid., 113.

We now turn our attention to the evolving nature of the civil service under military rule. In comparison with the other cases in this study, the quality of the Nigerian civil service remained low, as has already been discussed. For much of the period now under discussion, civil servants remained powerful political actors – especially after the First Republic and before the austerity of the late 1980s. They were, for one thing, relatively better educated; most senior civil servants had university degrees, whereas military officers did not.[64] The most senior of these civil servants – the permanent secretaries – were trained by the British and possessed some international experience. Moreover, many of these senior administrators were southerners, especially Yorubas, and thus represented the more advanced south within the state.

Military rulers often depended on civil servants for policy ideas and implementation. This was especially true of the Gowon administration, which forged a close working alliance with the permanent secretaries. Indeed, the relationship placed Gowon under suspicion of being too pro-south and precipitated the coup that brought General Murtala Mohammed to power. General Mohammed, in turn, sought to trim the power of the civil service, purging some 11,000 of them, nominally on charges of corruption. Most of the permanent secretaries survived, however, and returned to their jobs; many of the junior administrators, by contrast, were pushed out.[65] During the civilian interregnum, as well, civil servants remained powerful partners of elected leaders. This situation altered somewhat in the late 1980s during the Babangida regime, when the state as a whole and the state-led development model came under attack.

There was a massive expansion of the civil service between 1970 and 1984, when some retrenchment began. Exact numbers are hard to come by, but the pattern is clear. Federal public employees grew in number from some 65,000 in 1965 to 114,000 in 1974 (the year of oil price increase) to 300,000 in 1984.[66] Employment in regional governments, parastatals, and local governments also grew tremendously during these years; by 1986, for example, Nigeria employed some two million men and women in the public sector.[67] Factors fueling this growth included a huge growth in public

[64] For example, approximately 85 percent of the elite civil servants (grade level twelve and above) in 1978 had at least a bachelor's degree. See Koehn, *Public Policy and Administration in Africa,* 16, table 1.1.

[65] See, for example, Stephen O. Olugbemi, "The Civil Service: An Outsider's View," in Oyediran Oyeleye, ed., *Nigerian Government and Politics under Military Rule, 1966–1979* (New York: St. Martin's Press, 1979), 96–109, esp. 99. See also Adamolekun, *Politics and Administration in Nigeria,* chap. 5.

[66] See Ladipo Adamolekun, "Postscript," in Murray, *Studies in Nigerian Administration*, 322; and Alex Gboyega, "The Civil Service Reforms: A Critique," in Said Adejumobi and Abubakar Momoh, eds., *The Political Economy of Nigeria under Military Rule (1984–1993)* (Harare, Zimbabwe: Sapes Books, 1995), 261.

[67] See Koehn, *Public Policy and Administration in Africa,* 17.

revenues from oil, the creation of numerous new states within Nigeria, the growing role of the public sector in the economy, and the pressures of patronage politics.

Unfortunately, this bureaucratic growth did not enhance the quality of the civil service. While it is true that entry into the elite ranks required a basic university education, the quality of education in many schools and universities in Nigeria was poor. And even these low entry requirements were further diluted for political reasons to accommodate candidates from the north.[68] Moreover, the training they then received within the civil service was also limited. Instead of a unified civil service, officers from one state or another came to control various federal ministries and tended to promote their own. Generalist positions were easy to fill this way, but positions requiring specialists often remained vacant or were filled by expatriates on a contract basis.[69] The military administrators often appointed and promoted according to personalistic criteria, further undermining any possibility of a meritocracy.[70] And finally, corruption was rampant throughout the system, as the military rulers repeatedly failed to enforce any discipline.[71]

It comes as no surprise that this low-quality bureaucracy was not an effective agent of economic transformation in Nigeria. Nevertheless, some of the highest civil servants – the permanent secretaries – were quite powerful within the military government and managed to persuade Gowon and his allies to pursue some modest nationalist and statist economic policies. (This is not to say that these secretaries had a unified political position – as a matter of fact, some sharp differences in preferences have been documented.)[72] Among these policies were a decision to join OPEC, indigenization of foreign industry, some import substitution, and the emphasis on a growing role of the public sector in industrialization.[73] This fairly typical "Third World developmentalism" came rather late to Nigeria – in the 1970s, when the world had changed enough from the 1950s so that countries such as South Korea and Brazil were already beginning to move away from it – and came

68 See P. Chiedo Asiodu, "The Civil Service: An Insider's View," in Oyeleye, *Nigerian Government and Politics under Military Rule*, 73–95, esp. 75.

69 See Koehn, *Public Policy and Administration in Africa*, 20–21.

70 Ibid., 25.

71 This is not to suggest that numerous reforms were not attempted. Some of the main attempts were local government reforms in 1970, the Udoji commission report in 1974, 1979 reforms following the installation of the Second Republic, and the attempted nationalization and retrenchment in 1988. Each set of reforms, however, ended up doing little more than raising the salaries of civil servants.

72 Terisa Turner, for example, notes the conflict between the more "comprador" and the more "technocratic-nationalist" bureaucrats, going so far as to suggest that such conflict may have been a significant factor in the 1975 coup. See Turner, "Commercial Capitalism and the 1975 Coup," in Panter-Brick, *Soldiers and Oil*, 166–200.

73 See Forrest, *Politics and Economic Development in Nigeria*, 48.

at the behest not so much of politicians but of civil servants and thus, unlike India, without much popular support.

As for the civil service in general, most civil servants did not distinguish sharply between holding public office, controlling public resources, and pursuing personal and sectional interests. One analyst comments that the "concept of public service" was generally absent among Nigerian civil servants;[74] another concludes that there was no "commitment to the public interest";[75] and yet another observes that the behavior of civil servants was "dictated more by veiled sectional interests than consideration for the common good."[76] It is clear that this was not just a problem of "institutional economics"; Nigerian civil servants were often well paid – and yet were still "on the take." This brings us back to the broader political system in which even the military rulers failed to introduce discipline, and the endemic low level of professionalism within the civil service, dating to the colonial period and exacerbated after independence, that persisted. The consequences were sharply negative.

In the nearly three decades during which the military and civil servants ruled Nigeria and sought to reconstruct the state, some of their efforts succeeded, but most did not. One of the main accomplishments was the construction of a somewhat more centralized Nigerian state. Thus the Gowon regime, having prevailed in a civil war, placed a high priority on creating a unified state that could overcome debilitating ethnic conflicts. To this end, they abolished ethnically oriented political parties, redrew the federal map by creating smaller states – up to twelve from four following the civil war, with the addition of another seven in 1976 – and sought to centralize decision making.

The partial success of these policies was reflected in the fact that public expenditures of the federal and state governments were nearly equal in the First Republic, but the federal share rose to some 70 percent during the 1970s.[77] Nevertheless, one ought not to overstate the extent to which such shifts indicated any real shift in relative power. They mainly reflected the large portion of oil revenues controlled by the federal government. And the new, smaller states remained quite autonomous; on at least two occasions during the 1970s the federal government was unable to get them to pay their loan and just wrote them off.[78] For all its limitations, however, a centralized government that controlled the majority of the country's public financial resources and numerous smaller units that would not readily

74 Adamolekun, *Politics and Administration in Nigeria*, 132.

75 Koehn, *Public Policy and Administration in Africa*, 272.

76 Olugbemi, "Civil Service," in Oyeleye, *Nigerian Government and Politics under Military Rule*, 102.

77 See Forrest, *Politics and Economic Development in Nigeria*, 51.

78 Ibid., 51. Forrest thus concludes (see p. 54) that, even in the 1970s, the "state's tail was wagging the federal dog."

polarize provided better building blocks for a modern state than the one Nigeria had inherited from its colonial past.

Even if the redrawn federal map – bolstered by oil revenues – was something of an improvement, the limitations of political engineering attempted by the military were also stark. Three important examples will suffice. First, old ethnic cleavages and politics persisted just below the surface. For example, the Gowon effort to create "national consciousness" was opposed by the "Kaduna Mafia," a group of northern intelligentsia with links to the military who feared any move that would strengthen the hands of southerners.[79] The Gowon regime quickly caved in to the opposition, and the Kaduna Mafia went on to become an important political factor in the subsequent coup that overthrew Gowon and brought Murtala Mohammed to power. Moreover, when the military went back to the barracks in 1979, the earlier tripartite ethnic divisions quickly reemerged, helping once again to bring the military back to power.[80]

But the military's penetration of society was also shallow. Provincial units, for example, were quite autonomous, often run like personal fiefdoms of second-tier military officers. Taxes, already quite limited in the premilitary era, were essentially eliminated with the coming of oil revenues.[81] Large parts of the agrarian sector remained beyond the pale of the state.[82] Attempts to incorporate labor during the Obasanjo regime came to naught. And even efforts to improve the state's repressive capacities, for example, by creating an internal intelligence and security agency, did not amount to much.[83] Nigeria thus benefited neither from vigorous citizenship participation nor from an effective top-down state.

The military also failed to reform the personalistic and patronage-oriented politics of Nigeria. To the contrary, the military itself became a major source of privatization of public resources. The rot, in turn, seeped

79 Billy Dudley clarifies that the links between the "Kaduna Mafia" – mostly northern university professors – and northern military elites were forged in such educational institutions as the Government College, Zaria, and Government College, Keffi. See Billy J. Dudley, *Introduction to Nigerian Government and Politics* (Bloomington: Indiana University Press, 1982), 98.

80 For the argument that the "Second Republic" was also plagued by old ethnic divisions, see Joseph, *Democracy and Prebendal Politics in Nigeria*, pt. 3. Larry Diamond qualifies this argument somewhat, but not by much. See Diamond, "Social Change and Political Conflict in Nigeria's Second Republic," in I. William Zartman, ed., *The Political Economy of Nigeria* (New York: Praeger, 1983), 25–84.

81 In a personal conversation, General Obasanjo – at that time out of power – told me that he considered abolishing taxation of incomes as one of the more important mistakes of his administration. While he blamed "bad foreign advice" for this policy decision, the fact is that taxation of incomes even prior to his rule was already quite unsystematic and lax.

82 See Forrest, *Politics and Economic Development in Nigeria*, chap. 9.

83 Billy Dudley thus notes that "a good many" members of the not very successful National Security Organization were "barely literate." See Dudley, *An Introduction to Nigerian Government*, 103.

downward, infecting governors of states, federal and state civil services, local governments, and parastatals. Even actors in the private sector – who often worked closely with state agents in any case – were part of the nexus of corruption. This massive state failure was the root cause of economic waste and minimal economic development.

III. Squandering Oil Resources

The increase in oil prices during the 1970s spurred sharp growth in the Nigerian economy, which then plummeted just as rapidly in the 1980s when oil prices declined. While precise data is scarce, World Bank figures suggest that between 1971 and 1992 the real per capita GDP declined by some 10 percent.[84] Both the growth and the decline were especially manifest in the industrial sector.[85] During the 1970s industry grew rapidly – at some 13 percent per annum – and then, within the first few years of the sharp decline in oil prices, nearly 50 percent of manufacturing output was lost.[86] The main issue for discussion here is why, despite the enormous oil revenues, Nigeria's efforts at industrialization ultimately amounted to so little.

Oil prices rose steadily in the world market, skyrocketing in 1974 with the OPEC price hike. As a major oil exporter and a member of OPEC, Nigeria benefited handsomely. Most oil exports were extracted and marketed by foreign companies, which accounted for more than 90 percent of total exports during the 1970s and the 1980s. But the national government also gained significant revenues from oil. These jumped five times between 1970 and 1972 and another five times between 1972 and 1974.[87] The share of oil revenues in total government revenues increased from some 25 percent to

[84] See World Bank, *Nigeria: Structural Adjustment Program, Policies, Implementation, Impact* (Washington, D.C.: World Bank Press, 1994), 73.

[85] See Forrest, *Politics and Economic Development in Nigeria*, 184. Forrest notes that the World Bank in 1985 changed its estimates, suggesting that instead of the assumed sharp decline of the 1970s, agricultural growth between 1970 and 1982 was 2.7 percent per annum. Forrest endorses this revised estimate. Without reliable data, a study such as the present one can take only the best available estimates. However, considering how limited the state's reach has been in the Nigerian countryside and considering that agricultural taxes were first reduced with the coming of oil revenues, and then even the marketing boards were eventually abolished, this general picture for the 1970s and 1980s appears persuasive. Of course, weather-related fluctuations could still have been serious, and more reliable data in the future could put such a conclusion in doubt. By contrast, agricultural performance, especially production of food crops, was less volatile; both the World Bank and independent observers now agree that, instead of the presumed decline, food production between 1970 and the 1980s probably kept up with population growth.

[86] See Adebayo O. Olukoshi, "The Political Economy of the Structural Adjustment Programme," in Adejumobi and Momoh, eds., *The Political Economy of Nigeria under Military Rule*, 140.

[87] These and the oil statistics that follow are from Forrest, *Politics and Economic Development in Nigeria*, 134, table 7.1. See also Cliff Edogun, "The Structure of State Capitalism in the

nearly 80 percent between 1970 and 1974 and hovered at about 70 percent throughout the remainder of the 1970s and the 1980s. Correspondingly, government expenditures also increased dramatically, doubling in 1970, doubling again in 1974, and yet again in 1975. Of course, oil prices declined in the late 1970s and for much of the 1980s. Nevertheless, these declining oil prices were still higher than their pre-1974 level, so oil, the main export, continued to provide Nigeria with substantial governmental revenues.

What impact did oil revenues have on industrialization and economic growth? Throughout the 1970s GDP increased faster then private consumption, broadly suggesting that oil resources were not simply consumed by the society. While government consumption also rose sharply, so did overall savings and investment: Domestic investment grew from some 12 percent of the GDP in 1950 to 16 percent in the pre–civil war 1960s to over 30 percent in the flush 1970s.[88] By international standards, this is a very high rate of investment, close to that of East Asian countries. What is puzzling is that this substantial capital was apparently invested without yielding long-term growth.

The post–civil war military government's approach to industrialization was a mild form of import substitution, where the main agent of industrialization was to be the public sector. While foreign investment and foreign expertise would still be welcome, the government also hoped to indigenize some of the existing foreign companies. What was new in comparison with the 1960s was a somewhat enhanced sense of nationalism that had emerged from the civil war – hence the emphasis on indigenization. However, as discussed above, even this revived nationalism was not very deep and was short-lived: Thus, indigenization, by transferring some equity of foreign companies into the hands of national entrepreneurs, was supported by some senior civil servants and businessmen (mostly Yoruba in origin) because they were the likely beneficiaries.[89] The emphasis on the public sector was also less a form of nationalistically inclined statism and more a gesture to the underlying interests of the political elite, because it could further help the northern elite to neutralize some regional imbalances.

Aside from the emphasis on indigenization and the public sector, the military government had no coherent approach to industrialization. Macroeconomic policies were thus mainly reactive to what was happening to the oil economy and did not follow any particular logic.[90] As oil revenues grew,

Nigerian Petroleum Industry," in Claude Ake, ed., *Political Economy of Nigeria* (London: Longman, 1985), 89–112.

88 See I. William Zartman with Sayre Schatz, "Introduction," in Zartman, *The Political Economy of Nigeria* (New York: Praeger, 1983), 13.

89 See Thomas J. Biersteker, *Multinationals, the State, and Control of the Nigerian Economy* (Princeton, N.J.: Princeton University Press, 1987), chap. 2.

90 This discussion on economic policies is based on a variety of sources but especially on Forrest, *Politics and Economic Development in Nigeria*; Sayre Schatz, "Private Capitalism and the

so did government expenditures and, with ample foreign exchange, so did imports. With resources readily available to the government, the military rulers eliminated some direct taxes, though without much thought to the long-term financial consequences of such a move. Massive inflow of foreign currencies appreciated the value of the local currency, encouraging not only consumer imports – a function of growing demand and inelasticity of domestic supply – but also a range of production inputs, including imports of primary, intermediate, and capital goods. These policies assumed a ready supply of public revenues and foreign exchange, both of which depended on high prices for oil exports, and there is no evidence that much thought was given to the possibility of a global decline in oil prices.

When in fact oil prices declined in the late 1970s, the government cut some expenditures and restricted some imports but mainly resorted to a two-pronged strategy of deficit financing and external borrowing. In 1979 a civilian government came to power and needed ample patronage resources to maintain its support; its capacity to cut expenditures was even more limited. Continued deficit financing drew down the reserves, and growing demand contributed to inflation. Given the continued inelasticity of domestic supply and a resistance to devaluation, imports continued unabated. For example, between 1980 and 1981, as oil prices plummeted, Nigeria's imports increased by some 45 percent.[91] Hoping that the decline in oil prices was temporary, the government also borrowed heavily from abroad to avoid balance-of-payment problems. Trade imbalances and borrowing contributed to growing indebtedness. The debt service ratio increased from 4.2 percent in 1980 to over 30 percent by 1984, creating a crisis that eventually led to a structural-adjustment agreement with the World Bank and to some related policy shifts.

That enormous inflow of oil resources only contributed to growing indebtedness emphasizes how poor the economic management was and how ineffective the state was. Arriving at a fuller understanding of how an incompetent state squandered its oil resources takes us to more specific arenas of the state's economic intervention, especially management of the foreign sector, national industry, and such other economically consequential areas as education.

As already noted, the Nigerian economy, especially its oil, banking, and modern manufacturing sectors, were largely owned by and dependent on foreign companies. Prior to the civil war, moreover, foreign companies had received a broad array of support from the government, including tax relief

Inert Economy of Nigeria," *Journal of Modern African Studies* 22, no. 1 (1984): 45–57; Lewis, "Economic Statism"; Abba, *Nigerian Economic Crisis*; World Bank, *Nigeria: Macro-Economic Policies for Structural Change* (Washington, D.C.: World Bank, 1983); and Adejumobi and Momoh, *Political Economy of Nigeria*.

91 See Olukoshi, "Political Economy of the Structural Adjustment Programme," 140.

and tariff protection. Starting in the early 1970s, however, the more nationalist government sought to indigenize foreign companies by legislating enhanced equity shares and managerial positions for Nigerian nationals.[92] During the first phase of this program (approximately 1972–75), the emphasis was mainly on transfer of some equity (up to 40 percent in select companies) to Nigerian businessmen. Although foreign companies found ingenious ways around the legislation, a small group of Nigerians – some ten to twenty families, mainly in Lagos and mainly Yorubas – managed to gain some access to profits in foreign companies. While over the long run this may have contributed to the emergence of a handful of Nigerian entrepreneurs, over the short run such buying of shares in existing foreign companies also diverted liquid capital from new investment. Moreover, the fact that the benefits of the policy were extremely concentrated in Yorubas created ethnic animosities anew, leading to a policy shift.

The 1975 coup that brought an even more pro-north military government to power shifted the focus of indigenization to include more foreign companies and to enhance the state's direct participation in economic matters. While packaged as "socialism" and "equality," the logic behind the shift was to ensure that northerners benefited from the program. The main "success" achieved during this phase was greater national control over banks and thus over the financial system. Over time, however, political control over banks became a major source of corruption and mismanagement, contributing to growing indebtedness. And beyond banking, "no real change took place in the effective control of the vast majority of [foreign] enterprises."[93] Both foreign and local businesses, unhappy about state encroachment, did not cooperate and bribed numerous civil servants and middlemen to help them to evade the laws.[94] In the end Nigeria did not attract new foreign investors and existing investors maintained most of their control. When one considers that the government's growing participation in some heavy industries often turned out to be a disaster, then the attempts to indigenize industry must in retrospect be considered one more public policy failure in Nigeria.

On the trade front, too, there is evidence of considerable policy incoherence. On the one hand, the government was encouraging import substitution and allowing foreign investors to produce consumer goods behind tariff walls (tariffs on textiles, for example, averaged nearly 100 percent during this period). On the other hand, faced with a massive inflow of oil-related foreign exchange, the government allowed the currency to appreciate,

92 The best study of the causes and consequences of indigenization remains Biersteker, *Multinationals, the State, and Control of the Nigerian Economy*. The following discussion draws mainly on this study.

93 Ibid., 242.

94 See Koehn, *Public Policy and Administration in Africa*, 275.

discouraging exports (other than oil) and, more importantly, encouraging a variety of imports. Appreciation of the currency made continued industrial growth dependent on cheap, readily available imports. When oil prices declined, the Obasanjo government attempted to impose some austerity measures – some devaluation and some cuts in government expenditures – but encountering protests, it backtracked, even discouraging subsequent governments from pursuing more prudent policies. As imports continued without abatement, the foreign exchange bill continued to grow while oil export earnings were declining – it was a crisis in the making.

Judgments on trade policy could be more sympathetic because the assumption that oil prices would soon rise again was made by other oil exporters as well, for example, Mexico. However, the state remained unable to channel foreign investment into anything with more value-added than last-stage-assembly consumer products – and that behind tariff walls. This was a state incapable of organizing or encouraging large-scale manufacturing.

As noted above, the infusion of oil resources into the economy was mainly mediated by the state. Moreover, a conscious policy decision was made to channel most of these resources into the public sector. Nevertheless, resources were plentiful in the oil-flush 1970s, including in the private sector. Indeed, resource scarcity has never been a major factor in the slow development of Nigerian capitalism. The Nigerian government set up a development bank – something akin to the Brazilian Development Bank encountered above – in hopes of directing credit to the private sector. But in the face of widespread neopatrimonialism, discretionary control over credit in Nigeria became a major source of corruption, and many a fortune was made by those connected to the political elite and even by the elite themselves.

There is very little systematic research on the subject of Nigeria's indigenous private industry.[95] We do know that even after indigenization, nearly 60 percent of equity in manufacturing continued to be in the hands of nonnationals and that the lion's share of the rest was state-owned, with indigenous private entrepreneurs a poor third.[96] Nonetheless, some Nigerian entrepreneurs did continue to mature out of trading and commerce and into manufacturing or, at least, near-manufacturing. Forrest's survey found a growing Nigerian private presence in such areas as organizing sales of frozen fish (the Ibru group), construction (the Modandola group), tire retreading, canneries, auto parts, beverages, plastics, and some textile manufacturing.[97] Most of this growth, moreover, was independent of state support,

95 An important exception is Tom Forrest, "The Advance of African Capital: The Growth of Nigerian Private Enterprise," in Frances Stewart, Sanjaya Lall, and Samuel Wangwe, eds., *Alternative Development Strategies in Sub-Saharan Africa* (New York: St. Martin's Press, 1992), 368–401.

