The Developmental State

Edited by

MEREDITH WOO-CUMINGS

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Contributors

Ha-Joon Chang is Assistant Director of Development Studies, Faculty of Economics and Politics, University of Cambridge.

Bruce Cumings is Norman and Edna Freehling Professor of International History and East Asian Political Economy at the University of Chicago.

Ronald J. Herring is John S. Knight Professor of International Relations and Professor of Government, Cornell University.

Chalmers Johnson is President of Japan Policy Research Institute.

Atul Kohli is Professor of Politics and International Affairs at Princeton University.

Michael Loriaux is Associate Professor of Political Science at Northwestern University.

T. J. Pempel is Boeing Professor of International Studies at the Henry M. Jackson School of International Studies, University of Washington.

Ben Ross Schneider is Associate Professor of Political Science, Northwestern University.

Juhan a Vartiainen is Senior Research Fellow at Trade Union Institute, Stockholm, Sweden.

Meredith Woo-Cumings is Associate Professor of Political Science and Director of The Roundtable on Political Economy (ROPE) at Northwestern University.
CHAPTER NINE

The Desarrollista State in Brazil and Mexico

Ben Ross Schneider

For the knowledge of historical phenomena in their concreteness, the most general laws, because they are the most devoid of content are also the least valuable. The more comprehensive the validity—or scope—of a term, the more it leads us away from the richness of reality since in order to include the common elements of the largest possible number of phenomena, it must necessarily be as abstract as possible and hence devoid of context.

—Max Weber

Over thirty years ago Juan Linz divided the world's political systems into three categories: totalitarian, authoritarian, and democratic. On the economic side, others have categorized economies by the extent of state intervention in production: command, developmental, and market economies.

I am grateful to Forrest Colburn, Atul Kohli, Kathleen Thelen, Kurt Weyland, Meredith Woo-Cumings, and the volume authors for helpful comments, and to the Kellogg Institute at the University of Notre Dame and the Institute for Policy Research at Northwestern University for research support. Weber is cited in Rogers Brubaker, "Rethinking Classical Theory: The Sociological Vision of Pierre Bourdieu," *Theory and Society* 14, no. 6 (November 1985): 777.


These typologies run along dimensions of more or less central state control of the economy and the political system. As Chalmers Johnson and Linz argue, however, developmental states and authoritarian regimes are not mere midpoints on continuous scales but rather discrete and distinctive systems. Table 1 provides some prominent examples of the nine types of political economies generated by crossing these two typologies.

The three cells along the diagonal from the top left to the bottom right include most of the political economies of the twentieth century. These cells also contain the most stable and presumably compatible combinations of economic and political systems. The concrete examples of countries outside these types (save the authoritarian-market cases) are short lived and seem to have tendencies that push them toward this diagonal. Along the diagonal, we still know more about the corner boxes of totalitarian-command and democratic-market systems than we do about authoritarian-developmental states.

"Developmental" has been applied to states such as those in Japan, Korea, Taiwan, and fascist Italy, but this type of state took a particular form, what I call the *desarrollista* state, in Mexico, Brazil, and other countries of Latin America. The terms "developmentalism" and "developmental state" are not new to the social science debate on Latin America. In Brazil the analysis of developmentalism or national developmentalism was intense in the 1960s. The concept of the developmental state, as opposed to more generalized Weltanschauung of developmentalism, first appeared in the late 1960s and early 1970s. In the context of Latin America, to my knowledge, Fernando Henrique Cardoso and Enzo Faletto make the first reference to "developmentalist states." The Spanish version of their book appeared in 1971, though drafts of it were circulating as early as 1967. Even more explicitly, Soares used *desenvolventismo* to describe many postwar states in Latin America and to distinguish them from...
Brazil and Mexico. In this usage, the desarrollista state is an intensive, middle-range conceptualization that features a combination of elements peculiar to these political economies, though these four characteristics are useful in broader comparisons. In particular, my formulation of the desarrollista state distinguishes Latin American and East Asian versions in terms of career patterns in the executive bureaucracy.

Another premise of my characterization is that the developmental state must be defined solely by traits of the state and its relations to society. More specifically, the desarrollista state is characterized by an exclusionary relationship to the polity (or “political society,” in Alfred Stepan’s terms) and an interventionist strategy of promoting the economy. Here I differ with Johnson’s formulation, which adds on several nonstate features including labor relations (though these are, of course, ultimately enforced by the state) and the structure of the private sector (the prominence of zaibatsu-like groups and the relative absence of foreign capital). Other nonstate factors such as geopolitics, culture, class relations, and the nature of private firms should not enter into definitions of different kinds of states, though they obviously affect their performance.

This chapter has several potential contributions to make to the broader literature on the developmental state. First, it offers a non-Asian perspective, which given the exceptional performance of the Asian developmental states makes them less relevant for the study of the majority of other “normal” developing countries. Second, in this chapter I attempt to specify empirical criteria for identifying features of the developmental state. Previous analyses often do not provide clear empirical referents for the defining features of a developmental state, as in Johnson’s original formulation: one historical case is defined as a developmental state, yet, to the frustration of the comparativist, without using indicators that travel easily to other regions. Lastly, these four characteristics are useful in broader comparisons between East Asia and Latin America and among Latin American and developing countries generally, as I discuss further in the conclusion. The first task, though, is to analyze the four components in Brazil and Mexico, beginning with political capitalism.

Table 2. Political and economic typologies

<table>
<thead>
<tr>
<th>Economic System</th>
<th>Totalitarian</th>
<th>Authoritarian</th>
<th>Democratic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Command</td>
<td>Soviet Union and other Communist systems</td>
<td>Poland (1980s)</td>
<td>United States and Britain during World Wars I and II</td>
</tr>
<tr>
<td>Developmental</td>
<td>Fascist Italy, Nazi Germany, Korea (Pre-1945), Chile (1975-89), Pre-1945 Latin America</td>
<td>Spain (1935-75)</td>
<td>OECD countries</td>
</tr>
</tbody>
</table>

8. The concept is middle range in the sense that it is an “intra-area comparison among relatively homogeneous contexts.” See Giovanni Sartori, “Concept Misformation in Comparative Politics,” American Political Science Review 54, no. 4 (December 1970): 1044. Each level on Sartori’s ladder of abstraction—global, middle, and low level—has advantages and limitations. Global theories explain a few things in many countries; middle-level, “intensive” concepts illuminate more outcomes in fewer countries.

9. These definitional distinctions draw on Stepan’s three-way distinction among the state (permanent executive, legal, and coercive bureaucracy); political society (parties, electoral systems, and legislatures); and civil society (organized groups). See Alfred Stepan, Rethinking Military Politics: Brazil and the Southern Cone (Princeton: Princeton University Press, 1988), pp. 3-4.


Pervasive, discretionary control by the state over resource allocation politicizes capitalism. In political capitalism, accumulation (public and private) depends more on politics than markets. "Political capitalism" is Weber's term for wartime or booty capitalism, but it can be broadened, without being stretched, to include normal peacetime conditions. States worldwide set rules for capitalist economies; in political capitalism, officials make rulings. Policymakers in political capitalism have a great deal of discretion: they award individual contracts, make loans, grant specific tax exemptions, approve import licenses, negotiate with multinational corporations (MNCs), and permit price increases on individual items. Creative officials can extend their discretion over even nominal entitlement programs by interpreting the implementation or manipulating disbursements.

For Brazil and Mexico there is relative consensus that capitalism was quite politicized or state controlled from the 1940s (or much earlier) until the 1990s. Raymond Vernon claimed that there were two distinctive features of the Mexican economy: "first, the relative pervasiveness and vigor of the governments' regulatory measures; second, the extraordinary degree of particularity and discrimination in the application of those regulatory powers." A decade later Susan Purcell concluded that Mexico had "a form of state capitalism." José Luis Fiori argues that the state in Brazil promoted "politicized accumulation": "politicized because it responds to the determinations of a state much more than to rules of the market." Michael Barzelay coined the term "politicized market economy" for his analysis of Brazil in the 1970s and 1980s. Despite the apparent consensus, few analyses provided criteria for distinguishing political from nonpolitical forms of capitalism.15

Assessing the degree of political capitalism requires a qualitative analysis of resource flows through the "narrow" of the economy. Investment credit and foreign exchange constitute crucial narrows in most developing economies.14 Particular economies suffer as well from their own peculiar scarcities. For example, in Mexico and other arid regions, water flows, physically and economically, through a narrow. Where governments have discretion over the distribution of water, hydraulic politics are intense and presumably salient in private decisions on agricultural investment. Because the overall extent and mix of discretion over scarce resource flows varies from country to country, no simple threshold can be applied, and it is probably best to think of capitalism as more or less politicized.