96 See Alkasum Abba et al., *The Nigerian Economic Crisis: Causes and Solutions* (Lagos, Nigeria: Academic Staff Union of Universities of Nigeria, 1985).

97 Forrest, "Advance of African Capital."

with the possible exception of a few cases of indigenization. While none of this is a Hyundai or even a Tata, it does indicate growing sophistication in organizing production and remains one of the few hopeful signs for the future of Nigeria. What might have been achieved with the help of a supportive and effective state will never be known.

The real policy shift under the military government was, of course, the leadership of the public sector. During the flush years and beyond, nearly one-third of the GDP was annually "invested" by the government. Unfortunately, much of this was wasted and had no real long-term impact. First, substantial expenditures were made on "status" projects that were not productive investments, namely, parliaments, stadiums, theaters, and a new capital city, Abuja: The share of construction in the GDP increased from 5.8 percent in 1972 to 16 percent in 1980.[98] Aside from the dubious economic value of these projects, the industry itself was highly inefficient, with one estimate suggesting that the average cost of construction in Nigeria was some 200 percent higher than in Kenya.[99] Moreover, nearly 80 percent of all construction inputs, including cement, had to be imported, as government factories were unreliable suppliers.[100] Scarcities enabled numerous middlemen to rake in huge profits, contributing to cost inefficiencies. Moreover, when foreign exchange became scarce in the 1980s, numerous incomplete projects were abandoned because imported inputs were not readily available.

Overall, then, Nigeria's public sector investments were plagued by numerous problems, including poor planning, political interference, scarcity of managerial and technical personnel, heavy dependence on foreign technology, expertise, and inputs, and lots of old-fashioned corruption. Nigeria is a prime example of how statist development fails when an ineffective and incompetent state is at the helm.

Some examples will help to fill out the picture. Locational conflicts were always present in federal projects, as in steel. This resurfaced in the 1970s, and after numerous redone plans, delay, and political conflicts, five plants were opened in the late 1970s and the 1980s.[101] Planning was so poor that nearly all the inputs – including ore, machinery, and engineers – had to be imported, making the cost of Nigerian steel nearly double the world

98 Abba et al., *Nigerian Economic Crisis*, 60.

99 Ibid., 63.

100 Billy Dudley provides a great example of waste and governmental incompetence in importing cement. In 1973–74, the government ordered twenty million tons of imported cement, ten times more than Nigerian ports could readily handle. When nearly 450 ships had to wait to unload the cement for a prolonged period, the government shelled out $500,000 per day in demurrage charges. See Dudley, *Introduction to Nigerian Government and Politics*, 81.

101 These remarks on steel are based on Forrest, *Politics and Economic Development in Nigeria*, 151.

market price. Similarly, government-owned sugar and cement factories were plagued by poor planning: Ample sugar cane was not readily available and cement factories were located far from lime deposits, increasing the cost of production.[102]

Foreign consultants and foreign collaborators were omnipresent. Nigerian airlines was thus essentially run by KLM and Nigerian railways by Rail India. Projects would generally begin with paid foreign advisers, who in turn would bring in other foreign companies, until eventually even the day-to-day running of plants – especially technical supervision – was in the hands of highly paid foreigners. This was the real Achilles heel of Nigerian industrialization: very limited indigenous technological capability. Expensive factories and plants could indeed be made to run, but only so long as ample foreign exchange was available and highly paid foreigners could be retained. However, with the twin pressures first of indigenization and second of declining oil earnings, numerous start-ups ended in disarray, at least in part for lack of technical personnel.

One survey of the sugar, cement, and textile industries highlights the technical bottlenecks in Nigeria's public sector firms.[103] Technology-related problems reduced machine and labor productivity and raised the cost of production in the sugar industry. One of the two sugar factories surveyed performed better than the other, mainly because of a better in-house training program for technical personnel that prepared Nigerians to take over from expatriates. With proper training, Nigerians are thus fully capable of managing and operating their factories. In cement, the companies that performed better were those in which "technical partners" were also "investors," underlining the importance of finding the right incentives and creating technical capabilities. Textile firms generally performed well, but they were nearly all managed and operated by nonnationals.[104] The survey concludes that the "absence of experienced indigenous technical staff" has resulted in "much resource wastage and technological underdevelopment in the industrial sector."[105] This conclusion at the end of the 1980s reinforces the one also reached by T. O. Adeboye for the 1970s, namely, that the "federal government in manufacture" was a "weak entrepreneur," tending to produce at very high costs and incapable of absorbing new technology.[106]

Observers have noted that corruption "matured" during this phase, with senior military and civilian officials receiving direct deposits in foreign accounts of such a magnitude that senior officials even acquired private

[102] See John F. E. Ohiorhenuan and I. D. Poloamina, "Building Indigenous Technological Capacity in African Industry: The Nigerian Case," in Stewart et al., *Alternative Development Strategies*, 294–320.

[103] Ibid.

[104] Ibid., 302–6.

[105] Ibid., 307.

[106] Cited in Forrest, *Politics and Economic Development in Nigeria*, 140.

jets.[107] On a smaller scale, government-owned factories and other firms became arenas that the political elites manipulated for political advantage, leading to the appointment of loyal supporters to boards and to the provision of employment for members of one's community. Military governors in various states engaged in especially egregious behavior, using state resources such as parastatals as personal fiefdoms. We have seen that top army officers were in no position to discipline their second tier, and the civilian interregnum during 1979–83 came to be regarded as even more corrupt than the military regime, though perhaps this later corruption was simply more widely publicized.

Finally, in this continuing discussion of the Nigerian military governments as economic actors, we must note that oil wealth brought a massive increase in public expenditure on education. The education budget jumped some eightfold in the mid-1970s. Even during the austere 1980s, Nigeria continued to devote nearly 6 percent of total government expenditure to education (in contrast, say, to India's 2 percent). Universal, free primary education was introduced in the mid-1970s, state governments took over missionary-run secondary schools, and seven new universities were opened. Over the 1970s, student enrollment in universities quadrupled. This looks very impressive, but several important qualifications reveal that the economic impact of all this expenditure was not commensurate with the investment.

As measured by enrollment, the major impact of education was on primary education, especially in the north. Under the best of circumstances the economic impact of growing basic literacy will be manifest over the medium to long term. But the circumstances in Nigeria were not favorable. Many of the earlier mistakes – especially, lack of qualified teachers but also corruption and related underestimation of costs[108] – were repeated, leading to "a serious decline in the quality of education."[109] Indeed, the higher up one went on the education ladder, the less impressive were the gains. From the point of view of running and managing industry, the very small numbers of people with university, and especially technical, education continued to be a major drawback. Part of the problem here was, of course, the very low starting point. For example, while university enrollment between 1965 and 1985 grew fifteen times, still only 3 percent of university-age adults were enrolled in higher education in 1985, compared with 32 percent in

[107] Corruption is one of those subjects that everyone seems to know about but that is always difficult to document. Major scholarly sources on Nigeria nearly all agree on the widespread character of corruption in Nigeria, especially in the public sector. For a rare collection devoted exclusively to the subject of corruption in Nigeria, see Femi Odekunle, ed., *Nigeria: Corruption in Development* (Ibadan, Nigeria: Ibadan University Press, 1986). For an overview of corruption in the military government, see Dudley, *Introduction to Nigerian Government*, 112–20.

[108] On corruption in education, see Abba et al., *Nigerian Economic Crisis*, chap. 5.

[109] See Forrest, *Politics and Economic Development in Nigeria*, 148.

Korea, 11 percent in Brazil, and 7 percent in India.[110] The absolute numbers were also staggeringly low: For example, in 1980, only some 5,000 students were enrolled in engineering, compared with 164,000 in Brazil, a country of similar population.[111]

To sum up, the oil boom in Nigeria created an illusion of economic dynamism. For all the reasons already discussed, Nigeria missed a significant opportunity to transform oil resources into something more permanent, probably ending up worse off than when it started. The deeper causes of this economic failure were bad politics and Nigeria's relative underdevelopment in terms of national entrepreneurial and technological skills at the time of the oil boom. Since national capital was not in a position to respond to new opportunities and challenges offered by oil wealth, a domineering, military-run state decided to undertake numerous economic tasks directly. Unfortunately, the Nigerian state was also not up to the task, as we have discussed at length. Unlike the other states encountered in this study, the Nigerian state was thus a very poor entrepreneur, wasting resources and appropriating others for personal use. The little that was put to productive use was mainly in the hands of well-paid foreigners, an unsustainable arrangement. So, instead of real industrialization, the Nigerian state created a house of cards that crumbled just as soon as it was built.

IV. A Note on Structural Adjustment

In 1986 Nigeria entered into a loan agreement with the World Bank. This agreement, also endorsed by the IMF, broadly resembled the well-known package of IMF-recommended orthodox policy changes aimed at stabilization and structural adjustment. The Babangida government pressed these policies relatively vigorously for some five years but less consistently following a mini-oil boom in the early 1990s. After a decade of experience under the somewhat modified policy regime, the Nigerian economy had failed to halt the steady decline that began in the early 1980s, especially in manufacturing and industrialization. Whereas manufacturing had contributed some 8 percent of the GDP in 1980, by 1995 its share had declined to 5 percent. Industry as a whole (including manufacturing, mining, construction, and so on) also declined; the average growth rate between 1980 and 1995 was close to 1 percent. Per capita incomes of Nigerians dropped dramatically, from a high of some $800 in 1980 to $260 by 1995.[112] While these figures may

110 See Sanjaya Lall, "Structural Problems of African Industry," in Stewart et al., eds., *Alternative Development Strategies*, 138–39, table A4.5. The data for India are from World Bank, *World Development Report, 1991* (New York: Oxford University Press, 1991).

111 Lall, "Structural Problems of African Industry," 140–41, table A4.6.

112 All these figures are from World Bank, *World Development Report, 1997* (New York: Oxford University Press, 1997). Figures for manufacturing are on p. 236, table 12, for industrial growth on p. 234, table 11, and for per capita income on p. 214, table 1.

not always be accurate, this broad picture of steady decline in industry and income is unquestioned. What is debated vigorously instead are the causes of the decline and, relatedly, what ought to come next.

The brief discussion that follows is a comment on structural adjustment that reinforces the central argument developed above.[113] Throughout the discussion I have suggested that the roots of Nigeria's economic malaise are deep – having to do with the mutually reinforcing impact of an ineffective state and weak national capitalism – and not likely to be altered over the short term by any policy change. The implications may not be optimistic, but they help to explain why expectations engendered by the adoption of promarket policies in the mid-1980s have not borne fruit, certainly not over the short term.

Nigeria's balance-of-payment situation deteriorated as early as the first Obasanjo regime – before the oil prices took a dip – underlining the poor quality of policy management that created a highly import-hungry economy. Early efforts to devalue and introduce some fiscal austerity were reversed in response to political opposition. The same pattern continued under the civilian government of Shagari, even though oil prices had declined; the patronage needs of the civilian government were far too high and its legitimacy far too shallow to pursue difficult policies. Even the military governments that followed were reluctant to enter an agreement with the International Financial Institutions, in part due to nationalist sentiments of some senior decision makers, in part because they were not authoritarian enough to impose unpopular policies, and in part because of fluctuating oil prices and the hope that an upswing might be in the offing. Only when the debt service ratio climbed to nearly 40 percent in 1985 did the overwhelming sense of crisis precipitate some action – one of the main goals of the coup that brought Babangida to power was to satisfy international creditors. And it was that government that entered into an agreement with the World Bank in 1986 to secure foreign loans in exchange for changes in domestic policy.[114]

Over the next few years some significant policy reforms were implemented, some domestic but also some influencing external economic relations. The centerpiece of the reform was a devaluation that reduced the real value of the naira by nearly 60 percent over three to four years. Furthermore, import restrictions were relaxed and the indigenization decrees

[113] I do not attempt to assess the merits of structural adjustment policies in Nigeria. The neoliberal phase that many developing countries entered toward the end of the twentieth century is a subject that is beyond the scope of this study.

[114] For the following discussion on the structural adjustment program and its consequences, I draw mainly on Lewis, "Economic Statism"; Forrest, *Politics and Economic Development in Nigeria*, chaps. 10 and 11; and Olukoshi, "Political Economy of the Structural Adjustment Programme." I also consulted official Nigerian government and World Bank documents but have relied less on them due to their partisan nature.

that applied to foreign investments were scaled back, creating a more welcoming environment for MNCs. On the domestic front, the government cut demand by implementing a wage freeze and sought to shrink public expenditures. As labor and some other interest groups opposed these moves, the government itself became more repressive but also more cautious in implementing policy changes, with the result that attempts to remove subsidies, trim the bureaucracy, reform the parastatals, and privatize public sector firms proceeded haltingly. Sensing that a transition to democracy might be around the corner, even these halting efforts were more or less abandoned when oil prices increased in 1991. Nevertheless, given the growing size of the foreign debt, many of the external economic policy reforms were kept in place.

It is difficult to assess the impact of these policy shifts, because only some shifts were real and because the economic malaise was fairly serious both before and after they were instituted. Economic growth and industrialization are also long-term processes. Devaluation of the naira was long overdue, and it is likely that a favorable impact will be seen over time in terms of increasing agricultural production (by shifting terms of trade) and in terms of reducing the overwhelming dependence on imports, especially industrial inputs. Devaluation did not, however, engender any significant diversification or growth of exports; oil remained by far the single most important export. This failure of a supply response underlines the weakness of domestic manufacturing, especially private sector manufacturing. Foreign investors also generally stayed away for a variety of reasons: Declining tariffs and declining demand made the Nigerian market less attractive, and there were numerous other new countries with cheap, readily available, and better-trained workers, stable economic policies, and decent infrastructure. Without new exports and new foreign investment, Nigeria's capacity to repay its foreign debt remained limited to its oil earnings. As these fluctuated, so did the debt service ratio. With continued rescheduling and further borrowing to pay back the debt, the size of the debt continued to grow unabated: from some twenty to thirty-five billion dollars between 1985 and 1995, or from some 50 percent of the GDP in the mid-1980s to some 140 percent of the same by the 1990s.

Most important from the standpoint of this study was the impact of the new policy regime on industrialization, especially on manufacturing. It is important to reiterate that manufacturing had gone into a tailspin well before the adoption of structural-adjustment policies. When oil prices declined in the early 1980s, numerous imported inputs became difficult to obtain, and the heavily import-dependent industries deteriorated sharply: Tobacco companies could not import filter tips and wrapping paper; cement factories were short of paper sacks; milk factories could not readily market their product without imported cartons; and even the generally better functioning textile industry suffered due to the scarcity of imported cotton.[115] Consequently, manufacturing output plummeted nearly 50 percent in the first half of the 1980s. Any fair assessment of the impact of the modified policies on industry must thus ask whether they were able to halt or reverse the decline. This is a difficult task because industrial restructuring that uses more domestic materials is a time-consuming process, and the results may not be evident for some time.

While there was growth and restructuring in some areas,[116] the overall picture was one of steady decline and deterioration. Manufacturing, for example, contributed a meager 5 percent of the GDP by 1995. New foreign investment remained limited. Starved of funds and imports, the already inefficient public sector enterprises were hit the hardest and continued to operate way below capacity. It was not obvious that privatization could solve such problems, at least in part because there were no ready buyers. The northern-controlled government was loathe in any case to push privatization too far because the main buyers would be southerners. Some Nigerian entrepreneurs have managed to grow, even though the overall environment has not been enabling: Infrastructure and a variety of potential public supports have deteriorated; overall demand in the economy has been low; managerial and technical capabilities remain scarce; and it has become much harder to import these as well as other production inputs. Significant capital has simply gone elsewhere. Peter Lewis's conclusion is worth noting: "The SAP [Structural Adjustment Program] has failed to induce a significant response. Non oil sectors of the economy have displayed an anemic performance, and adjustment has fostered deindustrialization in import-intensive activities."[117]

The modest conclusion that seems beyond debate is that the new policy regime has repeated the performance of the old policy regime in failing to facilitate growth of manufacturing and industry. This disappointing outcome, in turn, focuses attention on the deeper and longer-term problems afflicting the Nigerian economy, namely, a weak private sector, low technical skills, and most important, an ineffective, neopatrimonial state.[118] Sanjaya Lall's argument for sub-Saharan Africa as a whole certainly has resonance in Nigeria. He suggests that, beyond the right incentives, what also impedes industrialization are capabilities (both entrepreneurial and technological)

[115] These examples are from Abba et al., *Nigerian Economic Crisis*, 53–54.

[116] For example, see Forrest, *Politics and Economic Development in Nigeria*, 219–20; and Lewis, "Economic Statism," 447.

[117] Lewis, "Economic Statism," 447.

[118] For a discussion of how political changes under Babangida and beyond failed to make a dent into the nature of the state, see Larry Diamond, Anthony Kirk-Greene, and Oyeleye Oyediran, eds., *Transition without End: Nigerian Politics, and Civil Society under Babangida* (Boulder, Colo.: Lynne Rienner, 1997). Especially relevant are the introduction by Larry Diamond et al., the chapter on the civil service by Ladipo Adamolekun, and the chapter on the military by J. 'Bayo Adekanye.

and institutions (many of which may be provided by more effective states).[119] Similarly, and more specific to the Nigerian case, Lewis's causal diagnosis of why the halfhearted structural adjustment program in Nigeria failed is consistent with the theoretical themes of this study: "The Nigerian state has failed to provide the institutional underpinnings and economic inducements for productive accumulation."[120] And finally, when Tom Forrest emphasizes the state's "weakness, instability, and lack of direction" as central to Nigeria's continuing economic problems, he, too, provides support for the overall thrust of the present argument.[121]

V. Conclusion

The political economy of sovereign Nigeria constitutes a sad and tragic story. In spite of immense natural resource–based wealth, common Nigerians are probably not much better off early in the twenty-first century than they were at the time of independence. Failure to sustain economic growth, especially in manufacturing and industry, has been an important ingredient of this overall failure. Among the important underlying causes are the mutually reinforcing impact of a fairly backward economy and society at the time of independence, on the one hand, and the role of a neopatrimonial, ineffective state on the other hand. Compared with the other cases discussed in this study, Nigeria's starting point for deliberate industrialization was the least favorable: The level of industrial development at the time of independence was very low and industry was mostly in the hands of foreign firms; the stock of experienced national entrepreneurs was meager; the level of technology and technical competence in the society was underdeveloped; and the working class was not very productive. If history were destiny, however, no underdeveloped country would ever get out of its low-level equilibrium. Since some have and others have not, this study has emphasized the direct and indirect developmental roles played by respective national states. Unfortunately for Nigeria, the problems of relative backwardness were compounded by those of an ineffective state.

Nigeria was simply not much of a state. Behind the façade of a modern state was a personalistic and ethnically fragmented political elite and a bureaucracy and army that not only shared these traits but were also not very competent and professional. These traits were inherited from the colonial period, and the rulers of sovereign Nigeria failed to alter them. Given a weak nationalist movement, the political elite bickered openly about the relative gains of their respective communities and quietly amassed personal

[119] See Lall, "Structural Problems of African Industry," in Stewart et al., *Alternative Development Strategies*, 103–44.

[120] Lewis, "Economic Statism," 438.

[121] Forrest, *Politics and Economic Development in Nigeria*, 256.

wealth. When the civilian regime came apart, the military rulers also failed to reform the state. While a more centralized national state was indeed created, the old personalistic and patrimonial tendencies were only accentuated. Military rulers generally hailed from the north, where any sense of nationalism that might place the public interest over private gain was quite weak. Military officers, exhibiting low levels of competence and professionalism, plundered the state while letting the civil servants do most of the policy making and implementation. Even if the civil servants were slightly more competent – especially at the highest levels – they were suspect because many were southerners. And the rest were not immune to the problems of personalism, ethnic favoritism, low levels of professionalization, and corruption.

This neopatrimonial state lacked both the vision and the organizational capacity to promote development. These failures were evident both in state interventions that might influence medium- to long-term economic changes and in short- to medium-term developments. During the period under discussion Nigeria's development strategy shifted from an open economy to a mild form of nationalist import substitution to forced austerity within the same model and, finally, to a halfhearted acceptance of structural adjustment policies championed by international development institutions. Policy shifts were unstable and reactive, mainly driven by circumstances, especially fluctuations in the price of oil.

Lacking a long-term vision, economic actors were subjected to inconsistent incentives. Foreign investors were first tolerated, then discouraged, and finally invited. The government did little to strengthen domestic capitalism over the medium to long term: There were no high-quality business or engineering schools; no or little pressure on foreign firms to train local businessmen; little effort to train and organize a productive working class; and a shifting government attitude toward national business, from lack of confidence to antibusiness to lukewarm attempts at support. And finally, when rich with oil income, much of the money was pumped into the public sector and directed at public projects that rarely reached fruition. Waste and corruption were the order of the day, as most public sector projects operated at a loss and required continuous government subsidies.

With profound weaknesses in the domestic economy, the government came to depend on foreign investors and imported goods – both for consumption and as inputs to last-stage-assembly type of production – to meet the growing demand fed by oil. Short-term mismanagement of such policies as exchange rates further encouraged dependence on imported inputs, a pattern that could be maintained only as long as oil prices stayed high. When they declined, the political capacity to cut back on imports and public expenditures was lacking, leading to an even more serious crisis. Eventually, the state had to bow to the demands of its creditors, slowly paying the debt but again, without much to show for it in terms of national economic development. The combined weaknesses of domestic capitalism and of a neopatrimonial state continued to undermine economic growth, in industry in general and in manufacturing more specifically.