States politicize capitalism through direct investment in infrastructure and in state enterprises that ultimately trickle into the private sector as contracts for goods and services. In Brazil and Mexico the state accounted directly for around 40 percent of total investment for much of the postwar period.16 Many businesses depended on the political decisions of how to spend this money. In her introduction, Meredith Woocumings highlights the pivotal role of credit allocation by developmental states. In the Brazilian and Mexican desarrollista states, through their development banks, controlled most long-term credit to industry. Until the mid-1960s public bank resources in Mexico were greater than those in the private sector. The national development bank in Mexico, Nafinsa, alone accounted for 20 percent of total financing and 30 percent of all finance to industry.17 From 1940 to 1970 only 10 percent or less of credit from private commercial banks went for medium- and long-term financing.18 Moreover, as private banks grew, they lent proportionately less to industry.18 Further subsidy and regulation influenced the allocation of much of the remaining, nominally private resources. Until the 1980s, a list of the major forms of indirect state control in both countries included tariff and nontariff barriers to imports, tax incentives, controls on interest

14. Perkins offers a longer list of measures to gauge the "relative importance of market and bureaucratic influences on enterprise behavior" including (1) the protected share of domestic production; (2) the degree of deviation of domestic prices from international prices; (3) the degree of sectoral concentration; (4) whether interest rates deviate from market rates; and (5) the rates of input inventories to inventories of final products. See Dwight Perkins, "Economic Systems Reform in Developing Countries," in Perkins and Michael Roemer, eds., Reforming Economic Systems in Developing Countries (Cambridge: Harvard University Press, 1993), p. 19.
rates, export subsidies, agricultural price supports, restrictions on MNCs, and wage and price controls. In Mexico, "the public sector [was] in a position to make or break any private firm."19

The Mexican and Brazilian economies were nonetheless still capitalist. Property, wealth, and profit were mostly private, and therefore capitalism set the overall parameters for the state and its policymakers. While the state provided much of total investment, the private sector often reaped the harvest. For instance, rates of return on state investment were usually lower than on private investment, often because state enterprises charged private customers low prices.20 States may account for a large proportion of total investment but not enough to sustain rapid growth alone, and they depend on private investment to keep growth at a politically acceptable rate. Political capitalism thus involves heavy reciprocal constraints. State elites have enormous discretion and power over particular firms, yet they are structurally constrained to pursue policies conducive to private profit generally in order to increase total investment, especially as capital became more mobile over the 1970s and 1980s.

Multinational corporations further constrain the state. Their accumulation strategies are global, and they may not therefore invest in the domestic economy despite generous subsidies. They are also more likely to move new investment elsewhere in response to perceived political uncertainty. In large protected economies such as those of Brazil and Mexico, however, multinational firms came to resemble domestic firms in that production was for the local market, managers were often nationals, and, especially, most investment came from local profits.21 For example, over the decade of the 1970s, reinvested profits accounted for 65 percent of the recorded value of U.S. investment in Latin America.22 The far greater presence of MNCs distinguishes Latin America from Northeast Asia. But MNCs do not change the essence of political capitalism, which was similar across the two regions, though they do appear to affect greatly the effectiveness of developmental states.23


Political capitalism has a profound impact on the political strategies of economic and state elites. Economic elites depend heavily on the state and have good reasons to lobby officials and to do so individually rather than collectively.24 Moreover, state intervention increases political uncertainty for investors at the same time it reduces market uncertainty. For state elites, political capitalism provides a powerful array of sticks and carrots to influence the political as well as the economic behavior of economic elites. Unfortunately, most studies of the developmental state focus on their economic consequences to the neglect of their usually lasting political legacies.