Finally, a few broader comparative observations may be in order. Nigeria's model of development was quite dependent on external resources and expertise. Viewed only on the dimension of relative dependency, Nigeria followed a path that was more akin to the one adopted by Brazil than to the much more nationalist routes pursued by South Korea and India. As in the case of Brazil, Nigeria fell into the debt trap once external resources dried up. However, Brazil used its external dependencies much more effectively than Nigeria and industrialized rapidly for decades. South Korea's and India's relative autonomy from, say, foreign direct investment is also associated with very different rates of industrialization. Clearly, based on the cases examined here, it would be difficult to claim whether greater capital integration into the global economy is an asset or a liability for national development efforts. When viewed comparatively, the Nigerian evidence does not lend itself to a dependency type of analysis.

If the developmental inefficacy of the neopatrimonial state is the main causal variable in Nigeria's dismal economic performance, what might one learn from situating the empirical analysis in a comparative context? Nigeria's ethnic heterogeneity is often blamed for the political fragmentation and subsequent ineffectiveness. The contrast with India on this point is revealing. India has managed its ethnic diversities much better than Nigeria. Why? A critical variable was the inheritance of a relatively centralized state in India, an inheritance that enabled leaders such as Nehru to make concessions to active minorities without raising the specter of the national state itself coming apart. Decentralizing concessions within the frame of a centralized state were possible in India but not in Nigeria. Concessions in the latter threatened the already fragile state, and further repression only heightened the alienation of excluded groups rather than creating a more genuine centralized state. Once again, then, the different legacies of colonialism and of related nationalist politics loom more significant as causal variables than do any givens of Nigerian society.

Last, one may ask why even a military government failed to create a more effective, developmental state. The contrast with Brazil is instructive. If the Brazilian military could move the Brazilian polity in a more effective, cohesive-capitalist direction, why could not the military in Nigeria do the same? Obviously, the societies were of different types, but, more important, the contrast between the two militaries itself was of great significance. The Nigerian military was considerably less professional than the Brazilian one and thus reflected many problematic attributes of Nigerian society, such as ethnic divisions, strong loyalties to kith and kin, and the shared belief that the main purpose of the state was to pursue personalistic and sectional interests. Once in power, the militarized state in Nigeria was thus incapable of rising above the society it hoped to transform and of meeting that challenge. Whether ruled by civilians or by the military, and whether ruled more or less democratically, the main features of the Nigerian state thus remained neopatrimonial, contributing to Nigeria's long-term developmental failures.

Conclusion

Understanding States and State Intervention in the Global Periphery

This study has sought to explain why some developing countries have industrialized more rapidly and with more success than other developing countries. There is clearly more to development than industrialization, however. A successful program of development also ought to aim at strengthening a country's agriculture, alleviating poverty, improving income distribution, enhancing political security and civil liberties, and building capabilities that enable individuals and groups to live meaningful lives. Nevertheless, industrial societies are generally wealthier than agricultural societies, so it is not surprising that all leaders of developing countries seek, as well, to build new industry. Yet some peripheral countries have progressed further than others in achieving this goal. How does one best explain the relative success of some late-late industrializers vis-à-vis others?

The answer developed in this study has emphasized the state's role in both promoting and hindering industrialization, while conceding some important qualifications. A variety of other factors have also influenced the rates and patterns of late-late industrialization. Such factors include conditions of the global economy, the functioning of national markets, the role of indigenous entrepreneurs, and differing "starting points," including the availability of knowledge and technology. Second, it has struck me on more than one occasion that the relationship between states and economic development also runs in the opposite direction, with some minimal level of development probably necessary for the construction of modern states. And finally, I am aware of the limitations of the comparative case studies as a method of analysis – neither doing justice to the complexity of individual countries nor analyzing a large enough sample of cases to facilitate statistical results.

Setting aside such doubts for others to pursue, the proposition that seems to fit the puzzle of relative success in late-late industrialization best, both over time and across cases, is that some states have simply proved to be more effective agents of economic development than others. The burden of the discussion above has been first to demonstrate this thesis in select cases, then to describe what constitutes more or less effective states, and, even more important, to explain why some parts of the global periphery acquired such states but others did not. Having presented the detailed empirical materials, I now take stock of what this all adds up to and tease out the implications.

The conclusion is organized in three parts. First, I examine a number of alternative explanations for the greater or lesser success evidenced in late-late industrialization. I then revisit the statist argument developed in this study, reexamining and summarizing the core logic and offering some necessary qualifications. This second part focuses on varying developmental pathways: Why and how did the differing parts of the global periphery acquire their varying state types and how did these, in turn, mold the patterns of industrial transformation? The final section is devoted to generalizing about the nature of state construction and state intervention in the developing world, with a discussion of some normative and prescriptive implications that follow from the study.

I. Alternative Explanations

The transformation of societies from agrarian to industrial political economies has always attracted scholarly attention. For example, the issue of why Western European countries and not others industrialized first has generated numerous contentious propositions. These vary anywhere from Max Weber's emphasis on the religious underpinnings of early capitalism to more proximate economic explanations based on relative per capita incomes, rates of savings and investments, and the availability of technology, all the way to an emphasis on class structures and/or on dependency and imperialism that argue that such gains came at the expense of colonizing and exploiting the nonindustrial world. More recently, it has become clear that there is considerable variation even within the non-Western world. This growing sensibility has reignited new scholarly debates: Why is East Asia industrializing more rapidly than, say, sub-Saharan Africa, or why should a country like Brazil or India not be able to imitate a country like South Korea?

Before resummarizing the answer developed in this book, we review some alternative explanations. Four sets of such explanations have been forcefully advanced by other scholars or otherwise struck me as eminently plausible. These explain the puzzle of greater or lesser success in industrialization with reference mainly to one of the following: the role of social structure, including culture; the significance of ruling regimes, especially that of democracy versus authoritarianism; the importance of free-market conditions; and the degree of dependence on the global economy. I reject only some of these alternative explanations on the grounds of insufficient evidence or unpersuasive logic. For the rest, the real issue is one of proximate causation.

A suggestion, for example, that some developing countries have industrialized more rapidly because of higher rates of investment is not so much wrong as it is unsatisfying because it begs the question of why the investment rates were higher. Such proximate explanations are not so much rejected in this study as they are incorporated into a more complex analysis in which political variables turn out to be the deeper causal variables.

Social Structure

That social structural or societal conditions vary across developing countries and that these variations in turn influence development patterns are important claims. What is really doubtful, however, is that one can build a full and parsimonious explanation for late-late industrialization around such variations. Let us consider at least one characteristic of the premodern social structure, namely, the role of landowning agrarian classes, and several aspects of the more modern social structure that one might expect to have an impact on industrialization, namely, the role of indigenous entrepreneurs, the work ethic of the laboring class, and levels of education in society.

It was Barrington Moore, Jr., who identified the commercialized landed classes as a key force in the turn of premodern agrarian bureaucracies toward a democratic pathway to a modern, industrial society.[1] While some such tendencies are mildly noticeable in the cases discussed above, on the whole the landed agrarian classes turn out to be neither major political nor major economic actors in the drama of late-late industrial transformation. Brazil was the only case where the commercialized coffee oligarchy was a powerful force early in the twentieth century, but its political contribution was hardly democratic and it slowly lost to the centralizing state after 1930 the capacity to influence economic matters. Traditional large landowners lost out in both Korea and India around midcentury, with very different political consequences; the absence of such classes may well have enabled state elites to push their industrializing agendas. Nigerian traditional elites – who are really not landowning classes in the European or Asian sense of that term – survived well into the modern period and may well have been a hindrance to state consolidation, democracy, and industrialization. Even in Nigeria, however, the basic drama of developmental direction was molded by the "new men," including the military. In general then, the twentieth century was too late in history for landowning classes to play the central role that Barrington Moore, Jr., identified in earlier periods. The model of centralized states had by now spread from Europe to the global periphery, and from the mid-twentieth century onward, it was the state elites who commanded economic change.

[1] See Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy* (Boston: Beacon, 1966), esp. chap. 7.

Turning to the more modern aspects of the social structure, I was often struck by the fact that the presence or absence of a sizable group of indigenous entrepreneurs might be of major independent significance for the rates and patterns of late-late industrialization.[2] This was especially so because the origins of entrepreneurship prior to the mid-twentieth century had varying roots and could not readily be reduced to state actions. Thus, for example, while indigenous entrepreneurs in Korea were indeed fostered by the colonial state, their significance was also enhanced by the nationalization of colonial firms and by the civil war that led to their concentration in the south. Early entrepreneurs in Brazil were generally immigrants. Indigenous entrepreneurs in India, who had their origins in such minority communities as Parsis, used their commercial and trading traditions to enter manufacturing in the far reaches of the British empire, where the impact of the colonial state was weakest. Nigeria, by contrast, emerged from colonialism without many indigenous entrepreneurs.

This absence of indigenous entrepreneurs was an important part of the Nigerian story of failed industrialization during the second half of the twentieth century. By contrast, South Korea, Brazil, and India, having inherited a respectable stock of national entrepreneurs, went on to industrialize more or less impressively thereafter. Could one then construct a more general explanation of success in late-late industrialization around the independent variable of national entrepreneurship? For several reasons the answer is probably no. First, since South Korea, Brazil, and India all inherited a respectable stock of national entrepreneurs, the differential performance of these countries in subsequent decades would be difficult to explain in terms of the variable of entrepreneurship. Second, and relatedly, it is clear in all the cases discussed above that state policies were a factor in the further development of national entrepreneurship: highly supportive in the case of South Korea, generally supportive but leaning more in the direction of foreign enterprise in the case of Brazil, reluctantly supportive in India, and obstructive and mutually corrupt in the case of Nigeria. And finally, there is an important conceptual issue: The level of entrepreneurship in a society ought to be treated more as a proxy for – or as an indicator of – the level of business and industrial development than as its cause.

The issue of the work ethic and productivity of the working class can be set aside quickly because, despite its importance for industrial output, in all cases it was socially constructed, either by corporations or by state structures and policies. This was most clearly the case in South Korea, where a

[2] Following Max Weber, Joseph Schumpeter emphasized the importance of entrepreneurship for capitalist industrialization. See Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1950). Subsequently, the interest in entrepreneurship as a possible variable in late-late development has waxed and waned, probably deserving more attention than it has received in recent years.

cohesive-capitalist state building on colonial traditions provided the framework for on-the-job training, job security, repression, and the nearly warlike mobilization of labor to create a highly productive work force. The Brazilian state also imposed corporatist control on workers, but, in contrast to South Korea, the aim was more often depoliticization rather than productivity-oriented socialization and mobilization. The context of a fragmented-multiclass state in India encouraged a highly politicized labor force that never amounted to a cohesive political force, so it contributed neither to productivity nor to social democracy. And finally, nothing highlighted the developmental ineffectiveness of the neopatrimonial state in Nigeria better than the inability even of military dictators to penetrate downward and tame a relatively small working class.

Variations in levels of education across societies are deeply consequential for late-late industrialization because they influence not only the productivity of the work force but also the capacity to absorb existing technology and to innovate.[3] This relationship is well evidenced in our cases, especially at the more extreme ends of economic performance. Since an educated population is also desirable from the standpoint of liberal values, one is tempted to highlight education as an important independent variable. This may be misleading, however. First, as evidenced in South Korea, the type of education that enhances individual freedoms may not be the same as that which promotes discipline and improved productivity. Second, as is apparent in both Brazil and India, a focus on higher education can have considerable economic payoffs, even if only after a significant time lag. Third, the Nigerian case underlines the fact that public spending alone is not a reliable guide to how well educated a society's population is likely to become. And fourth, and most important, levels and type of education across cases were deeply influenced by state attitudes and policies.

It is obvious that variations in societal conditions across developing countries influence economic activities. But the real issue is whether one can build parsimonious and satisfactory explanations for patterns of late-late industrialization around such variations. And about this there is real doubt, mainly because most economically relevant societal conditions are themselves regular objects of state policies. Evidence thus suggests that such conditions as density of entrepreneurs, labor's work ethic, and levels of education have been successfully and regularly altered by state intervention; the analytical focus therefore needs to shift to variations in the patterns of state intervention itself. Of course, there are other aspects of the social structure – such as ethnic heterogeneity, patterns of authority in the society, levels of associational life and mobilization, and the development of social classes

[3] Different aspects of this theme, for example, are emphasized in A. K. Sen, *Development as Freedom* (New York: Knopf, 1999); and Alice Amsden, *The Rise of the "Rest": Challenges to the West from Late-Industrializing Economies* (New York: Oxford University Press, 2001).

more generally – that are economically relevant because they influence the functioning of the state itself. States, after all, mold their own societies and are molded by them. I return to some such issues below.

Democracy versus Authoritarianism

Is it possible to explain the extent of success in late-late industrialization with reference to the regime type of a developing country – whether a democracy or a dictatorship? While the answer developed in this study is clearly no, the issue merits further discussion, both because the theme is a popular one[4] and because the bare logic of the argument, namely, that patterns of state authority have an impact on economic processes and outcomes, is quite similar to the one underlying the argument of this study. First, the evidence. There is little in the four case studies above that would lead one to conclude that there is any generalizable relationship between regime type and industrial growth. Brazil, for example, was governed democratically between 1945 and 1964, first growing handsomely and then entering a period of crisis. Democratic India's industrial growth was satisfactory in the 1950s, was fairly poor in the 1960s and the 1970s, and then recovered to respectable levels in the 1980s and the 1990s. Conversely, authoritarian South Korea and Brazil may have industrialized rapidly, but authoritarian Nigeria did poorly. It would seem, then, that the gross categories of democracy and dictatorship are inadequate for systematically tracing the impact of regime types on economic outcomes. This comparative case study finding is moreover consistent with the recent findings based on more aggregate quantitative data.[5]

Moving beyond the grossest categories of democracy and dictatorship, the case studies underline that there is considerable variation within both categories and that it is these variations that can be economically consequential. Thus, for example, highly politicized democracies in India under Indira Gandhi and in Brazil under Quadros and Goulart hurt economic growth. As analyzed above, the underlying reasons were that both intraelite and elite-mass conflict in these societies increased during these periods, bringing class politics to the fore. Leadership priorities in such circumstances were directed more at political management than at economic growth and were evidenced in radical mobilization strategies that discouraged investment and investors. By contrast, narrower, more elitist democracies that shared some characteristics of cohesive-capitalist states, such as Nehru's India and Kubitschek's Brazil, set economic growth as a goal and oversaw satisfactory rates of industrialization. However, the fact that Nehru's socialist ideology

4 A good review of some of this literature is in Adam Przeworski and Fernando Limongi, "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7 (Summer 1993): 51–69. See also Adam Przeworski et al., *Democracy and Development: Political Institutions and Material Well-Being in the World, 1950–1990* (Cambridge: Cambridge University Press, 2002).

5 See Przeworski and Limongi, "Political Regimes and Economic Growth."

discouraged foreign and domestic private investment, whereas Kubitschek and others in Brazil openly encouraged private capital, further underlines that even narrow, elitist democracies are not necessarily homogeneous.

The economically consequential variations within the so-called authoritarian regimes were even more stark. Looking beyond the subtle but important distinctions between South Korea under Park Chung Hee and Brazil under military rule, we find that the dramatic contrast in the capacity to facilitate economic development is between the military regimes in Nigeria and those in Brazil. Thus, Nigerian rulers were personalistic, Brazilian rulers were not; Nigerian rulers did not prioritize economic growth as a state goal, Brazilian rulers did; Nigerian rulers were unable to mobilize domestic and foreign capital to undertake industrial investments, Brazilian rulers were successful; public sector investments in Brazil were considerably more efficient than in Nigeria; and Brazilian military rulers controlled the workers much more successfully than their counterparts in Nigeria. We must conclude therefore that there is no a priori reason whatsoever for lumping such disparate regimes as the Brazilian and Nigerian military states into one category labeled "authoritarian."

In fact, both democratic and authoritarian regimes in the same country may share important traits. Thus both democractic and authoritarian regimes in Nigeria shared economically consequential traits – both were personalistic and neopatrimonial – just as Brazil's nominal democracy in the 1950s and the subsequent military regime shared consequential traits – both were governed by narrow developmental coalitions that prioritized economic growth, mobilized private capital, and excluded the working class. Given such underlying conceptual realities, it is no surprise that attempts to generalize about the impact of democracy or authoritarianism on economic growth have remained inconclusive.

Is it possible then to conclude that a developing country's status as a democracy or as authoritarian has no bearing on that country's economic processes and outcomes? Such a conclusion would necessarily be based on limited available knowledge and would therefore be an overstatement. The comparative case study materials discussed above suggest that some subtle but important relationships merit further investigation. For example, all the cases of really rapid industrialization tended not to be democratic. Moreover, if one looks at other developing country cases of very rapid economic growth that are not examined in this study – such as Taiwan, post–Cultural Revolution China, and maybe Malaysia and Mexico in some periods – one is struck by the absence of democracy. A variety of underlying reasons may help to explain this correlation, such as the state's need to maintain narrow economic priorities and/or a narrow ruling coalition, to control the working class, and to create a probusiness environment. A more limited hypothesis then may hold up, namely, that certain types of authoritarian states, conceptualized in this study as cohesive-capitalist states, are conducive to rapid industrialization. To the extent that it is hard to imagine how cohesive and disciplined capitalist development could be pursued within the frame of underinstitutionalized democracies – the type of democracy most commonly found in the developing world – it may also be the case that authoritarianism turns out to be a necessary but not a sufficient condition for rapid industrialization in the developing world.

Democratic regimes, too, may have some discernable impact on late-late industrialization that may be drowned out in aggregate studies. The comparative analyses above lead one to suspect that democracies in developing countries are likely to be middling economic performers, at least as long as states remain highly interventionist. Given that this is only a peripheral theme of this study, a brief comment will suffice.[6] Democracies in developing countries are likely to be fragmented-multiclass states that exhibit a considerable gap between political ambitions and promises, on the one hand, and limited capacity to fulfill these goals, on the other hand. This gap, in turn, reflects the difficulty faced by ruling democracies in trying to reconcile the nearly contradictory roles of representing and leading their respective societies, especially when they seek to transform their societies rapidly. Political parties are one set of institutions that, if well developed, may bring together leaders and citizens in coalitions that can help to reconcile their tension-riddled roles of representation and developmental leadership. But political parties in developing countries are generally weak, so leaders tend to make excessive promises to shore up political support. Once in power, however, they find themselves constrained, leading to simultaneous but halfhearted pursuit of multiple goals and a lack of long-term coherence and consistency in policy. While numerous factors contribute to how well an economy may perform in such circumstances, the political context of underinstitutionalized democracies does tend to exclude the "rate busting" performances of South Korea under Park Chung Hee or the "miracle" of a Brazil under military rule.

The Role of Markets

The most serious challenge to the statist argument for late-late industrialization developed in this study comes from the promarket argument, namely, that the free play of market forces best explains why some countries industrialize and grow more rapidly than others. The promarket position is of course articulated at varying levels of sophistication, from popular media to policy advocacy to scholarly theoretical and econometric studies. The *New York Times* summarized the "standard" but popular version: "A nation that

[6] I have developed this theme in somewhat greater detail elsewhere. See Atul Kohli, "Democracy in Developing Countries," in Atul Kohli, Chung-In Moon, and George Sorensen, eds., *States, Markets and Just Growth: Development in the Twenty-First Century* (Tokyo: United Nations University Press, 2002), 39–63.

opens its economy and keeps government's role to a minimum invariably experiences more rapid economic growth and rising incomes."[7] Behind the popular view lie important policy documents that seek to propound and legitimize these views.[8] And at a yet deeper level are numerous scholarly studies considered to be a part of the neoclassical revolution that was said to have swept away the old development economics. These studies generally criticized import-substitution strategies, sought to establish the superiority of export-oriented growth, and argued more broadly that state intervention in the economy led more to rent-seeking, corruption, and various distortions than to growth or development.[9]

These are serious arguments that are widely endorsed. How well do they stand up to select comparative and historical materials? It is possible that I have misunderstood or misrepresented the country cases discussed above. It is also possible that examination of additional cases would lead to different conclusions. However, the empirical materials that underlie this comparative analysis raise serious doubts about the general validity of such arguments. Shorn of numerous complexities, two claims are central to this neoclassical body of literature: first, the outward-orientation claim, namely,

7 *New York Times*, February 9, 2002, p. 1. The reporter suggested that this view was shared by most business executives and government leaders attending the World Economic Forum in New York City in February 2002.

8 See, for example, World Bank, *Development Report* (Oxford University Press, 1987 and 1991). The bank argued that "outward-oriented" and "market friendly" development strategies were superior. For one of many critiques, see Robert Wade, *Governing the Market* (Princeton: Princeton University Press, 1990), chap. 1. Another important essay that summarizes the Washington consensus, or the prevailing orthodoxy shared by Washington policy circles on how to pursue development, is John Williamson, "The Emergent Development Policy Consensus," in Michael R. Carter, Jeffrey Cason, and Frederic Zimmerman, eds., *Development at a Crossroads: Uncertain Paths to Sustainability after the Neoliberal Revolution* (Madison: Global Studies Program, University of Wisconsin, 1998), 33–46. A sharp recent critique of the Washington consensus by a policy insider is Joseph Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002).

9 An incomplete list of some of the more influential such statements would include: Ian M. D. Little, Tibor Scitovsky, and Maurice Scott, *Industry and Trade in Some Developing Countries: A Comparative Study* (London: Oxford University Press, 1970); Bela Balassa, "Trade Policies in Developing Countries," *American Economic Review* 61, Papers and Proceedings (1971): 178–87; Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* 64 (1974): 291–303; Deepak Lal, *The Poverty of "Development" Economics*, Institute of Economic Affairs (London: Hobart Paperback no. 16, 1983); Jeffrey Sachs, "External Debt and Macroeconomic Performance in Latin America and East Asia," *Brookings Papers on Economic Activity* 2, no. 2 (1985): 523–73; and Jagdish Bhagwati, "Rethinking Trade Strategy," in John P. Lewis and Valeriana Kallab, eds., *Development Strategies Reconsidered* (New Brunswick, N.J.: Transaction Books, 1986), 91–104. Two good critical reviews of this literature that question the "truth" value of many of the claims are Helen Shapiro and Lance Taylor, "The State and Industrial Strategy," *World Development* 18, no. 6 (1990): 861–78; and Paul Krugman, "Cycles of Conventional Wisdom on Economic Development," *International Affairs* 72 (1996): 717–32.

that greater openness and competitiveness in the economy generates higher rates of production growth via more efficient allocation of scarce resources; and second, the laissez-faire claim, namely, that state intervention in the economy necessarily generates distortions that hurt economic growth. Both claims are plagued by empirical and logical problems.

As to the claim that an outward orientation is superior, numerous quantitative studies have marshaled supportive evidence, but others have raised serious questions about the quality of this aggregate evidence.[10] This leaves considerable room for comparative case studies employing a political economy orientation to take up a position in the debates. Some of the country-specific evidence examined above could be construed as supportive of the outward-orientation claim, but a fair amount of the evidence turns out to be either more complex and ambiguous or downright contradictory. For example, the association between equilibrium exchange rates, rapid export growth, and rapid industrial growth in the South Korean case (say, during the 1960s and the 1970s) could be construed as supporting evidence. A closer examination, however, reveals layers of complexity. Devaluation in South Korea, for example, was far from sufficient to spur exports; rather, numerous state supports, including subsidies, were needed to make exports globally competitive. The causal direction of change was not simply from exports to growth. Rather, a careful tracing of historical processes suggests that a variety of other factors, including well-designed state interventions, were responsible for promoting cost- and quality-efficient production that then facilitated exports.

The historical materials also reveal two more serious problems with the case for the superiority of an outward orientation. First, as others have also noted, import substitution and export promotion turn out not to be mutually exclusive development strategies.[11] Both South Korea and Brazil, for example, simultaneously pursued import substitution and export promotion in the 1970s, with considerable success. Instead of juxtaposing countries along the dimension of relative openness, it therefore makes just as much sense to analyze why countries such as South Korea pursued both import substitution and export promotion successfully, whereas others such as Nigeria attempted and failed at both. And second, a simple but inescapable

[10] The "first generation" studies were critiqued in Sebastian Edwards, "Openness, Trade Liberalization, and Growth in Developing Countries," *Journal of Economic Literature* 31, no. 3 (September 1993): 1358–93. A more recent critique is Francisco Rodriguez and Dani Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence," in Ben Bernanke and Kenneth S. Rogoff, eds., *Macroeconomics Annual 2000* (Cambridge: MIT Press for NBER, 2001).

[11] This was noticed fairly early on by Colin Bradford, "Policy Interventions and Markets: Development Strategy Typologies and Policy Options," in Gary Gerefi and Donald Wyman, eds., *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia* (Princeton: Princeton University Press, 1990), 32–54.

fact that comparative historical analyses have brought home has even more serious implications for the validity of the outward-orientation claim: In all the cases examined above, industrial development began and flourished, especially early on, only when the national economy enjoyed some protection from the global economy.

The neoliberal understanding of the state's role in the process of development, an understanding that leads to a preference for laissez-faire, is even more seriously flawed. There is no doubt that states in some parts of the developing world are grossly corrupt and use state intervention mainly for the self-enrichment of the ruling elite. Nigeria was the clearest such case. At the same time, however, there are hardly any significant examples in the developing world, now or in the recent past, where industrialization has proceeded very far without state intervention. The underlying reason is simple but powerful: Private investors in late-late-developing countries need organized help, help that effective states are most able to provide to overcome such obstacles as capital scarcity, technological backwardness, rigidities in labor markets, and to confront the overwhelming power of foreign corporations and of competitive producers elsewhere. The cases of Korea, Brazil, and India all exemplify this proposition. Specifically, none of the more measurable aspects of state intervention (for example, government expenditure as a proportion of the GNP, public investments, or public sector production; see Table 1) varied in any systematic way with production performance in the cases analyzed above. More quantitative studies have also reached similar conclusions.[12] The general claim that less state intervention is better for economic growth in developing countries is thus hard to sustain. Instead, a central proposition that fits the comparative evidence examined above is that state intervention in more or less successful industrializers varies, not so much by quantity as by type and quality. It is therefore patterns of state intervention in the economy that are key to explaining successful late-late development.

Before leaving this discussion on the role of free markets, I reiterate that what is found wanting here are some of the more extreme arguments and not the more sensible positions that simply underline that governments must respect economic logic to achieve such goals as sustained industrial growth. Thus, when such populist leaders as Indira Gandhi in India or Goulart in Brazil violated economic fundamentals and jeopardized macroeconomic

[12] See, for example, D. A. Aschauer, "Is Public Expenditure Productive?," *Journal of Monetary Economics* 23 (1989): 177–200. Aschauer actually finds a positive relationship between public investment and growth. My claim by contrast is relatively limited; I am not arguing that "more" is better but rather that the main issue is the quality of state intervention and not its quantity. For skepticism that is more consistent with the tone of my argument, see D. Renelt and R. Levine, "A Sensitivity Analysis of Cross-Country Growth Regressions," *American Economic Review* 82, no. 4 (1992): 942–63. I am indebted to Jonathan Krieckhaus for bringing these pieces to my attention.

stability, economic growth suffered. More important is the point that private investment responds to the profit motive, and in the cases examined above, robust private initiative was strongly associated with growth success. The argument here is clearly consistent with that position. However, if the neoclassical argument is that free and open economies subject to minimum government intervention are best situated to maximize growth, then supportive evidence is lacking. On the contrary, such conditions were generally found to threaten investors, leading governments to intervene in order to encourage and sustain profitability and thus new investments and growth.

Relative Dependency

Last, one ought to consider the dependency argument, an argument that used to be rather popular but has lost some of its saliency in recent decades. It nonetheless remains a serious argument. Shorn of numerous subtleties and complexities, the dependency argument suggested that the developmental prospects of peripheral countries were hurt by their economic integration into the global capitalist economy.[13] The argument was supposed to be the clearest for the past, especially the colonial past, but was also said to hold for neocolonialism, where partially sovereign states may help to facilitate dependent development but where the ultimate prospects of self-sustaining, egalitarian development remain limited. A number of underlying reasons were proposed for why such expectations should hold, including the "exploitative" nature of foreign investment, the "unequal exchange" manifest in "free trade," foreign control over technology, and the "comprador" nature of the ruling elites who would rather cooperate with Western countries and corporations than advance the interests of the people they governed.

For this study, dependency theory would posit that sovereign strategies of development ought to lead to more rapid industrialization than strategies that entangle peripheral countries in a variety of dependencies, especially dependency on foreign capital and technology.[14] How well do such predictions hold up against the limited empirical materials examined above? While there is some solid historical support for such expectations, there is also a fair amount of contrary evidence. As I review this evidence, the general position I come to is that the global economy offers both opportunities and constraints to developing countries and that much depends on how well state authorities are situated to maneuver.

[13] For a good review of the dependency literature, see Gabriel Palma, "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment," *World Development* 6 (1978): 881–924.

[14] At least one recent, sophisticated study suggests something fairly close, arguing that countries that have successfully built independent stocks of "knowledge," countries such as South Korea and India, are likely to do better in the brave new globalized world than others, such as Brazil, that have chosen to integrate even further in the global capitalist economy. See Amsden, *Rise of the "Rest."*

First, the evidence from comparative colonialism. In the first half of the twentieth century Korea underwent a fair amount of industrialization, India some, and Nigeria very little. Brazil does not readily fit the discussion because it was already sovereign; like Korea, it, too, had experienced steady development of industry prior to midcentury. These outcomes reflected a host of conditioning variables, including the availability of experienced entrepreneurs and technology, and changing global economic conditions. It is also clear that the policies of the colonial state – or of the sovereign state in the case of Brazil – were deeply consequential. These varied anywhere from highly interventionist and supportive of industry in the case of the Japanese colonial state in Korea to the British in Nigeria, who remained committed to laissez-faire and an open economy, while neglecting industry. The extent of industrialization in these countries during the colonial period can then be broadly associated with the pattern of state intervention.

On the basis of such evidence it would be difficult to generalize about the impact of colonialism on peripheral economies, although a dominant tendency was a preference on the part of metropolitan countries to sell their manufactured goods in exchange for commodities. This both reinforced and created new patterns of unequal exchange, hurting the prospects for self-generated industrialization in the periphery. Two important qualifications are in order, however. First, one ought not to push the counterfactual too far, namely, that but for colonialism these countries would have experienced autonomous industrialization. While the nationalist discourse in every country maintains such a proposition, the fact is that "premodern" domestic political and economic structures in every case exhibited traits – for example, political fragmentation, inability to collect taxes and provide public goods, low levels of technology, low levels of productivity, incomes, and demand, and the channeling of economic "surplus" into conspicuous consumption and unproductive investments – that generated significant obstacles to industrialization and even made these countries vulnerable to colonial onslaught. And second, the variety of metropolitan strategies of control and exploitation led to the construction of different types of states in the periphery that, in turn, framed various patterns of economic change. The focus, then, ought to be on types of colonialisms, rather than on colonialism per se, and on such political matters as patterns of state construction.

What about the broad evidence from sovereign developing countries? How well does it fit the expectations generated by the dependency approach? If dependency on foreign capital and technology is of main concern, then India pursued the most autonomous developmental strategy, whereas both Brazil and Nigeria pursued more dependent strategies. South Korea often split the difference by inviting foreign technology but not capital. It would be difficult to generalize from this evidence that the more autonomous a development strategy, the better the prospects of a sustained industrial drive. More nuanced comparisons, however, reveal both strengths and further weaknesses of the dependency propositions. Take, for example, the case of Nigeria. Many in Nigeria, as well as in other parts of Africa, bemoan their dependence on foreign corporations as a major constraint on their prospects for industrialization. Even a cursory comparison with Brazil or with such other Latin American countries as Mexico reveals that considerable industrialization can be achieved even in the presence of dependency on foreign capital and technology and that Nigeria's failure to industrialize is rooted in other factors, especially in a highly ineffective neopatrimonial state.

The case of India's nearly autarkic but sluggish industrialization could be construed as a heavy indictment of the dependency proposition, although this, too, requires a more nuanced approach. There is no denying that the absence of foreign capital and technology contributed to an inefficient and slow pattern of industrial growth in India. This is clearest if one compares the early phases of deliberate import substitution in India with that in Brazil, say, during the 1950s. At the same time, however, India's long-term investments in higher education and national technology began to pay off in the 1980s and the 1990s and may continue to do so in the future. In addition, by minimizing dependence on foreign capital, India avoided the debt trap that now plagues such countries as Brazil and Nigeria.

Finally, a comparison of South Korea and Brazil offers some additional insights. South Korea, unlike Brazil, often avoided capital dependency, while securing and paying for foreign technology. Before touting "buy technology, avoid capital dependency" as the new developmental mantra, however, we offer several qualifications. First, South Korea's capacity to pay for technology imports was heavily dependent on its export prowess, with decoupling of capital and technology part and parcel of the overall developmental strategy. And second, South Korea also got lucky, for example, when Japanese industrial investments in Korea became national property by virtue of the historical "accident" of the Japanese losing the Second World War. There was also rapid rebuilding with the help of foreign aid from the United States. Park Chung Hee's industrial drive was thus propelled from a base largely financed by foreign capital, but without the many burdens of accumulated foreign investment faced by countries such as Brazil.

To sum up, a good explanation of why some developing countries have industrialized more rapidly than others must take account of multiple factors but without sacrificing parsimony. However, it would be difficult to build such an explanation around variables like the social structure, regime type, extent of market freedom, and/or the degree of dependency on foreign capital and technology. I thus now move to resummarize the statist argument.

II. Statism in the Periphery

The central argument of this study is that the role of the state has been decisive for patterns of industrialization in the developing world. As the types of states emerging in the periphery varied, often reflecting institutional continuities with colonialism, so, too, did their developmental effectiveness vary, ranging from rapid industrialization to stalled. What was the nature of the state that propelled countries along these different routes, how were such states acquired, and what exactly did these states do to promote or hinder industrialization?

The Cohesive-Capitalist Route

Cohesive-capitalist states have proved to be the most effective agents of rapid industrialization in the global periphery and efficacious at creating new wealth in poor societies. From the standpoint of liberal political values, these are not desirable states. Rather, they are economistic states that concentrate power at the apex and use state power to discipline their societies. Generally right-wing authoritarian states, they prioritize rapid industrialization as a national goal, are staffed competently, work closely with industrialists, systematically discipline and repress labor, penetrate and control the rural society, and use economic nationalism as a tool of political mobilization. The rulers of these states are able to generate purposive power that can be used to accomplish narrowly defined state purposes. State power in such instances has been used to undertake industrialization directly under public auspices and to channel private initiative into prioritized sectors, especially rapid industrial growth.

Cohesive-capitalist states are characterized by ideological and organizational characteristics that help to define goals narrowly and therefore concentrate resources on a narrow set of priorities. But why should an entire society support such narrow state-defined goals as rapid industrialization? In fact, society often does not, forcing state elites to devise political strategies based on material rewards, coercion, and emotive appeal. A close, cooperative relationship with business and private entrepreneurs, for example, enables state elites to harness the energy of such key groups. Corporatized labor keeps gains in productivity ahead of gains in wages. Similarly, downward penetration of state authority enables state elites to silence various social groups and keep new demands off the political agenda. Successful cohesive-capitalist states are competent states, run by public-spirited rather than personalistic leaders and staffed by well-educated, professional bureaucrats. But a state that defines its priorities narrowly and rests its power on a narrow social base is difficult to sustain, forcing its authoritarian rulers to remake their authority structures periodically. It is thus not surprising that the rulers of cohesive-capitalist states often use nationalism, especially economic nationalism, to mobilize the entire society in the service of developmental goals.

Such cohesive-capitalist states are difficult to construct, even more difficult to institutionalize, and are not found in abundance in the developing world. In the limited materials analyzed above, the purest cases of cohesive-capitalist states were in Korea, first under colonial auspices in the 1930s, and then South Korea under Park Chung Hee during the 1960s and the 1970s. In both instances, ruling elites set rapid industrial growth as a state goal, whether in anticipation of international conflict during the colonial period or later on to cope with the threat of communism. State elites forged cooperative relationships with the business elite, controlled labor, and penetrated downward into the countryside. Both the late colonial period and the Park Chung Hee era saw successful industrialization.

Some of the regimes that governed Brazil also moved the Brazilian state in the cohesive-capitalist direction, though not as "purely" as in the case of Korea. Especially notable are the two periods of rapid industrialization: first, the late Estado Novo period, and second, the early phase of the military rule. Regime authorities in both periods prioritized economic growth and industrialization as state goals, by forging close links with business and by corporatizing labor. The Brazilian state never penetrated the countryside, however, and its strategy toward labor aimed mainly at political control rather than at economic mobilization. In addition, the economic nationalism of the ruling elite remained shallow, which led Brazilian rulers to increasing dependence on foreign capital. Foreign capital, by its very nature, tends to be more difficult to channel into state-defined economic priorities than national capital. Thus, even as dependence on foreign capital can be a source of rapid growth, it can also be a liability – hence, the recurring boom-and-bust quality of Brazilian industrialization.

Finally, hints of cohesive-capitalism were also evident in the occasional democratic regime. This was especially true in Brazil during the 1950s, where key traits of the preceding Estado Novo had survived: the enormous concentration of power in the executive, the prioritization of narrow industrial growth, close institutionalized relations with private capital, and corporatized labor. Such a nominal democracy, with its cohesive-capitalist traits, provided the framework for rapid industrial growth; the entire experiment eventually crumbled when the political arena became more politically fragmented and multiclass. A paler but not insignificant example is also provided by India in the 1980s and especially the late 1990s. India is a genuine, broad-based democracy, whose developmental strengths and weaknesses have been conceptualized here in terms of a fragmented-multiclass state. Nevertheless, in the last decades of the twentieth century India took a conservative turn – setting aside populist goals and reprioritizing economic growth as a state goal, establishing close working relations with business, and promoting religious nationalism. The improvement of economic growth during this period is more than just a coincidence.

It may be useful at this time to take a brief detour and ask how this discussion of cohesive-capitalist states applies to cases other than those analyzed in this study and, relatedly, how other scholars have conceptualized similar relationships between states and economic development. A few other countries may fit the category of cohesive-capitalist states, most obviously Taiwan, which industrialized rapidly for several decades under a right-wing authoritarian-nationalist regime. Taiwan shared some of the core characteristics of cohesive-capitalist states summarized above.[15] A number of other countries in East Asia, especially Thailand, Indonesia, and Malaysia, also shared some of these traits in some periods. Beyond East Asia, such countries as Turkey, Mexico, and South Africa in some periods would be candidates for further examination in light of the argument developed here.

It is also important to distinguish the cohesive-capitalist category developed in this study from such conceptual cousins as mobilization regimes, bureaucratic-authoritarian states, and developmental states. The older category of mobilization regimes was developed mainly to explain the efficacy of communist states in developing countries.[16] It was argued provocatively that communist states, by virtue of their ideology and organization, might be better than democracies at mobilizing and incorporating their citizens and thus better at such "nation building" tasks as creating political order, implementing land reforms, and maybe even achieving rapid industrialization.[17] In the twenty-first century this cold war thinking may appear irrelevant, but the underlying insight is still compelling. It is true that by now most communist countries in the developing world, such as China, have turned to private enterprise for higher rates of economic growth and have taken on in the process many characteristics of cohesive-capitalist states. Nevertheless, even during the 1950s, such communist states as China proved to be highly effective developmental states in the sense that they defined clear and narrow goals, such as land redistribution, and implemented them effectively. Are there insights to be gained by comparing such communist states with the cohesive-capitalist ones that have been the focus of my discussion?

[15] Some of these aspects (though not others) of the Taiwanese "model" are stressed in Wade, *Governing the Market*, esp. 370–81; and Thomas Gold, *State and Society in the Taiwan Miracle* (Armonk, N.Y.: M. E. Sharpe, 1986).

[16] See, for example, David Apter, *The Politics of Modernization* (Chicago: University of Chicago Press, 1965).

[17] See, among others, Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968); Franz Schurmann, *Ideology and Organization in Communist China* (Berkeley: University of California Press, 1966); and Kenneth Jowitt, *Revolutionary Breakthrough and National Development: The Case of Romania, 1944–1965* (Berkeley: University of California Press, 1971).

Two insights are especially noteworthy. First, there is an uncanny resemblance between how communist and cohesive-capitalist states generate power resources to accomplish their respective goals:

- defining their goals narrowly and clearly (land redistribution in 1950s China and rapid industrialization in South Korea under Park Chung Hee)
- forging alliances with those likely to benefit directly from these goals (peasants in China and big business in South Korea)
- repressing those who were likely to oppose such goals (landlords in China and workers in South Korea)
- using state authority to penetrate the far reaches of the society so as to both mobilize and control others, and
- utilizing various emotive appeals, including nationalism, to maintain support.[18]

Of course, because communist and cohesive-capitalist states repress those they govern, they are often incapable of sustaining their narrow goals beyond short periods. Nevertheless, both types of states have managed to create powerful and effective states that have achieved such desirable goals as redistribution of wealth and rapid generation of new wealth.

The second insight underlines the contrasts between cohesive-capitalist developmental states and communist states. Whereas the former tend to be allied with property-owning groups, the latter tend to be closer to the propertyless and hence can be conceptualized as cohesive-lower-class states. The general principle is that any state's developmental effectiveness is a function not only of how well the state is organized but also of the underlying class basis of power. If economic growth is the goal, then a close alliance with private investors is called for; if, however, land redistribution is the main goal, then an alliance with the peasants may be necessary. These principles are especially telling for understanding the inefficacy of other states that may define clear goals, such as rapid industrialization, but then balk at clarifying and reorganizing the class basis of the state, maintaining a multiclass base, or, worse, adopting an anti-investor posture so as to build political support in other quarters.

The category of bureaucratic-authoritarian regimes was devised mainly to capture the distinctive nature of Latin American authoritarian regimes in the 1960s. The formulation, extended to areas beyond Latin America, too, eventually came under sharp criticism.[19] I have shied away from adopting

[18] For my understanding of 1950s China, I am especially depending here on Schurmann, *Ideology and Organization.* See also Vivienne Shue, *Reach of the State: Sketches of the Chinese Body Politic* (Stanford, Calif.: Stanford University Press, 1988).

[19] The original formulation was in Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism* (Berkeley: University of California, Institute of International Studies, 1973), 943.

this category for two reasons. First, as was clear in the discussion of Brazil above, the characterization of the military regime in the 1960s and beyond as bureaucratic-authoritarian suggests more discontinuity from the past than the historical record warrants. And second, I am not comfortable with the underlying functional thinking, namely, that bureaucratic-authoritarian regimes emerged to open up some persistent economic "bottlenecks." While functional logic may yield provocative hypotheses, they ought to be treated only as a starting point of historical analysis. Many countries, for example, face bottlenecks, but no solutions emerge. Moreover, even in such cases as Brazil and Argentina, the "solutions" turned out to be illusory.

The final conceptual category that resembles my discussion of cohesive-capitalist states is that of developmental states.[20] As noted in the introductory chapter, I have found the scholarship on developmental states of great use and have borrowed from it freely and built on its insights. If so, one might wonder, why create a new label or category? The main answer is that my theoretical understanding of the dynamic of cohesive-capitalist states is distinct from that implicit or explicit in the scholarship on developmental states. Take, for example, the important contribution of Peter Evans, who suggests that states that exhibit "embedded autonomy" tend to be successful developmental states.[21] State efficacy, in this formulation, derives from such variables as competent state bureaucrats and the free flow of information between the state and business elite. How well does this hold up against the empirical materials?

My understanding of cohesive-capitalist states, too, stresses the alliance of state and business, but the heart of the matter is the state's capacity to channel private initiative into areas of state priority. This capacity, in turn, depends on the state offering financial incentives to private investors and on its cajoling, if not coercing, to adopt certain behaviors by threatening to punish and/or by appealing to nationalist or other loyalties. Such political capacities are rooted not in the levels of information exchanged between the state and business but in the amount of power the states command to extract resources, to define priority areas of expenditure, and to instill a sense of discipline and purpose in society. Similarly, the competence of state bureaucrats, though consequential, did not appear to be a decisive independent variable in the empirical materials above. Senior bureaucrats in India, for

A useful collection that both celebrates and criticizes O'Donnell's contribution is David Collier, ed., *The New Authoritarianism in Latin America* (Princeton, N.J.: Princeton University Press, 1979), 861.

[20] For various uses of this concept, see Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford, Calif.: Stanford University Press, 1982); Wade, *Governing the Market*; Peter Evans, *Embedded Autonomy: State and Industrial Transformation* (Princeton, N.J.: Princeton University Press, 1995); and Meredith Woo-Cumings, ed., *The Developmental State* (Ithaca, N.Y.: Cornell University Press, 1999).

[21] See Evans, *Embedded Autonomy.*

example, are no less competent or professional than are their counterparts in South Korea or Brazil. The key issue, rather, is how elites structure and use state power for development. For this reason my analysis of successful developmental states emphasizes power over competence or information: power to define goals clearly and narrowly and power to pursue those goals effectively. The core research task is to examine states that command more or less power and then to demonstrate that the purposive use of power by state elites is indeed consequential for economic outcomes.

Let us now pursue the twin issues of the origins and the economic impact of cohesive-capitalist states. Getting at a historical answer is easier than constructing a more theoretical one. I will attempt both, beginning with a simple but important observation, namely, that modern states as an organizational form developed within Europe and spread from there to the rest of the world via imposition, diffusion, and emulation. While countries such as Japan and Russia quickly emulated and thus resisted colonialism, much of the peripheral world was otherwise reorganized, first into colonial dependencies and then into near-modern states by such colonizers as England, France, and Japan. In this way modern states were imported into the developing world. Any analysis therefore must begin with the type of ruling arrangements created and left behind by colonial powers.

The Japanese in Korea, as we have seen, arrived to find an already centralized polity and eventually left behind a highly repressive but efficacious cohesive-capitalist state. Korea, as restructured by the Japanese, developed a highly centralized and bureaucratized authority structure that penetrated downward to forge production-oriented alliances with propertied groups and corporatized labor to undertake rapid economic change. This model essentially survived the American occupation of South Korea following the Second World War and was eventually reinforced in the south by the Japanophile Park Chung Hee.

Given this historical background, how much weight can one assign to Japanese colonialism in the construction of South Korea's cohesive-capitalist state? What made the ruling strategies of Japanese colonialists distinct from those of some European colonizers? Japanese colonialism was a necessary but not a sufficient condition for the emergence of a cohesive-capitalist state in Korea, as can be illustrated by pondering two counterfactuals. First, had Japan colonized Nigeria, could it still have created a cohesive-capitalist state? We do not know, of course, but the probable answer is that Nigeria would have been a very different place than it is today, even if it would not quite be like South Korea. One realizes from this exercise that the successful transfer of the cohesive-capitalist model to Korea also owed something to geographical and cultural proximity and to the Korean social structure, including traditions of centralized rule and power hierarchies. And second, had the American occupation forces chosen to restructure Korea the same way that they reordered Japan, or had Syngman Rhee been replaced not by a

Park Chung Hee but by another personalistic leader, would South Korea still have evolved in a cohesive-capitalist direction? The answer is probably no, underlining the importance of conscious decisions to reestablish continuity with historically inherited structures.

While not sufficient, the Japanese colonial background was nonetheless necessary for South Korea to evolve as it did. Absent Japanese colonialism, Korea would probably have gone the same route as China, including political fragmentation, peasant revolts, and eventually a communist revolution leading to the establishment of a cohesive-lower-class state. Whatever the merits of such historical speculation, we do know that the Japanese transformed the Korean state and left an enduring legacy. Beyond Korea, Japanese colonialism also built the foundations of a cohesive-capitalist state in Taiwan. And the Japanese model has spread in other parts of Pacific Asia, if more slowly and less perfectly, by conscious emulation. It is not surprising that these Japanese-style states are to be found mostly in the region that Japan dominates.

As to why Japanese colonialism should have varied from European colonialism, the simple historical answer is that, as a latecomer in the game of nation building and industrialization, Japan had perfected a state-led model of development at home that it transferred to its colonies. A deeper theoretical answer, however, may be that the urge for more power and wealth lies at the core of large-scale historical transformations, but that strategies to acquire these goals vary with the circumstances. We know from European history, for example, that prior to the industrial revolution, landed agrarian classes, pressed for revenues in some parts of Europe, such as England, turned to commerce, and eventually eliminated the peasantry altogether. In other areas, by contrast, generally to the east, landed classes imposed the "second serfdom" in their respective rural societies.[22] These decisions, in turn, were deeply consequential for the subsequent patterns of development within Europe. Something similar probably underlay the different patterns of colonialism pursued by Japan and England.

European and Japanese colonialism were identical in that both sought political control and economic exploitation of other people, using different strategies that resulted in profoundly different long-term consequences for the areas they ruled. The British, given their own needs and values, sought mainly to maintain political control, to collect enough taxes to finance the functioning of a minimal laissez-faire state that facilitated this control, and to trade freely, selling manufactured goods produced by their emerging capitalist classes for commodities from the periphery. There were variations even within this broad pattern, as exemplified by the early and prolonged colonialism in India and the late and relatively superficial colonialism in Nigeria.

[22] See, for example, Moore, *Social Origins*, esp. chaps. 7 and 8.

The Japanese, by contrast, were in a hurry to add to their national wealth and power, and they pursued these goals via state-led capitalist industrialization both at home and in their colonies. The Japanese in Korea constructed a new state structure that enabled them to enhance their revenue base not only by squeezing the agrarian society harder but also by pushing landholders to improve productivity and thus enlarging the overall tax base.

The Japanese attitude toward industrialization within its colonies evolved over time, and by a process of trial and error, the logic of state-led capitalism within Japan clarified for the Japanese rulers that growth of industry in the colonies need not be at the expense of Japanese manufacturing and exporting interests. In fact, the rapid growth of state-guided industry both in Japan and in Korea was a recipe for the rapid growth of Japanese imperial power. Instead of imposing a "second serfdom" of sorts, therefore, the Japanese strategy in Korea – both brutal and deeply architectonic – laid the foundations of a cohesive-capitalist pathway to rapid economic transformation.

Besides Korea, the other case with significant cohesive-capitalist traits in the analyses above was Brazil. Since colonialism was a distant memory in the case of Brazil, what analytic lessons might one derive from this case to help to refine our understanding of the origins of a cohesive-capitalist pathway to economic development? First, cohesive-capitalism in Brazil was far from "pure" and differed from that in South Korea in important respects: The downward penetration of the state in Brazil was relatively limited, and the state's capacity to influence the national economy was circumscribed by numerous foreign dependencies. These limitations underline the importance of the legacy of Japanese colonialism for creating cohesive-capitalism in South Korea – it is probably difficult to create such a pattern of state-led development in a developing country without decisive external input. At the same time, however – and this is the second main lesson – Brazil, first under the Estado Novo and then again during the military period, approximated a cohesive-capitalist state, suggesting at least that developing country elites can go quite a ways in molding their own states and that the importance assigned to colonialism in the Korean case above may well be exaggerated. Such a conclusion, while possible, is also not entirely accurate.

The Estado Novo was the formative period of a cohesive-capitalist state of sorts in Brazil. Prior to that, the defining features of the Brazilian polity included strong regions under the oligarchic rule of settler elites with European roots. This was the long-term political legacy of distant colonialism in Brazil. The Estado Novo, in the establishment of which the armed forces played a major role, attempted to counter some of its inherited traits, especially to create a centralized state with a greater sense of a nation. In this important sense, the Estado Novo was very much a homegrown Brazilian affair. As the Estado Novo evolved, however, its German and Italian immigrants supported a strong fascist movement, and the state came to resemble its fascist counterparts in Europe. It took on such cohesive-capitalist traits as enormous concentration of power in the executive, authoritarian politics, close working relations between the state and private capital, incorporation of the working classes, aggressive anticommunism, appeals to nationalism, and growing emphasis on state intervention to promote industrial development.

The second important period when the Brazilian state approximated a cohesive-capitalist state was the military period, from 1964 to 1985. It was "too late" in history by now to make a virtue out of fascism. Nevertheless, just below the veneer of the military's ideology of "developmentalism" and "anticommunism," important traits of the Estado Novo were either maintained or reestablished. Military rulers now derived their inspiration and support not from European fascists but, ironically, from the democratic United States, which, within the context of the cold war, propagated doctrines that equated national security with rapid industrialization and gave legitimacy to the view that efficacious and authoritarian capitalism was preferable to democratic chaos that might breed communism. While not a sufficient condition, it is hard to imagine the reemergence of cohesive capitalism in Brazil without the historical legacy of the Estado Novo and without the support of the world's main superpower. Of course, the right-wing military authoritarianism also served narrow private interests.

To sum up this brief discussion on the origins of the cohesive-capitalist developmental pathway, major formative influences, listed in order of importance, appear to be: colonial legacies or other similar, external impacts; a degree of functional congruence – discovered by trial and error – between the goals of the ruling elite and the state's capacity to achieve these goals; and the pursuit of narrow private interests via an exclusionary state. The role of colonialism seems to loom especially large, most clearly in the case of Japan in Korea. The more general relationship between the nature of colonialism and the types of states that have emerged in a variety of developing countries will become even more apparent in the discussion of state types other than cohesive-capitalist.

Finally, what exactly did cohesive-capitalist states do to promote rapid industrialization? The answer has two broad components: first, the creation of a political context appropriate for the pursuit of economic growth, and second, pursuit of a distinct set of economic policies. The nature of the political context has already been summarized and includes such characteristics as prioritization of economic growth as a state goal, close cooperation between state and business, rule by competent bureaucrats, control of labor, downward penetration of state authority so as to silence opposition and control behavior, and nationalist mobilization so as to put a peacetime economy on a wartime footing. We turn next to the second component, namely, the pattern of state economic intervention that most effectively advances rapid industrialization.

Some prevailing arguments about the nature of state intervention are dubious, given the examination of our case studies. First, such developmental states as South Korea were definitely not "minimalist states" that respected the logic of the market and focused on getting prices right. This point, though by now well understood by many scholars and policy makers, is still advanced in some circles. Second, and relatedly, the claim that export promotion is superior to import substitution as a development strategy appears overstated when viewed in the context of, say, the cohesive-capitalist experiments in South Korea and Brazil. There is no doubt that countries such as South Korea avoided Brazil's "debt trap" because of their relatively high export earnings. The rate of growth of manufactured exports in Brazil during military rule was hardly insignificant, however; the problem was instead that their imports and foreign borrowing grew even more rapidly. Both South Korea and Brazil simultaneously pursued both import substitution and export promotion, with the state intervening to provide a variety of subsidies for both sets of activities. And third, the search for the magic set of policies that will produce rapid industrialization in the developing world may simply be in vain, as the effectiveness with which policies are pursued is deeply consequential. How else would one explain why both import substitution and export promotion worked in South Korea but failed in Nigeria?

Cohesive-capitalist states have succeeded in facilitating rapid industrialization by promoting high rates and efficient allocation of investment and have done this better than other types of developing country states, mainly because they are able to mobilize, concentrate, and utilize power in a highly purposive manner. This then is the "secret" behind the rapid rates of industrial growth achieved in such cases as South Korea under Park Chung Hee and Brazil during the military period. Let me elaborate.

First, why do leaders of cohesive-capitalist states tend to define rapid industrialization of their economies as the state's main priority? There is no easy, general answer, only historically specific ones. In both South Korea and Brazil, national leaders defined national security in terms of rapid industrialization. Whereas the real and/or imagined threat to national security in South Korea was external, in Brazil it was more internal, having more to do with popular sector activism. Since it is easy to think of cases that faced either external threat (for example, Pakistan) or a variety of internal popular pressures (for example, late Sukarno Indonesia), but where leaders did not prioritize rapid industrialization as a goal, it is probably wise not to put too much emphasis on "threat environment" as a necessary precondition for rapid industrialization to emerge as the state's main goal. The more contingent variable of the nature of the leadership is therefore also important. The more limited generalization that is warranted then is that defining rapid industrialization as the state's narrow and main priority requires the state elite to promote such industrial gains as necessary for national salvation – and not as welfare enhancing for all or as good for limited classes.

Keeping the state's energies focused on promoting rapid industrialization is not easy, especially in polities that are either more open or less well organized than cohesive-capitalist ones. Nehru in India in the 1950s, for example, also sought to prioritize industrialization of India as the main goal of economic planners. Soon, however, various other issues required attention: The neglect of agriculture became a major liability in an inflation-sensitive, open polity; organized labor pushed wages and cut into the rates of return on industrial investment; regional politics politicized the issue of location of industry; and patronage needs hurt the efficiency of public sector investments. The Indian state, in other words, was not capable of mobilizing and concentrating power in a manner that enabled it to pursue narrow goals consistently. By contrast, both South Korea and Brazil pursued rapid industrialization ruthlessly and consistently during their cohesive-capitalist phases, with considerable success in the former and with mixed results in the latter.

These cohesive-capitalist states achieved their goals by intervening heavily in the economy, directly and indirectly, for the purpose of removing supply-and-demand constraints and thereby mobilizing capital and labor for industrial production. Let us quickly revisit some of the main interventions, starting with savings and investments. Rapid industrialization of South Korea under Park Chung Hee, as we have seen, was fueled in part by very high rates of investments. The inheritance helped: Japanese colonialism left behind a significant industrial base and its accompaniments, such as a knowledge base, some managers and entrepreneurs, and a trained working class. Although these industrial plants were destroyed during decolonization and the civil war, substantial foreign aid from the United States helped to rebuild the war-torn economy rapidly.

Building on this base, Park's growth-oriented state was able to collect increased taxes and to mobilize high rates of investment. Japanese foreign capital, mainly in the form of commercial loans, was also attracted to the new state, in part because of its renewed commitment to growth and in part because of its authoritarian capacity to limit anti-Japanese nationalist politics. Once growth rates picked up, they fed private indigenous savings. While cultural patterns of frugality helped, the state also provided a variety of supports to encourage private domestic savings, such as positive real interest rates, savings institutions capable of mobilizing resources of small savers, and concentration of ownership in business and industry.

The pattern in Brazil was similar, with the underlying differences often traceable back to the differences between the two cohesive-capitalist states. Once in power, the Brazilian military government also succeeded in boosting tax collection and in focusing expenditures on core investments – an important component of the higher rates of growth of the miracle years, especially during the first decade of the military rule. Over the second decade, however, the military was unable to maintain the high rates of taxation, and its public expenditures increasingly reflected a growing political need to generate support. The military rulers also undertook such regressive but growth-generating actions as shifting the savings of workers within public institutions to support and subsidize private investments. Domestic private savings in Brazil remained relatively low, in part because cycles of high inflation discouraged private equity markets to develop. The second main component of Brazil's higher investment rate during the military period was thus private foreign capital. Much of this, unlike in South Korea, came first in the form of direct foreign investment, and then when the import bill far surpassed exports, in the form of commercial loans. In so doing the Brazilian state again played a key role in maintaining the high levels of economic growth.

In addition to creating the political environment necessary to mobilize high rates of savings and investments, the growth-oriented authoritarian states in South Korea and Brazil also sought to channel private investment into preferred areas. This controversial domain of industrial policy was pursued in both cases, though more effectively in South Korea. The South Korean state soon combined export promotion with a focus on heavy industry and import substitution. These choices were made in such close collaboration with businessmen, including Japanese companies, that it is difficult to disentangle who made them and why. Given these priorities, the public elites in South Korea used a number of instruments to channel private investment, including control over credit, subsidies, administrative supports, punishment for failing to fall in line, and nationalist exhortations. The Brazilian state similarly sought to combine import substitution with export promotion, also devaluing the exchange rate, while maintaining various sorts of protections and providing numerous financial and administrative supports to exporters. Working with direct foreign investors, however, the Brazilian state was not in the same position as the South Korean state to cajole, exhort, and mobilize investors to export as if national survival depended on it. With lower rates of overall investment and with a lesser capacity to channel investment into such preferred areas as export promotion, Brazilian efforts in the end were less successful than those in South Korea.

Finally, leaders of cohesive-capitalist states, cognizant as they were of the need for rapid industrialization, also strove to ensure that their state-led economies grew in a relatively efficient manner. Leaders in both South Korea and Brazil delegated economic policy making to technocrats, who sought to avoid the gross distortions of the price regime often found in other developing countries. First, they pursued systematic labor repression, which generally kept wage gains well behind productivity gains, as workers were mobilized to work hard in the name of the nation. Second, extensive public investments in both South Korea and Brazil were insulated from the most vulgar patronage politics and so were kept in the productive economy. And third, the state played a significant role in both cases to promote technology. This was more successful in South Korea because of the extensive support for education and the deliberate decoupling of foreign technology from foreign capital. But it was also far from insignificant in Brazil, where the state supported higher education and various arrangements with foreign investors to promote local technology and production.

The Neopatrimonial Route

The nearly polar opposite of cohesive-capitalist states along the continuum of state effectiveness at economic development is the neopatrimonial state. Variously described as clientelistic, corrupt, or predatory, they are not modern, rational-legal states. Leaders of such states have generally failed to promote industry or for that matter any other type of economic progress that one may label development. In their ideal-typical form, neopatrimonial states can be identified with reference to a number of characteristics. First, leadership tends to pursue more personal or sectional goals than such public goals as nation building, economic development, or industrialization. Second, neopatrimonial states are generally staffed by individuals whose level of competence and professionalism as civil servants tends to be low. Third, relations of state elites to business in these settings tend to be mutually corrupt, with state resources buttressing private rents, on the one hand, and private rents supporting the power position of the ruling elite, on the other hand. Fourth, the state's downward reach is generally limited. Even if governmental decision making is highly centralized, these states are generally disconnected from a variety of such groups as workers, and especially those who live in rural areas. And finally, even though various views such as socialism or economic nationalism may be espoused by the leadership, ideologies play only a minimal role in guiding policy, in legitimizing the state elite, or in binding the state and society together in a shared project.

Neopatrimonial states then fail to promote development mainly because of their failure to generate purposive power. They may use the rhetoric of development, but often merely to mask their real intent – to use state resources for personal benefit or for the benefit of personal associates. This pattern of behavior is unmistakable and reflective of public institutions that were poorly formed and that over time contributed to further decline in institutional effectiveness.

Even if some political elites within a neopatrimonial state would like to promote development, they find themselves thwarted by a variety of structural constraints. This political incapacity to pursue state-led development is part and parcel of the neopatrimonial political economy. Its critical ingredients are the absence of competent and professional bureaucrats, nearly routinized corruption at the highest levels, a serious political disconnect between the state and the citizenry, and relatedly, the absence of any normative glue to bind rulers and followers in a joint national project. The type of purposive power abundantly available in cohesive-capitalist states to pursue state-led development, including industrialization, is simply missing.

While a "pure" neopatrimonial state is probably rare in the real world, the case of Nigeria comes close, in terms of all the characteristics noted: use of state resources for private aggrandizement, widespread corruption (famously squandering and misusing Nigeria's abundant oil resources), bureaucratic incompetence, and having the state disconnected from society, making it difficult for state elites to mobilize internal resources and in turn enhancing their dependency on the vicissitudes of oil revenues. State-led development lacking purpose or capacity thus repeatedly turned into development disasters.

Neopatrimonial tendencies, especially misuse of public resources for personal or sectional gains, were evident in all the other cases analyzed above. This should not be too surprising, as this type of corruption is widespread and hardly unknown in even the best organized states. But when the state is poorly organized from the top to the bottom, the developmental impact of such misuse increases. Thus, what distinguishes an India or a Brazil from Nigeria is not so much the level of state intervention in the economy as the fact that, at least at their apex, the Indian and Brazilian states are moderately effective. Below the apex, however, they, too, suffer from personalism, patronage politics, and misuse of public resources. These states managed to overcome such neopatrimonial tendencies because they were limited to a few regions and because the better functioning central governments were responsible for the pursuit of planned industrialization.

Neopatrimonial states may be more abundant in the developing world than cohesive-capitalist states. This is because the latter have to be deliberately and carefully constructed, whereas the former reflect the more common failure of state construction and the subsequent evolution of "traditional" politics behind the façade of a "modern" state. Most states in sub-Saharan Africa, with a few important exceptions, probably fit this category. Richard Sandbrook in his prescient study argued that neopatrimonial states were a major cause of Africa's economic stagnation.[23] Strong neopatrimonial tendencies are also evident in many South Asian and Middle Eastern states, as well as in some Latin American polities of the recent past that were run by caudillos and ruling families. Such tendencies were exhibited even in the more developed East Asia, for example, South Korea under Syngman

23 See Richard Sandbrook, *Politics of Africa's Economic Stagnation* (Cambridge: Cambridge University Press, 1985).

Rhee and the Philippines for much of its modern history.[24] In each case, the debilitating impact of neopatrimonialism obviously varies with the degree to which it pervades the state.

Let us now consider the twin issues of the origins and consequences of such states. Answers are again more readily forthcoming from a historical examination than from an attempt to get at a general explanation. Nevertheless, I will attempt both. Neopatrimonial states are best understood as imperfect states, lacking especially an effective public arena. While there are no perfect states as such, the modern states that first emerged in parts of Europe came to share several common characteristics: the centralizing of the legitimate use of coercion and territorial control and the emergence of a public arena that was above and distinct from various private interests. Following Max Weber, numerous scholars have documented the complex pathways by which resources of patrimonial monarchies of Europe became detached from the household of the monarch, how modern central authority was constructed with centralized armies and impersonal public services, and how nations came to be imagined. The development of this normative and organizational political model was protracted and imperfect, even within Europe. Its export to the global periphery, mainly via colonialism, resulted in numerous distortions.[25]

The distortions are most serious in those parts of the developing world, such as in Africa, where traditions of statelike political organizations were historically weak and where colonial powers failed to create effective modern states, having chosen instead to rule by accommodating various "premodern," personalistic, indigenous elites. These are the areas that came to be governed by neopatrimonial states. While sovereign rulers of developing countries have proved quite capable of destroying state institutions they inherited, the reverse, namely, constructing modern states anew, has proved to be remarkably difficult. That is why the legacy of colonialism looms so large for understanding the variety of state types to be found within the developing world.[26] In those areas that eventually turned into neopatrimonial states, colonial rulers had failed to establish full territorial control in

[24] For the Philippines, see Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines* (Ithaca, N.Y.: Cornell University Press, 1998).

[25] For one such argument, see Bertrand Bradie, *The Imported State: The Westernization of the Political Order* (Stanford, Calif.: Stanford University Press, 2000).

[26] Two important studies that do not necessarily follow the causal logic developed here but nevertheless trace the roots of, say, Africa's state pathologies back to the colonial period are Crawford Young, *The African Colonial State in Comparative Perspective* (New Haven, Conn.: Yale University Press, 1994); and Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton, N.J.: Princeton University Press, 1996). Another scholar who traces the roots of such pathologies to even earlier demographic variables is Jeffrey Herbst, *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, N.J.: Princeton University Press, 2000).

the course of centralizing state authority and concomitantly failed to create effective public arenas.

In terms of political organization, an effective national level public arena would have required the centralization of state authority via the development of professional armies and civil services and simultaneously the elimination or weakening of various traditional intermediaries who exercised personal authority and performed such key governmental functions as collecting taxes and maintaining local law and order. The normative counterpart of such an organizational arrangement would have been the creation of an ethos, shared at least by sections of the indigenous political elite, that sovereign modern states are capable of serving and enhancing a public good that transcends personalistic and sectional interests. In turn, such an organizational and normative frame might have helped to generate nationalistic movements aimed at ousting colonial powers and at utilizing sovereign state power to promote a new type of public good, namely, economic development. What happened in some parts of the developing world instead was that colonial powers created minimum ruling arrangements by either reinforcing or re-creating various intermediate "traditional" elites and by expending little energy and few resources on creating modern states – with the result that indigenous nationalist movements quickly fragmented along a variety of sectional cleavages. The normative and organizational underpinnings of an effective modern state thus remained elusive in parts of the global periphery.

The origins of neopatrimonial states are thus best understood by focusing as much on what did not happen as on what actually happened. The roots of neopatrimonialism lie in the encounter of various peripheral societies devoid of state traditions with powerful, colonizing European states. For their own reasons, European colonizers in some peripheral parts, such as in sub-Saharan Africa, created a façade of a modern state that lacked scope or depth. As indigenous elites mobilized to capture these fragile and imperfectly constructed states, they readily reduced it to a vehicle of personal and sectional aggrandizement. Colonial discourse in Africa and elsewhere often argued that the colonized "natives" did not deserve sovereign control over states because they were not ready for such a responsibility. While self-serving and often racist, the description was also not entirely inaccurate. What was missing from the discourse instead was a consideration of deeper causes of this ill-preparedness, namely, the poorly constructed states left behind by colonial powers that never "prepared" the indigenous elite to run a modern state.

Many of these tendencies were evident in Nigeria. We recap briefly. First, Nigeria lacked state traditions. This was consequential in several ways: It influenced the colonial ruling strategy; leaders of sovereign Nigeria found it difficult to draw on historical symbols and memories to inspire a unifying nationalist imagination; and state elites confronted a citizenry not habituated to obeying and respecting an impersonal, centralized state. Second, although these inherited disadvantages might have been overcome, they were reinforced and even exacerbated by the pattern of colonial rule. For example, instead of creating unified rule, British colonizers chose to rule different parts of Nigeria differently. This reinforced existing differences and encouraged new distinctions, such as the emergence of commerce and modern education in the south but not in the north. Colonial rule also strengthened the position of a variety of traditional elites, especially in the north, paving the way for the eventual capture of a seemingly modern state by personalistic leaders. And at the first sign of regional schisms within nationalist politics, British rulers conceded power and resources to regional elites, strengthening them at the expense of a potential nationalist leadership.

Third, Nigerian nationalism remained superficial and fragmented along tribal lines, in contrast to a case such as India. Nationalism and nationalist movements in the developing world have proven to be crucibles of "publicness," or arenas in which sensibilities and organizations that seek to rise above private and sectional attachments have arisen. Minus such a nationalist movement, which of course was not unrelated to the pattern of colonialism, Nigeria also lacked an indigenous political force that might have helped to construct a coherent state with developmental commitments and capacities. And fourth, within sovereign Nigeria, military rule proved not to be an agent of state construction. That it "might have been" is suggested in part by the fact that states are ultimately agents of centralized coercion, frequently constructed for the sake of exercising coercion – hence Tilly's famous aphorism that "states create wars, and wars create states"[27] – and in part by contrasting the case of Brazil, in which the armed forces indeed played a critical role in both state construction and promoting industrialization. The Nigerian military essentially internalized many of the cleavages and sensibilities of its society and, thus, was more a part of the society than an agent of change capable of undertaking a developmental role.

The final issue in this discussion of the neopatrimonial pathway concerns the modalities neopatrimonial states used to create development failures. We have seen already that such states lack the will and capacity to promote economic development and that they typically squander public resources. What more, if anything, can be said at the general level? Extrapolating some insights from the Nigerian case and examining them against some other cases as well, a few final observations are in order.

First, there is a line of thinking in some scholarly and policy circles that what is really wrong with states identified here as neopatrimonial is that they repeatedly distort markets because of the narrow urban interests they serve; the consequences include serious economic failures, especially low

[27] See Charles Tilly, *Coercion, Capital and European States, AD 990–1992* (Oxford: Basil Blackwell, 1990), esp. chap. 3.

agricultural production.[28] Although adjustment policies pursued over the last two decades, say, in sub-Saharan Africa, often rested on such an analysis, several reservations about the diagnosis and proposed remedies ought to be noted. The Nigerian evidence does not fit this line of thinking very well, in part because Nigerian agriculture did not perform all that poorly but, more important, because a focus on the urban bias of the polity hardly helps to explain why urban-based industries did not perform well. Moreover, halfhearted pursuit of more promarket policies in the era of structural adjustment has not improved economic performance in any significant way, either in Nigeria or in many other countries of sub-Saharan Africa. The evidence thus suggests that the culprit was not wrongheaded policies, but that irrespective of policy choices, the broader context, especially the context created by poorly functioning state institutions, is at the root of the economic problems plaguing neopatrimonial states.

Neopatrimonial states are simply not all that seriously committed to promoting economic development, including industrialization. This situation stems from the broader failure of state elites to develop public commitments, which in turn repeatedly leads to the appropriation of the state for personal and sectional enrichment. The results include frequent disregard for macroeconomic stability, short-term policy inconsistencies, and a longer-term failure to initiate changes that may help to build a society's economic and technological capacities. The process of policy implementation is also fraught with problems. Irrespective of the policy regime, therefore, the outcomes are seldom favorable. This is because private agents receive neither consistent signals nor state support to undertake risky investment. Moreover, when the state attempts to undertake economic activity directly, state structures encourage channeling public resources into corrupt private uses. Such a pattern was evident in the analyses above, most clearly in the case of Nigeria but also to an extent in South Korea under Syngman Rhee and in select regions of India and Brazil.

More specifically, neopatrimonial states generally fail to promote new investments and an efficient use of this investment. Shorn of oil resources, in Nigeria it was clear above that the domestic capacity to mobilize new resources for investment and growth was highly limited. This limitation, rooted in the inability to tax and mobilize public resources and in the failure to build appropriate institutions and provide consistent incentives to private agents to save and invest, is common to most patrimonial states. Lest it be believed that high rates of investment alone could solve some critical problems of growth and industrialization in neopatrimonial states, the Nigerian case again provides a sobering check. During periods of high oil prices, Nigeria

[28] With reference to Africa, see Robert Bates, *Markets and States in Tropical Africa* (Berkeley: University of California Press, 1981). Several subsequent reports of the World Bank on the developmental problems of sub-Saharan Africa also reflect this general line of thinking.

was "investing" at a very high rate, as high in terms of aggregate figures as in parts of East Asia. And yet we know that sustained industrialization did not result. Why not?

The answer points to the more general developmental failures that emerge when state intervention in the economy is pursued by highly ineffective states. Part of the problem in Nigeria was that much of what passed for public investment was really nothing of the sort: Public resources were devoted instead to building a new capital city, to sharp wage hikes for civil servants, to ineffective pursuit of education, and to building theaters and stadiums. These problems are hardly unique to Nigeria. Even when resources were intended for productive investment in Nigeria, such as for steel production, numerous corrupt practices, delays, and bureaucratic inefficiencies hampered the efficient use of resources. Such problems also plague other neopatrimonial states. And finally, there were the critical policy decisions to promote import substitution of the worst kind, namely, low-value-added, last-stage assembly of manufactured goods. Highly import-intensive, this strategy could be sustained only as long as oil exports provided ample foreign exchange. The deeper failures of a neopatrimonial state at work are clear in the neglect of production of intermediate and capital goods, focusing instead on the easiest form of import substitution that catered primarily to the needs of a narrow, self-serving elite.

Fragmented-Multiclass States at the Helm

In between the two extremes of cohesive-capitalist and neopatrimonial states lie many other developing country states, labeled fragmented-multiclass states. Unlike neopatrimonial states, these are real modern states with a rational-legal structure, at least at the apex. Unlike cohesive-capitalist states, however, state authority in these cases tends to be more fragmented, and the social base of power tends to be more plural. Fragmented-multiclass states are thus typically characterized by a considerable gap between promises by the leadership, on the one hand, and the state's ability to fulfill these promises, on the other hand. The general issues for discussion then are what political traits do fragmented-multiclass states share, what conditions typically account for their emergence, and how do they influence the rates and patterns of late-late industrialization?

Fragmented-multiclass states are modern states in the sense that they indeed centralize the use of coercion in a defined territory and that state structures within them are normatively and organizationally distinguishable from a variety of private interests. Leaders of fragmented-multiclass states are dedicated to pursuing state-led development but, for reasons of legitimacy and political support, tend to define development fairly broadly, including goals of industrialization, redistribution and welfare, and national sovereignty. The quality of both the armed forces and the civilian bureaucracies in such states tends to be uneven – generally superior in areas deemed by leaders to be of great political importance and inferior elsewhere. What truly distinguishes fragmented-multiclass states from other state types within the developing world is the nature of political expectations that link rulers and the various social groups. Whether organized as a democracy or as a dictatorship, the citizenry of fragmented-multiclass states tends to be mobilized – politically aware and active – and at times even organized. The political institutions that systematically link rulers and social groups generally tend to be weak, however, leading to fragmentation of state power. Dispersion of power, mobilized citizenry, and weak political institutions such as parties thus define the broad political matrix within which fragmented-multiclass states seek to promote late-late industrialization.

Leaders of these states attempt to promote industry by supporting private enterprise, but given the political compulsions of maintaining legitimacy, the relationship of state and business tends to be cooperative at times but distant and even conflictual at other times. Similarly ambiguous is the relationship of the state with the working class. In the absence of well-developed parties, leaders may emphasize a pro-working-class rhetoric to shore up political support, but, on balance, they feel obliged to maintain a functioning private economy, including a working class whose gains must not outstrip gains in productivity. The relations between the political elite and the vast numbers of the poor, both in the cities and in the countryside, tend to be unorganized, encouraging both rhetorical populism and, on occasion, sharp conservative reactions to such populism. Populist ideologies and nationalism generally play a significant role in fragmented-multiclass states, helping leadership legitimacy but constraining economic policy choices.

Via their ideology and organization, fragmented-multiclass states are able to generate some purposive power to pursue industrialization – but within limits, as they seek simultaneously to represent and to transform the societies they govern. Trying to reconcile conflicting imperatives, fragmented-multiclass states seek to satisfy rather than maximize and tend to be middling performers on many dimensions, including promotion of industry. A committed leadership, moderate levels of competence and professionalism of the bureaucracy, broad legitimacy, and the ability to establish working relations with a variety of social groups are all political assets that can readily be translated into developmental capacity. At the same time, however, the developmental power of these states is constrained – by fragmenting state authority, simultaneously pursuing multiple goals, treating pockets of bureaucracy as tools of politics and patronage, maintaining political distance from business elite, and tilting the political process in favor of popular groups so as to accommodate multiclass politics. Fragmented-multiclass states are therefore inclined to adopt and implement policies that detract from really rapid industrialization.

These mixed developmental capacities were most apparent in the case of India. It is fair to suggest that the Indian state has been run by leaders committed to industrialization as a significant state goal, that it has been manned at the apex by professional bureaucrats, that it enjoys a fair amount of legitimacy, and that the state and business elite in India, though not in a total embrace, enjoy good working relations. These characteristics, which contributed to moderate success in industrial promotion, were especially evident in Nehru's time and in the last two decades of the twentieth century. At the same time, state authority in India is fragmented along a number of dimensions, including intraelite conflicts, the center versus the regions, and elites versus the masses. Moreover, state power in India tends to rest on a multiclass coalition, generating perennial concerns on the part of leaders about their legitimacy. Legitimacy needs, in turn, have often inclined India's rulers to pursue other goals at the expense of rapid industrialization: Bureaucracy has thus been used as a tool of patronage and political interests; business groups have on occasion been vilified; foreign capital has been kept at a distance; and just as often, the embrace of the popular sectors has been prioritized. While these tendencies have been present in India over the last several decades, they were most apparent during the two decades of Indira Gandhi's rule, to the detriment of industrial growth.

Based on the Indian case it would be misleading to equate fragmented-multiclass states with developing country democracies in general. First, the developmental effectiveness of India's democratic state varied over time. Second, it was evident in the Brazilian case that during the period 1945–64, the narrowness of Brazilian democracy enabled state elites to pursue industrialization quite effectively, at least until the early 1960s, when working-class activism, populist political rhetoric, and ineffective leadership exacerbated state ineffectiveness. Third, authoritarian regimes can also be readily ineffective in the sense of exhibiting a considerable gap between promise and performance. South Korea under Syngman Rhee, for example, was a state where, in spite of the political inheritance, leadership priorities were anything but effectively developmental. The second decade of the Brazilian military rule also moved in the same direction when military rulers troubled by sagging legitimacy became less effective tax collectors and channeled public expenditures to shore up political support.

There is some minimal overlap between the typology of cohesive-capitalist, neopatrimonial, and fragmented-multiclass states, on the one hand, and the regime categories of democracy and authoritarianism, on the other hand; that is, cohesive-capitalist states are likely to be authoritarian, and most developing country democracies are likely to be fragmented-multiclass states. Beyond that, however, what looms is the lack of congruence. Authoritarian regimes can be cohesive-capitalist, neopatrimonial, or fragmented-multiclass states. State characteristics within the developing world thus exhibit institutional traits that often endure a regime shift from authoritarianism to democracy and back. This is especially so with neopatrimonial states, where the comings and goings of democratic and authoritarian regimes do not readily alter the state's developmental effectiveness. The same lack of congruence also holds for fragmented-multiclass states, where the middling developmental effectiveness rarely transcends distinctions of ruling regimes. Imagine for a moment an authoritarian India, much like its neighbor Pakistan. Would it be more effective developmentally? In all probability, the answer is a resounding no.

Many developing country states are fragmented-multiclass states of the type we have seen in India and for brief periods in South Korea and Brazil, including South Asian, many Latin American, and some Southeast Asian countries. As already noted, highly effective cohesive-capitalist states are rare in the developing world and concentrated mostly in East Asia. The grossly dysfunctional neopatrimonial states tend to be concentrated in sub-Saharan Africa. The prevalence of fragmented-multiclass states in the developing world underlines the twin facts that the process of state formation has proceeded quite far in much of the developing world but that such states remain troubled institutions, especially in light of the many tasks they have set for themselves.

Most fragmented-multiclass states seek simultaneously to represent and transform their societies. The former requires responding to social demands, whereas the latter demands a more autonomous leadership agenda. Attempting to reconcile these conflicting imperatives taxes the best of states and puts a high premium on effective political institutions, such as political parties, that can generate more cohesive authority by mitigating intraelite and elite-mass conflicts. The common weakness is the inclination of fragmented-multiclass states to promise more than they can deliver, which makes them middling performers.

What might one say at a general level about the origins of fragmented-multiclass states and about their patterns of economic intervention? To get at answers, one needs to consider why and how these states acquired such modern characteristics as centralized control over territory, professional civil and military bureaucracies, and the emergence of a separate public realm. One also wants to know the conditions that give rise to fragmentation of authority and to multiclass politics that, in turn, create a nearly perpetual mismatch between leadership goals and the capacities to promote development.

It was clear in the Indian case that a modern state emerged as a product of India's encounter with British colonialism. While more or less centralized empires had dotted parts of India for a long time, it was the British who established centralized territorial control, created the beginnings of a modern army and civil service, established an administrative infrastructure, and set the tone for impersonal rule. The Indian nationalist movement reinforced some of these tendencies by pushing for greater Indian participation in the civil service and the army, by generating its own public-spirited leaders at the apex, and by mobilizing along nationalist lines – a process that generated values and organizations that transcended numerous personal and sectional interests. Such were the origins of some of the critical ingredients of a modern state in India.

What also comes out of the historical discussion of India, however, is that the early antecedents of state ineffectiveness in India were also to be found in the colonial phase. Thus, for example, we noted that British rule in India from the mid-nineteenth century onward rested not only on the domination of a modern, repressive state, but also on an alliance with a variety of premodern Indian elites. These arrangements were a logical outcome of the minimal British goals of exercising political control and pursuing economic gain. The result was fragmented state authority, including the inability of the state to penetrate downward or to initiate any meaningful socioeconomic changes in India's vast rural periphery. To this long-term trend, India's nationalist movement contributed an additional dimension of state ineffectiveness. Moved by the main political goal of ousting the British, Gandhi's mobilization strategy created the Indian National Congress (INC), a loosely organized political organization with a multiclass, mass base that spearheaded India's nationalist movement. The tension between leading and representing was well handled within the INC, at least insofar as the main goal of the nationalists was to create a sovereign state with some shared sense of a nation. Viewed from the standpoint of economic development, however, the INC from fairly early on tended to make political promises that it could not readily fulfill. Once in command of a sovereign Indian state, therefore, it reinforced the state ineffectiveness already inherent in the British colonial design.

Sovereign India thus inherited a state that was simultaneously modern but limited in its political capacities. While the die of a fragmented-multiclass state was cast rather early, the direction of future change was far from preordained. Nehru launched a highly ambitious multifaceted developmental program for India in which the state was to play a central guiding role. At the same time, however, he did little to improve the state's developmental capacities. On the contrary, many of Nehru's actions were prudent when viewed from the standpoint of consolidating a stable democracy – maintaining a law and order bureaucracy, aligning the Congress party with the powerful in the society, and accommodating India's ethnic pluralism in a federal structure – but nonetheless further exacerbated the short-term gap between developmental ambitions and state capacities. Still, the nationalist legitimacy and the relatively low levels of political mobilization in India's vast hinterland enabled Nehru to focus the state's resources on the goal of state-led development of heavy industries, with some success. Indira Gandhi's subsequent populism in retrospect appears to have been the logical conclusion of a much earlier trend in Indian nationalist politics, namely, the widening of the gap between promises and performance. India's right-wing nationalist rulers who came to power in the 1990s narrowed some of this gap not by improving state capacities significantly but by cutting back on radical promises, prioritizing economic growth as the state's main goal, and establishing closer ties with indigenous and foreign capital.

South Korea under Syngman Rhee and Brazil in some periods offer evidence of other instances of limited developmental capacities within well-established states. The well-built colonial state that the Japanese left behind in Korea could have readily collapsed in the wake of rapid decolonization but, motivated by the need to maintain order and stability, was just as readily strengthened and reestablished with U.S. help. Instead of moving this state in a developmental direction, however, Rhee used it to pursue corrupt, personalistic ends and such noneconomic priorities as saving South Korea from communism, with the result that the state's developmental capacities were diluted.

The two important instances of state ineffectiveness in Brazil following the Second World War are the period just before the military coup in 1964 and then the second decade of the military rule. Post-1984 Brazil, which I have not analyzed here in any detail, would probably also stand out as a case of a fragmented-multiclass state writ large. Brazil's nominal democracy in the 1950s shared some core characteristics of cohesive-capitalist states and exhibited considerable capacity to define and pursue a high-growth agenda. The first real spread of democracy to the working classes and the related emergence of multiclass politics and populist leaders, however, quickly exposed the contradictions of a nominal democracy and weakened the state's capacity to promote rapid industrialization. The military government in its first decade was, of course, much closer to a real cohesive-capitalist state, with Brazil's rapid industrialization to its credit. During the second decade of its rule, however, the military government worried more about its underlying support and simultaneously made more political concessions and pursued wrongheaded economic policies. Unable to improve rates of tax collection, it channeled public monies to unproductive rural oligarchs and pursued debt-led rapid growth when economic circumstances demanded a less ambitious agenda.

It ought to be clear that though fragmented-multiclass states share some core characteristics, the conditions under which they arise vary enormously. One cannot generalize about the typical path they might follow from origin to maturation, though some limited observations are possible. The question is, are there any general patterns by which peripheral states acquire modern characteristics, on the one hand, and by which the recurring political incapacity to pursue their developmental ambitions fully appears, on the other hand?

The origins of a modern but limited state in many peripheral countries are probably located in their colonial phase. We have already probed the importance of these foundations for subsequent state development. Extrapolating from this, one may suggest that roots of fragmented-multiclass states are located in a pattern of European colonialism, mainly in Asia, that differed from the pattern of both Japanese colonialism and European colonialism in Africa. The typical process by which the rudiments of modern states were created in some peripheral countries involved imposition of political control by centralizing territorial control, establishing modern armies, police, and civil bureaucracy, and, at least at the apex, depersonalizing government rule. This pattern of early colonial rule, found in India, is probably also to be found in such other countries as Sri Lanka, Malaysia, and Indonesia.

Colonial state power needed to be grafted on to existing organized societies. The main choice was either to weaken the political hold of indigenous elites or to incorporate them into a new ruling alliance with the colonial state. The former pattern, followed mainly by the Japanese, led to considerable downward penetration of state power in society. European colonists, however, moved both by ideals of limited government and by self-interest defined in terms of trade rather than economic transformation, often took the easy way out and created alliances with indigenous rulers, strengthening and modifying their hold on power. Colonially constructed modern Weberian states that were grafted on to personalistic despots thus provided the beginnings of fragmented states in the global periphery.

With colonialism a distant memory, the specific historical pattern of state construction differed in most Latin American countries. Elements of the political and class logic evident in the emergence of a fragmented-multiclass state in India, however, were also evident in the case of Brazil. When a modern state finally emerged in Brazil in the 1930s, for example, it was in part driven by shifting class forces but also by politics, in the sense that it involved the coming together of military forces and professional politicians capable of imposing centralized order. The new state then had to accommodate a variety of preexisting centers of power, especially those that did not pose any obvious threat to the centralizers. The hitherto decentralized polity was thus replaced by centralized rule, while leaving numerous landed oligarchs powerful in their local domains. Thus again we see the pattern of a modern state grafted on to the local population of despots.

Over time the power of modern states vis-à-vis landowning oligarchies in all fragmented-multiclass states generally increased. The growth of cities and urban capital wealth as well as the spread of plebiscitarian politics weakened the hold of rural oligarchs. Finally, as states became more professional and centralized, they were able to impose their modern technology of administration and rule. However, none of this strengthened the developmental capacity of fragmented-multiclass states to any remarkable degree because such states were never able to solve a core dilemma: how to promote the narrow interests of private capital, which was essential for rapid industrialization, while simultaneously legitimizing their hold on power in the eyes of the majority of citizens.

The problem facing fragmented-multiclass states was not simply one of "class rule," an issue also central to most advanced industrial countries, where over time a variety of institutional solutions were developed to facilitate the coexistence of economic inequality and plebiscitarian politics. The problem for late-late-developing countries is deeper, in the sense that the state's role in society is pervasive from the outset. Since the life chances of many depend on state actions, the functioning of the state is deeply scrutinized, politicized, and fought over. At the same time, however, promoting state-led industrialization requires narrow collaboration between the political and economic elite. This is the core contradiction facing fragmented-multiclass developmental states – a contradiction that never really emerges in neopatrimonial states because of pervasive personalism and that cohesive-capitalist states resolve by coercion. While the historical pathways through which this core contradiction emerges differs across cases, all such states share the pressures to manage this tension, leading to less than stellar performance as an agent of industrialization.

The final issue concerns the pattern of economic interventions that fragmented-multiclass states typically undertake and that is just as typically associated with middling economic performance. When fragmented-multiclass states intervene in the economy, it is to pursue several state-defined goals simultaneously, with industrialization being only one of many, including rural development, redistribution and welfare provision, maintenance of a broad-based polity, and/or the protection of national sovereignty. The pursuit of several goals might lead to a more "balanced" pattern of development, but it seldom leads to the rate-busting industrial development characteristic of cohesive-capitalist states.

Thus, the relations of state elites with private capital in fragmented-multiclass states tend to be cooperative only some of the time, and systematic control of labor is often difficult. Penetration of the more traditional, rural sector is limited by the power of landholding elites. The organization of the state itself is also likely to be distinctive. If organized democratically, organizations such as political parties are likely to be characterized by weak organizational structures and multiclass alliances. Whether democratic or authoritarian, only part of the state bureaucracy is likely to be effective, the rest being devoted to the distribution of patronage resources in the management of complex polities.

Multiple goals and a relatively fragmented political context influence both the rates and the efficiency of industrial investment within fragmented-multiclass states. Let us first take up the issue of rates of investment. If public, private indigenous, and private foreign capital are the main components of overall investment anywhere, political conditions are likely to push industrial investment rates in fragmented-multiclass states into some middle range, somewhere between the dismal rate of neopatrimonial states and the very high rates of cohesive-capitalist states. Why should this be so?

First, rates of public investment in industry reflect governmental capacity to mobilize public revenues, generally via taxation, and the political ability to direct expenditures on industry. The capacity to mobilize public resources within fragmented-multiclass states, though substantial, is also limited, in part by the uneven quality of the bureaucracy and in part by the inability to penetrate and tax the rural society. Even more important are the perennial pressures in fragmented-multiclass states to channel public monies into various "consumption" activities that help to shore up political support but that do not always maximize return on investment.

Second, fragmented-multiclass states limit the scope of mobilizing private savings. The fact that these states are not committed exclusively to the promotion of high rates of growth and private profitability influences the business climate for private investors. The public resources available to subsidize private risk taking are available but limited. Highly nationalistic leaders of these states are also likely to limit the role of private foreign investors. More significantly, if organized democratically, a periodic tilt toward the left is likely. The resulting economic policies, more likely populist than genuinely social democratic, will in turn discourage both domestic and foreign private investors to the detriment of prospects for rapid industrialization.

Not only rates of investment but also political conditions influence the efficiency of industrial investments. The general point is that economic policy making within these states tends to be subsumed by political concerns that include more than industrial growth in the name of national salvation and that as a result generally undermine the efficiency of industrial investment. First, because decision making is seldom exclusively in the hands of "apolitical" technocrats, political calculus influences all modes of economic decision making – from the overall choice of development strategy, say, import substitution versus export promotion, to the more mundane issues of the location of a public sector industrial plant. Once the development path is chosen, moreover, various interests impede the ability of fragmented-multiclass states to undertake radically new policies.

In addition, the process of economic policy implementation in such states also tends to impose numerous inefficiencies on the process of deliberate industrialization. Management of public enterprises, for example, readily becomes a victim of patronage or other types of politics. What may be less obvious is that a similar logic also pervades state relations with the private sector. Industrial policy interventions that work well in the context of cohesive-capitalist states do not work as well in the context of fragmented-multiclass states. Thus, credit channeled to "future winners" is just as likely to end up in the hands of cronies as in the hands of deserving industrialists. Similarly, other state subsidies, including protection, may shield inefficient but powerful producers instead of promoting new and efficient ones.

To sum up, fragmented-multiclass developmental states are real modern states whose developmental capacity is enhanced by the public commitment of leaders, the moderate professionalism of the bureaucracy, a relatively broad-based legitimacy, and the channeling of public resources and efforts to promote industry. At the same time, however, state authority in these settings tends to be fragmented and the social power base of the state relatively plural. Further, these states pursue multiple goals but none of them all that effectively. Fragmented-multiclass states are thus best understood in juxtaposition to both cohesive-capitalist and neopatrimonial states within the developing world. If cohesive-capitalist states succeed in coercively reorganizing the societies they govern to enhance developmental capacity, and if the inefficacious neopatrimonial states are shells of modern states captured by a variety of personal and sectional interest, then fragmented-multiclass states seek simultaneously to represent and to transform their societies, achieving both to some extent, but excelling at neither.

III. Concluding Reflections

This study explores both how and why developing countries acquired different types of states and how and why these states produced a range of economic outcomes. What remains now is to reflect on some general conclusions. At the risk of some repetition, three sets of issues require final comments. What forces best help to explain the process of state formation in the developing world? How can one best understand the role of states in fostering and hindering economic progress in the developing world? And what, if any, normative and prescriptive lessons can one draw from this study for future development efforts?

State Formation

I have approached the study of developing country states mainly from the standpoint of their effectiveness as economic actors. This concern does not exclude but is also not coterminous with the Weberian focus on territorial control and bureaucratic development or with such issues of power distribution as democracy versus authoritarianism. A concern with the state's developmental effectiveness instead leads me to ask such questions as whether a developing country state is really a modern state or not, that is, whether it is part of a society's public arena that is genuinely demarcated from various private interests, organizations, and loyalties. The failure of such a public realm to emerge generally leads to private and sectional capture of a state, producing highly ineffective neopatrimonial states. Among the more modern, rational-legal states in the developing world, developmental effectiveness seems to vary mainly with the degree to which state authority is cohesive or fragmented and with the extent to which the social base of state power is narrow or plural. Cohesive-capitalist states thus turn out to be more effective economic actors than fragmented-multiclass states, at least assessed in decades. What factors best help to explain the emergence of these various types of states in the developing world?

The process of state formation in the developing world has proceeded in a series of "big bangs," with formative moments few and far between, though incremental changes have certainly altered power configurations within each state type and, at times, even accumulated to yield a basic change in state type. That the latter process is rare and tends to be drawn out and complex is understandable, given that state formation generally requires a preponderance of force in the hands of some to impose their preferred design on others for long enough of a period that basic institutions take root. The comparative historical analysis above suggests that the main political forces capable of creating states and molding basic state forms have been colonialism, nationalist movements, and regime changes, especially militaries moving in and out of power. Incremental shifts in power configurations within states, in turn, have generally been pushed by political parties, by new social classes, or by some combination of the two. As I revisit each of these factors, the main message comes through clearly: Colonialism has proved to be the most significant force in the construction of basic state structures in the developing world, and the emergence of new class forces within these countries, especially the growing power of capitalists, has the greatest potential to alter power configurations of these states.

Much of the developing world was dragged into the modern era by colonialism. However one judges it, this is a historical legacy with which all scholars interested in the political economy of development, especially political economy over the long duration, must come to terms. Colonialism everywhere was a system of direct political control created to enhance the political and economic interests of the ruling power. Armed with a preponderance of power, metropolitan countries created states or statelike structures in the colonies so as to control territories, people, resources, and economic opportunities. These colonially constructed political institutions, in turn, proved to be highly resilient, influencing and molding the shape of sovereign developing country states. Within these shared commonalities, however, the pattern of colonialism varied, as did its long-term legacy.

The sharpest contrast in the pattern of colonialism was evident above in the role of the Japanese and the British in Korea and Nigeria, respectively. Without doubt, Korea and what eventually became Nigeria were already distinct societies in the precolonial period. Nevertheless, it would be difficult to extrapolate long-term patterns of change mainly from these initial differences. Of decisive impact instead was the fact that the Japanese sought to control and exploit Korea while transforming it, whereas the British pursued similar goals while squeezing Nigeria. These contrasting strategies proved to be of considerable long-term significance: The Japanese created and left behind the building blocks of a cohesive-capitalist state, while the British left a legacy that included the rudiments of a neopatrimonial state.

Distinct from both of these extreme cases were the British in India. They left behind a state that was relatively well constructed at the apex but in which power remained highly fragmented just below the apex – the foundation, that is, of the fragmented-multiclass state of India. The process in Brazil shared some similarities. Although colonialism there was a distant memory, it took the Brazilians nearly a century to overcome the Portuguese failure to construct a centralized national state. When such a state was eventually constructed, traditional regional despots obstructed state consolidation, paving the way for a mixed state, mostly cohesive-capitalist but with a fragmented-multiclass underbelly.

If the basic variations in the political impact of colonialism and in their long-term significance for patterns of state formation are clear enough, two explanatory issues deserve a final comment: Why did the impact of colonialism vary and why did this impact prove so enduring? The impact varied because colonizing powers adopted alternative ruling strategies in their respective colonies. These strategies varied not simply because of the different circumstances confronting colonizers but also because the colonizers carried with them different capacities and understandings of how best to control and exploit colonized people. The comparison of Britain and Japan is again instructive.

Whereas the British sought to rule their colonies via limited, laissez-faire states, the Japanese imposed states that were considerably more encompassing. These differences followed logically from the alternative pathways the colonizers had themselves taken to become modern, powerful states. Great Britain, as an early industrializer with a limited laissez-faire state at home, sought to construct similar states in its colonies. Such a strategy fit well with the British interest in trading manufactured goods in exchange for the raw materials of the colonies. Such a limited governance approach also necessitated reaching a variety of arrangements with indigenous, traditional rulers, who mainly squeezed their own low-productivity economies so as to enable colonial rule to be more or less self-financing. By contrast, the Japanese were late developers who on their own had perfected a state-led model of development, well suited to advancing them within the global political economy. This was the model they transmitted to Korea, thus laying the foundations of an effective dirigiste state. A state-led economy at home also enabled the Japanese in Korea to coordinate the interests of those Japanese firms mainly interested in exporting manufactured goods to Korea as well as of those mainly interested in exporting capital and establishing manufacturing in Korea. The Japanese pattern of colonialism was thus considerably more transformative, leaving in its wake a state that was simultaneously brutal and capable of introducing socioeconomic change, on the one hand, and a growing economy with an industrial base, on the other hand.

Why did colonially constructed state institutions prove to be so enduring despite the commitment of nationalist leaders in the developing world to eradicate the colonial legacy, to don traditional attire, to change names of cities, roads, and buildings, to construct new national symbols, and to bring about revolutionary renewal of their states and nations? Of course, one should not exaggerate the continuity of present-day developing country states with the state institutions established by colonial powers. Much has changed, especially the intent of the new rulers and the size of the states in relation to their respective societies. Rather, the institutional continuities that I have drawn attention to concern such basic state characteristics as their autonomy from personalistic forces in society, relative coherence of authority, both at the apex of the state and in the state's relations with various social forces, and the underlying class basis of state power. The claim has been that alternative colonial strategies of rule helped to construct such basic state characteristics and thus laid the foundations for the eventual emergence of neopatrimonial, cohesive-capitalist, and fragmented-multiclass states in the developing world.

While institutions tend to endure, their persistence still requires an explanation. State institutions tend to persist in part because the powerful in society are incapable of designing new institutions to replace the old ones and in part because the existing institutions enable the powerful to pursue their material and ideal interests. The former limitation stems from an inability to mobilize the preponderance of autonomous force that would be required to create and maintain a new state architecture. That is why colonial powers, which are generally well armed with such an architectonic force, end up being the state constructors par excellence. However much nationalist movements and military rulers might seek to fundamentally alter the inherited structures, they rarely succeed. At least as important, state institutions do not always persist by default. Instead, they are made to endure because the powerful in society discover that they can pursue their own interests through them. Institutions thus mold the way in which the political and economic elite pursue their interests; by contrast, institutions that hinder the powerful seldom survive.

Revisiting very briefly some of the main historical instances of institutional continuities that we encountered above may help to place these abstract generalizations into sharper relief. In South Korea, for example, key elements of the cohesive-capitalist state that the Japanese created survived the Rhee period, mainly because they served the interests of the Americans and of Rhee. Park Chung Hee was able to build on this inheritance and, given his preference for rapid growth, was able to institute a Japanese-type model of development in South Korea, including an efficacious cohesive-capitalist state. By contrast, the poorly constructed state left behind by the British in Nigeria was readily co-opted by a variety of personalistic and sectional forces. Repeated efforts generally failed to create a more rational-legal state. The result was the continuity of the neopatrimonial state that, in turn, enabled various elites to appropriate public resources for personal ends.

The elements of continuity were somewhat less pronounced in the cases of India and Brazil, where a nationalist movement and military rulers, respectively, were able to introduce significant political changes. Nevertheless, the element of fragmented state power that characterized colonial India continued into the sovereign period, in part because of the inability of the new rulers to mobilize sufficient cohesive force to penetrate the countryside and in part because the legitimacy of the new rulers depended on allowing different centers of local power to survive and flourish. Brazil is even more complicated. One element of the continuity there is the long legacy of a radically decentralized polity created by the Portuguese. Whatever the nature of subsequent states, this element of regional autonomy and the related state fragmentation have remained integral aspects of Brazilian state design. Equally significant elements of continuity were notable from the Estado Novo in the 1930s to the military period from the 1960s onward. Elements of the cohesive-capitalist state created under Vargas survived and were modified and re-created by the military because they were useful for producing rapid growth that mainly benefited the elites. Overall, then, when judged by the standard of the state's developmental role, the fact that varied colonial inheritance has persisted into statehood turns out to be of great significance. It has meant that those who inherited more effective state institutions have been better situated to propel their economic progress than those who inherited relatively poorly constructed states.

In addition to colonialism, other possible agents that might have had a decisive impact on developing country states were indigenous nationalist movements and militaries coming in and out of power. The historical discussion above noted the role played by these agents in the process of state formation in different settings, while underlining that on balance the role was not all that decisive. India was the most important of the four country cases for assessing the impact of anticolonial nationalist movements on state formation. India's popular nationalist movement proved to be a significant oppositional political force. It can also be argued that its nationalist movement contributed to the establishment of a functioning democracy while also influencing India's choice of development strategies. And yet, when assessed in terms of its contribution to the developmental effectiveness of the state, the nationalist movement turns out not to have played all that positive of a role. Indian nationalists, that is, maintained the colonial law-and-order state, reinforced its fragmented character, and pluralized the state's social base in a manner that helped to institutionalize a fragmented-multiclass state.

In the other cases analyzed in this study, organized nationalist movements were even less of a political force than in India. With colonialism only a distant memory in Brazil, one would not expect such a force to have emerged at midcentury. The absence of the same in Korea is also not much of a puzzle, because Japanese colonial rule – highly authoritarian and nearly fascistic – left little political room for such a movement to emerge and then collapsed suddenly at the end of the Second World War. The failure of a significant and cohesive nationalist movement to emerge in Nigeria, however, is more of a puzzle; it was analyzed above while invoking such variables as the absence of an indigenous state tradition, the late emergence of an educated stratum, and, most important, the fragmented character of the colonial state itself. The absence of popular and organized nationalist movements in all of these cases, in turn, made it unlikely that indigenous nationalist sensibilities could be directed to become a force for state transformation. While nationalist sensibilities, or their absence, could certainly be significant variables in development policy choices, the point here is instead to underline the limited role that developing country nationalists ended up playing in forging their respective states.

Why were these nationalists not more effective state builders? After all, one can imagine that such movements could capture state power and mold state forms decisively. Thus, if one conceives of communist revolutionary movements as extreme nationalist movements, then something very much along these lines came to pass in a country such as China.[29] Yet among the cases discussed in this study, nationalist movements were less effective. Juxtaposing India and China suggests some insights as to why this might have been so. In comparison with China, India's nationalist movement was a multiclass movement, but it was also less well organized than China's Communist Party. As a result of these class and organizational characteristics, the Indian movement better reflected Indian society, meaning that Indian nationalists could represent Indian society well – thus being more effective as agents of democracy – but could not readily rise above it so as to generate the autonomous and cohesive power necessary for a radical redesign of the state. If the Indians, with their relatively successful nationalist movement, could not on their own create a more effective state, it should come as no surprise that nationalists elsewhere in the noncommunist developing world had even more limited capacity.

The role of military rulers as state builders varied substantially in the cases analyzed above, as a quick revisit will show. With a civilian polity well in place, the political role of the military was least significant in the case of India – the analytical lesson being that the direct intervention of the military in politics generally reflects the failure of social and political forces to create a workable civilian polity. In the other three cases discussed above, the military role was significant but not always consequential in terms of state formation, with the Nigerian case the most dramatic. Military regimes

[29] For a discussion of the central role of nationalism in the Chinese revolution, see Chalmers Johnson, *Peasant Nationalism* (Stanford, Calif.: Stanford University Press, 1962). For an argument that Chinese communists were effective state builders, see Schurmann, *Ideology and Organization in China*; and Theda Skocopl, *States and Social Revolutions* (New York: Cambridge University Press, 1979), 97.

have come and gone in Nigeria, but without much success in enabling the state in that country to transcend its neopatrimonial character.

Military rulers, by contrast, were major players in both South Korea and Brazil. Park Chung Hee, for example, was a military man, as were many of his colleagues. They pulled off the coup in the early 1960s, helped to reestablish a cohesive-capitalist state, and put South Korea on a trajectory of rapid industrialization and growth. What is also important to note, however, is that Park Chung Hee built on the Japanese political inheritance that survived the Rhee interregnum and was helped by the U.S.-sponsored land reforms that enabled state penetration of the countryside. And the role of the military in Brazil's political development was the most significant of the four cases discussed. The military was a key actor in the 1930s when Brazil finally constructed a centralized, modern state under Vargas. Throughout the democratic period of the 1950s, moreover, military rulers continued to act as "boundary setters." And finally, in 1964, the military grabbed power directly and set about creating a state that approximated a cohesive-capitalist state. Once again, however, the Brazilian military rulers built on such past inheritances as the state's close working relations with business, the continued role of foreign investors, and state-incorporated labor. The military rulers also derived many of their ideas and support from external actors. Seemingly all-powerful, they were nonetheless ultimately unable to alter such basic traits of the polity as the relative autonomy of patronage-oriented regions. When militaries went out of power in both South Korea and Brazil, they again contributed to a shift in the nature of the state – moving it in the direction of a fragmented-multiclass polity.

Three empirical generalizations about the role of the military as state builders in the developing world thus seem apt. First, militaries intervene mainly when civilians fail. Second, militaries are not very successful at helping states to transcend their neopatrimonial character. And third, among the more modern states, militaries in power can indeed alter the class basis and the organizational character of the state, moving it in a more cohesive-capitalist direction when they come to power and in a more fragmented-multiclass direction when they leave power. Even in these instances, however, one should not exaggerate their transformative power. Military rulers are often supported from the outside, often build on the political structures and patterns that they inherit, and are often incapable of radical political innovation.

How can we explain these descriptive generalizations? The main hypothesis parallels the one developed above with reference to the role of nationalist movements: The more the militaries internalize the core characteristics of the societies in which they exist, the less likely they are to rise above the existing social and political patterns to create effective, modern states. This was clearest in the Nigerian case, where the personalism and sectional loyalties of the Nigerian society came to characterize the Nigerian military as well, limiting its capacity to reform the state. By contrast, where military professionalism helps to create a cohesive political force one degree removed from the immediate social context, and where the values of the military elite incline them to cooperate with producer groups, the military can help states to move in a cohesive-capitalist direction. These tendencies were evident in the externally inspired military rule in both South Korea and Brazil.

Beyond short periods, however, military rule is nearly always contested. As militaries in power negotiate these oppositional tendencies, they often internalize social cleavages. With the organizational cohesion of the military thereby reduced and with class and other cleavages internalized, the military loses the political advantage of being "above" politics, paving the way for its departure from politics. Ironically, therefore, the impact of militaries on state formation may be most striking when they exit from power and leave in their wake a dramatic shift in the direction of a fragmented-multiclass state.

Colonialism, nationalist movements, and militaries coming in and out of power have thus proved to be the main agents capable of transforming developing country states. The die cast by colonialism has proved to be of especial long-term significance. This is not surprising because colonial control was established via preponderant force and because colonizing countries imposed and maintained their preferred models of rule, creating in the process new state organizations and class alliances. Following decolonization, nationalists and indigenous militaries sought a radical reordering of developing country states. The success of these efforts has been mixed, however. Nationalist rulers were not effective state builders in most developing countries. Except for Brazil, where colonialism was in any case a distant memory, the success of militaries in restructuring states was also limited. Thus, the lineage of contemporary neopatrimonial, fragmented-multiclass, and cohesive-capitalist states can generally be traced back to the colonial ancestor.

Within each type of state, incremental political changes of considerable significance have been introduced by a variety of actors. The role of the nationalists and of militaries has already been noted. There is, in addition, the role of political parties and, even more important, of new classes, especially that of emerging capitalists. In the cases analyzed above, political parties proved to be significant state reformers mainly in the case of India. As the number of other countries turning to democracy grows, the role of parties is also likely to grow. In the case of India above, the Congress Party, the nationalist party, took a leading role in establishing India's fragmented-multiclass state. Worth reiterating is the role of the Bhartiya Janata Party (BJP) in India in the recent years – this better organized religious party now in power, with its pro–free enterprise ideology, has shifted the Indian state somewhat in a cohesive-capitalist direction.

A major source of incremental change in the nature of state is the growing power of new social classes, especially that of capital. This, too, is not surprising. State-led development aims to promote new economic activities and, when successful, brings new economic actors to the fore. These newly endowed actors, in turn, demand a political role. Since capital-owning groups tend to be disproportionately powerful, their demands are often respected by state elites, leading to a slow but steady shift in the nature of states. This much was clear in South Korea, Brazil, and India – all cases where real private economies and the power of capital have grown steadily. It was less the case in Nigeria, however, where private capital, especially indigenous capital, is still not a significant political force.

If the direction of a power shift from states to private capital is clear enough in most cases where private economies are growing, what is less clear is the content of this change. What exactly do developing country capitalists want from their states? Can one generalize about this issue? Do they all want less interventionist states that, in turn, leave markets free to guide economic activities? While important questions, the empirical material above really does not provide any ready answers; they must instead be part of a future research agenda. Only a few pertinent observations follow from the comparative materials analyzed above.

State-led development generally begins with states in command. Whether state elites in the early stages ally exclusively with capitalists or more inclusively with various social classes is more likely to reflect the ideology and the organization of the political rulers. As private economic activity grows, however, the class content of politics also grows, as both capital becomes more powerful and an emerging working class is likely to assert its rights. In cohesive-capitalist states this shift brings state and capital closer so they can simultaneously pursue the state's narrow developmental agenda and capital's perennial quest for profits. The incorporation and control of the working class serves both purposes. By contrast, challenged political elites in fragmented-multiclass states may ally with the working class and other lower classes in order to check the growing power of capital. Since well-organized social democratic parties are rare in the developing world, the most frequent outcome is then economically destabilizing populism. After some trial and error, therefore, inclusive elites are also likely to shift the state's role to avoid alienating private producers, on the one hand, and to satisfy the needs and demands of other social groups, on the other hand. With the state involved in the economy and thus heavily implicated in partisan class politics, the political energies of leaders are thus spread thin as they try to manage political conflicts; they find themselves distracted from the single-minded pursuit of rapid economic growth.

There was no evidence in the case materials above to suggest that capitalists use their growing power to demand less state intervention in the economy. At some future date when capitalism becomes hegemonic and capable on its own of removing numerous bottlenecks to sustained profitability in these countries, such may be capital's demands. Meanwhile, the political orientation of capital in the low- and middle-income countries analyzed in this study seems mainly to mold state intervention in its own favor. This was true both in Park Chung Hee's Korea and in Brazil under the military, two cases in which capital-owning groups were politically significant. It was also evident in India after Indira Gandhi, as private capital favored removing "socialistic controls" but not the many other supportive state interventions. One preliminary hypothesis suggested by the empirical materials above, then, is that developing country capitalists seek not so much free markets and laissez-faire as procapitalist state intervention.

In summing up, I offer a cautionary methodological caveat. It is difficult to isolate the relative significance of a number of causal variables via comparative analysis of a few cases. Immersion in the details reveals at best a feel for what might be the most significant causal dynamics at work. I claim no more. Within these parameters the following claims are advanced. Over the last several decades modern states as a form of political organization have spread from Europe to much of the developing world. When trying to understand the process of state formation in the developing world, colonialism has proved to be a major architectonic force. Where colonialism was a distant memory, as in the case of Brazil, militaries and military-supported elites were decisive players instead. Numerous agents have subsequently sought to reorder developing country states, and most significant has been the role of military rulers. Short of successful social revolutions, however, state structures have generally been altered only incrementally. The most consistent force pushing for slow but steady change in the nature and role of the state has been the power of private capital. The more the state succeeds in promoting capitalist development, the more politically potent capitalists become, and the less likely it is that the state will have much choice but to continue to do the same in the future. Developing country states have thus become the midwives assisting in the birth and spread of industrial capitalism in the global periphery.

State Intervention

If explaining why developing countries acquired a variety of states has been a central focus of this study, the other core concern has been to trace the impact of state intervention on economic outcomes, especially on rates and patterns of industrialization. Having discussed the latter subject in depth thoroughly throughout the study, only a few concluding comments are now necessary. These underline again the importance of political power in propelling state-led economic development.

State intervention in developing country economies is often discussed in terms of its technical appropriateness: import substitution versus export promoting, inward versus outward orientation, or market distorting versus market reinforcing. While these matters are far from unimportant, this study has been informed by a different frame of reference. The alternative approach rests on the observation that some countries, such as South Korea, have pursued a variety of policy packages relatively successfully, including import substitution and export promotion, while others, such as Nigeria, have also pursued similar policy packages, with little success. If this observation is acceptable, it follows that the context within which specific sets of policies are pursued matters at least as much as the particular policies.

At a proximate level of causation, the variety of contextual variables that might have influenced the relative success of development efforts included the availability of experienced entrepreneurs, the competence and the work ethic of labor, the capacity of the society to absorb technology, and the general levels of health and education of the populace. A set of institutional factors, moreover, that are well recognized by economists and other social scientists and that often proved to be consequential in the analysis above included the security of property rights, the ability to forge binding contracts, and the availability of banks and of other institutions to mobilize savings. Early success in industrialization and growth itself, we noticed, becomes a basis for future success by creating dense supplier networks, an adequate base for taxation, enhanced private savings, and improved infrastructure. At a deeper level of causation, however, the comparative analysis above highlighted how, over time, more effective states have undertaken sustained actions that alter these and other contextual conditions. States that proved most effective were those that prioritized economic development as a political goal and then promoted and supported entrepreneurs in a manner that helped to sustain high rates of efficient investments.

For those who work within the paradigm of modern economics, the success of state intervention, if admitted at all, is to be explained mainly in terms of the state's role in reducing "market failures." When not bound by these intellectual constraints, the political economy problem of why state intervention helps to promote industrialization in some cases but not in others appears mainly to be a problem of political power. States with a certain type of power at their disposal, and more of it, are able to use it in a sustained way to promote economic growth. They do this by mobilizing resources, channeling them into priority areas, altering the socioeconomic context within which firms operate, and even undertaking direct economic activities. By contrast, other states are incapable of generating developmental power, and their efforts at state-led development are generally failures. The majority of developing country cases lie in between the two extremes of state effectiveness and ineffectiveness.

The key theoretical problems of understanding state intervention in developing country economies are thus to identify how effective state power for development is generated and how this power is used to promote economic change.

Any society has a variety of sources of political power. Among the most important are the power of centralized coercion and of its legitimate use by the state, the power of capital and of other property ownership wielded by the economic elites, and the power of numbers, especially when workers, peasants, and others are well organized. Cohesive-capitalist states harness a variety of these power resources so that they are aggregated or at least do not operate at cross-purposes. The state that is created is disciplined and disciplining, has a close working alliance with capitalists, and systematically incorporates and silences those who might detract from the state's narrow goals of industrialization and rapid growth. But such states are difficult to construct and, mercifully, even more difficult to institutionalize. Many in the society resist the state's close partnership with the economic elite and its social control over the rest. Authoritarian control and ideological mobilization are thus generally part of the ruling strategy of such states, especially those organized along anticommunist and nationalist lines. While such states may not persist beyond a few decades, ruling elites are often tempted to revert to such organizational forms. Meanwhile, when in control, cohesive-capitalist states have proven to be the most effective at amassing and using power to transform their respective economies.

Power resources of a society, by contrast, tend to be more fissiparous in fragmented-multiclass states. State organization itself is less cohesive in these settings, with both intraelite and elite-mass political conflicts more common. The fragmented-multiclass states define their goals more plurally, working closely with capitalists some of the time and at cross-purposes at other times. A variety of lower classes may also be well organized, demanding the state's attention and resources. With power more decentered, liberals find these states less reprehensible than cohesive-capitalist states. Imagining the possibility of reproducing historical patterns of economic development, many are even led to argue that such states are better equipped to facilitate rapid industrialization because they might provide a better framework for the emergence of individual initiative. The historical record of late-late developers, however, does not readily support such expectations. State-led industrialization has generally been less rapid under the auspices of fragmented-multiclass states than under cohesive-capitalist states. This is because successful state-led development requires the focused use of the state's ample powers. Cohesive-capitalist states generally control more of such resources than do fragmented-multiclass states.

As distinct from both cohesive-capitalist and fragmented-multiclass states, neopatrimonial states are relative failures at amassing and using power constructively. That is why state intervention in these settings tends to produce numerous economic failures. These states do not centralize coercion adequately, leaving power dispersed among local despots. The states are also ill formed in the sense that politicians, military men, and bureaucrats do not always differentiate clearly between their public roles and their personal and sectional loyalties. Given low levels of economic development, private capital tends to be weak. Many in the lower stratum also remain embedded in patron-client ties and are not free to mobilize and organize. Unlike the cohesive-capitalist states, therefore, in which power resources of both the state and the society are melded to pursue a unified goal, and also unlike fragmented-multiclass states in which real power resources exist in both the state and the society but often work at cross-purposes, neither the state nor the society in neopatrimonial settings is capable of organizing much national-level power. There may be enough power to plunder or to wreak vengeance on the hated "other," as in the hands of an Idi Amin or a Mobutu. Such "primitive" power, however, is wholly inadequate for sustaining state-led development.

State intervention in the economy, then, does not succeed or fail primarily because some states have more clever policy makers, capable of pursuing technically correct policies. Such sophistication matters, but the deeper reasons for why state intervention succeeds or fails have to do with the politics of the states. Some states are better at organizing power for use in a focused manner, while others are not. The resulting power gap is at the heart of why cohesive-capitalist states have proved to be so much better than neopatrimonial states at facilitating rapid industrialization. The former were able to use their power to boost both the rates and the efficiency of investment. Numerous examples of how this happened in countries such as South Korea and Brazil have been provided above. By contrast, without consistent purpose and power, intervention by neopatrimonial states squandered investable resources; these states, such as in Nigeria, promoted neither higher rates of investment nor more efficient investment. And yet other states with mixed purposes and some power resources, such as India's fragmented-multiclass state, achieved modest economic success by helping to improve rates and efficiency of investment – albeit only in some areas and during some periods.

Normative and Prescriptive Implications

This has been mainly an explanatory study that has amassed historical and contemporary materials to explore a key puzzle in the study of late-late development, namely, why some developing countries industrialize more rapidly than others. I have analyzed the state's role in matters economic, on the one hand, and the factors that might help to explain the emergence of more or less effective states, on the other hand.

A study such as this is bound to have normative implications. Although I am sorely tempted to leave the findings to stand as they are and let readers draw their own implications, I offer a few normative comments in conclusion, to avoid any misunderstandings. Some readers will also want to know the prescriptive or policy implications of the findings. Once again, seeking appropriate prescriptions for developing countries has not been my main concern in this study. To stand the old master Karl Marx on his head, far too many scholars and practitioners have been trying to change the developing world; the point is also to understand it. And yet if a problem has been understood well, it ought to have some implications for how to deal with it in the future.

This study has posited that cohesive-capitalist states have been most effective at facilitating rapid industrialization in the developing world. If correct, this argument raises serious normative dilemmas.[30] While the goal of rapid industrialization is not shared by all, it is at least defensible on the grounds that it contributes to rapid economic growth – and growth in the end is necessary if everyone in a poor society is to become better off. However, what if this growth also comes at the serious political cost of a repressive state that amasses and uses power well in some areas but also curtails the important urge of the many to participate politically and to control their own destinies? While not totalitarian, cohesive-capitalist states of the type discussed above do resemble fascist states of the past. Can one then comfortably recommend such states as desirable on the ground that they are the most likely agents of rapid industrialization and economic growth?

When good things do not go together, there is no easy moral calculus for making choices. Nevertheless, my answer is a clear no. An explanatory study specifies dependent variables and seeks to isolate a few independent variables that may both logically and empirically help to explain the phenomenon of interest. The jump from such an exercise to normative and prescriptive judgments is fraught with problems, the most obvious being that societies value many things other than those under a scholar's microscope. In addition to economic growth, a better income distribution and democracy are goals sought by most societies. It may well be that somewhat lower rates of economic growth are then morally acceptable if that acceptance enhances the likelihood of better distribution and/or of more desirable states. Such trade-offs, of course, are not attained readily in the real world; the discussion here is mainly on a normative plane. Two normative implications of immediate relevance then follow. First, any assessment of economic success in such cases as South Korea, Taiwan, military-ruled Brazil, or contemporary China must be weighed against the serious political costs paid by the citizens of these countries. Second, the somewhat lower economic growth rates achieved by such countries as India or Malaysia ought not always to be judged harshly, at least not without a serious analysis of possible trade-offs.

If it is important to resist the temptation to embrace growth-producing, right-wing authoritarians, it is also important to distance oneself from the fantasy that all good things can be had together, that democracy, equality,

[30] When I presented this argument at a seminar in Ann Arbor, Michigan, in 2002, Susanne Rudolph pointedly remarked that I must take the "moral responsibility" for my argument. She was indeed right and I will try my best.

free markets, and rapid economic growth can all be achieved simultaneously in the contemporary developing world. Not only is there no evidence for this in the contemporary developing world, but it also represents a poor reading of how development proceeded in the West. As Barrington Moore, Jr., concluded a while back: "There is no evidence that the mass of population anywhere has wanted an industrial society, and plenty of evidence that they did not. . . . At bottom all forms of industrialization have been . . . the work of a ruthless minority."[31] This element of "ruthlessness" or of coercion in its various forms has also been omnipresent in the most successful cases of rapid industrialization in the contemporary developing world. The normative implication then is to treat with suspicion claims that trade-offs are not necessary and that all good things can readily go together.

The normative challenge posed by the findings of this study flows from the fact that none of the state types analyzed above is unambiguously desirable. Moreover, those states that are the least bad politically, at least when judged against liberal political values of shared power and inclusiveness, namely, the fragmented-multiclass states, turn out not to be the most effective agents of economic growth. Where then is one supposed to turn when searching for appropriate models of development? Again, there are no ready answers. It is not likely that desirable models of the past can be readily emulated by contemporary developing countries, certainly not in their totality; nor do recent experiences of alternative development pathways suggest choices that others necessarily ought to hold up as a beacon.

There is no doubt that many a sub-Saharan African country would rather be like South Korea. The analysis above suggests, however, that neither is this an unambiguously desirable choice nor is such a transformation likely to occur soon, given the long set of historical preconditions that led to that specific pathway and the associated outcomes. What prescriptive options emerge from this study instead are fragments of insights that often challenge existing orthodoxies but that do not add up to a full-blown developmental alternative. And that may be just as well because, as I quickly outline some of these scattered prescriptive implications, the most important implication may well be that developing countries differ enormously from one another, certainly across regions and income levels, and that no one set of prescriptions is likely to apply equally to all.

Within the scope of this caveat, three final observations are in order. First, states and state intervention can be a powerful force for the good insofar

[31] See Moore, *Social Origins of Dictatorship and Democracy*, 506. Or in the words of Alexander Gerschenkron: "To break through the barriers of stagnation in a backward country, to ignite the imagination of men, and to place their energies in the service of economic development, a stronger medicine is needed than the promise of better allocation of resources or even of the lower price of bread." See Gerschenkron, *Economic Backwardness in Historical Perspective*, 24.

as they help to promote rapid industrialization and economic growth in the developing world. While this claim may appear to be nearly obvious to some, it does contradict some of the central tenets of the promarket argument for development that emerged nearly hegemonic toward the end of the twentieth century and that lingers as an orthodoxy of sorts at the start of the twentieth-first century. The promarket claims generally rest on two implied or explicit assertions, namely, that state-led development had generally been a failure and that the new globalized world had made states less relevant as development actors. In this study I have not addressed the issue of "globalization" directly.[32] What I have documented in great detail, however, is that the record of state-led development is considerably more nuanced than reflected in promarket critiques. Put even more forcefully, rapid industrialization in the developing world has been a product of effective state intervention. Policy discussions about the developing world thus need to abandon the state versus market dichotomy and need instead to focus on the various ways in which states and markets can work together to promote development.

Second, certain types of states and thus certain types of state interventions have proved to be more successful than others at promoting growth. While it may be neither possible nor desirable to emulate the successful models fully, the less successful countries can learn some things from the more successful cases. This learning can take place both at the level of reforming political institutions and in the choice of development strategies. At the level of institutions, a rapidly developing country underscores the importance of focused and competent states, of established working relations between the state and business, and of the state's role in institutionalizing social discipline. The challenge for the less successful developers, especially for fragmented-multiclass states, is how to acquire some such institutional strengths without embracing the nearly fascistic qualities that often accompany them. Once again, there are no ready answers. It may well be that some movement in the direction of a cohesive-capitalist state does not have to come at the expense of totalizing social control by the state. It may also be the case that the preferred agents of such change are disciplined and inclusionary political parties, such as well-organized social democratic parties, rather than right-wing, nationalist parties or state agents themselves.

The challenge for institutional reform in neopatrimonial states is even more serious. This is not only because so much needs to be done but also

[32] For others who have, and whose argument is consistent with the thrust of the argument developed in this study, see Stiglitz, *Globalization and Its Discontents*; Barbara Stallings, *Global Change and Regional Response: The New International Context of Development* (New York: Cambridge University Press, 1995); Wade, *Governing the Market*; Dani Rodrik, *The New Global Economy and Developing Countries* (Baltimore, Md.: Johns Hopkins University Press, 1999); and Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton, N.J.: Princeton University Press, 2001).

because it is not even clear who will lead the effort in these settings. A realistic goal of reforms here would be to make Nigeria more like India, or to get neopatrimonial states moving toward becoming somewhat more effective states with centralized authority over their territories, a modest commitment on the part of political actors to public goals, reduced corruption, some pockets of efficiency in the bureaucracy, and the establishment of working relations with key private economic actors in the society. With major political actors deeply embedded in a variety of personalistic and sectional networks, however, it is not at all obvious who the agents of change, even of modest change, would be. It may well be that a slowly emerging stratum of private entrepreneurs will eventually lead such a political effort. It may well be that altruistic external actors, defying the logic of self-interest, will help to initiate some such reforms. Or it may well be that not every problem finds a solution.

Short of institutional reform, less successful developers can learn some policy lessons from more successful developers. While I have often emphasized the importance of the institutional context over that of policy choices, one should not carry that argument too far. Some development strategies and policies work better than others. Between import substitution and export promotion, for example, the experience of import-substituting industrialization has not been as bad as many critics maintain. It is probably best to think of it as a necessary phase in a move toward promoting the exports of manufactured goods. At the same time, it is clear that countries that failed to promote exports, such as India and Brazil, paid dearly, in terms of either growth or foreign indebtedness. Export promotion is thus clearly important. What is also clear, however, is that successful promotion of manufactured exports has required a variety of state supports to enable private producers to compete internationally.

A related policy area in which the less successful developers can learn from more successful experiments regards appropriate strategies for integration into the global economy. The contrasting experiences of South Korea and Brazil suggest that it is better to integrate along the axis of trade than of capital. Relatedly, it may be important to try to decouple capital and technological dependencies. Developing countries need technology imports to industrialize. However, they ought to be willing to pay for it in the first instance and in the second instance to build, slowly but surely, their own capacities to absorb and to innovate. This at least has been the case of South Korea.

The third and final prescriptive observation is not overly optimistic. Even though effective states have been at the heart of rapid development successes, effective states are hard to create. This is especially the case if one thinks of states more holistically and includes the state's political actors. If my analysis of state formation above is persuasive, it suggests that basic state forms alter only rarely and that that, too, happens mainly in big bangs. Forces capable of creating such big bangs, namely, colonialism or a well-organized nationalist movement, are more typically aspects of a historical past that is not likely to reemerge. Regime transitions can be a major source of state reform but mainly if an effective state is already in place. In neopatrimonial states, the emergence of so-called democracies is not likely to be an agent of either effective state creation or of sustained economic development. The main hope for state reform is for incremental reform, and the main agents are likely to be organized indigenous political forces such as parties or, more likely, the slow but steady emergence of indigenous capitalism and capitalists.

None of these brief concluding reflections on possible directions of change in the future ought to detract from what is mainly an explanatory work. I have in this study sought to explain the origins and the economic roles played by a variety of developing country states. While some developing country states have done much harm to their own societies, most have made a positive contribution to improving the societies they govern and a few have been spectacularly successful. States remain the most likely organizations to preserve and enhance the interests of their own citizens. When states perform poorly, the task is to reform them, not to undermine them further. A major source of hope for the numerous poor living in the developing world thus remains effective national states.