DEVELOPMENTAL DISCOURSE

Widespread state intervention in the economy politicized capitalism; the dominant developmental discourse gave that intervention direction and legitimacy. Developmentalism is an ideology or world view that accords industrialization a higher priority than other societal goals and gives the state the leading role in promoting it. The criterion for evaluating policy is effectiveness, not efficiency.25 Policymakers rely on straightforward quantitative measures such as increases in output or exports to evaluate progress. In an exemplary display of developmentalism, officials in Korea, infused with the competitive spirit of the Olympic games in 1988, constructed an electronic scoreboard in a central subway station that listed the participating countries, their capitals, flags, and incomes per head. In contrast, officials in liberal, socialist, or corporatist states evaluate policy in terms of overarching ideologies for which political leaders are often willing to suffer losses in production or competitiveness.26

In Brazil and Mexico after the depression of the 1930s, the prevailing diagnosis of the barriers to industrialization argued that the domestic bourgeoisie was incapable of generating self-sustaining industrialization. The state should lead and the bourgeoisie follow. This diagnosis spilled over into political discourse and reduced the legitimacy of private sector demands and by extension active political participation by the bourgeoisie. For example, at his inaugural address in 1934, the new Mexican president, Lázaro Cárdenas, stated: "The state alone embodies the general interest, and for this reason only the state has a vision of the whole. The state must continually broaden, increase and deepen its interven-

tion." Public defense of the state's guiding role was constant. Nearly 40 years later, Luis Echeverría stated that it was the state's responsibility "to set the direction and rhythm of development" and to participate directly both "in the production and distribution of income." These arguments fit preexisting, quasi-Rousseauian discourses that accorded the state the role of seeing to the national interest while other societal actors pursued their particularistic interests. The dominant discourses in Latin America had generally accorded the state primacy over social and economic interests, though before 1930 liberalism mounted a strong campaign to dislodge this dominant discourse. Moreover, the state had been active, especially in Brazil, in promoting growth.29

Post-1940 developmentalism meshed with some preexisting discourses and practices, but it arose in the specific crises in international trade during World Wars I and II and the Great Depression, gaining theoretic and programmatic body in the analyses of Raúl Prebisch and the United Nations Economic Commission for Latin America (ECLA). The growing consensus among elites was that Latin America could no longer rely on industrial countries to provide manufactured goods, nor could Latin America ever catch up to the rich countries without industrializing.

The military in some countries added national security concerns, though these were not as strong and immediate as they were later in East Asia.31 Meredith Woo-Cumings has argued that national security concerns decisively influenced the course of economic policy in postwar Korea, an argument she further elaborates in the introduction to this volume.32 In Latin America, military and security worries were more likely to be secondary and complementary to developmentalism emanating from other parts of the state and the private sector. In Brazil, where the level of military influence in economic policy was among the greatest in the developmentalist countries of Latin America, officials participated in economic policy through two principal avenues. First, in the 1950s the military developed interest and expertise in weapons industries, and generals became powerful lobbyists for sectoral policies in steel, petroleum, and, later, computers and aircraft.33 A more general interest in industrialization among officers emerged later as the cold war intensified. By the 1950s and 1960s, generals in many countries had adopted the view that development was one effective antidote to communism. These concerns were much weaker in Mexico than in Brazil, where after the 1950s the military was not influential in economic policy and where security threats, communist or otherwise, were less salient political issues.

Most studies of postwar industrialization in Mexico and Brazil highlight the dominance of developmentalism. In his study of economic policymaking in Brazil in the 1950s, Nathaniel Leff examines the "modernizing, nationalist ideology," which favored heavy industry, import substitution, and accorded an "ample role to the public sector." This ideology cut short debate because its "economic views have been virtually uncontested...since at least the early 1950s" and because the "economic intelligentsia also presented no critique or alternative."34 The turmoil and coup of the 1960s temporarily unraveled the consensus. Beginning in the late 1960s the military revived developmentalism and silenced counterarguments from the left.35

In Mexico after the depression and World War II técnicos (technically trained officials) in the economic bureaucracy became increasingly partial to industrialization, restrictions on trade and foreign capital, and active state intervention to overcome the deficiencies of Mexican markets and capitalists.36 For técnicos, "the word dirigiste has none of the invidious connotations which it usually carries in the French tongue."37 Frank
Brandenburg claims that "it was not until the post World War II years that industry managed to acquire a preferential role in economic development." The two governments after 1940 made industrialization the central policy objective. In 1946 Miguel Aleman took industrialization on the campaign trail as one of his three slogans and the only one relating to economics. In his review of the literature, Edward Williams concludes that "the ideology of industrialization...began to take root during the Cardenas regime" and later "became full fledged revolutionary dogma with the accession to power of Miguel Aleman in 1946." Brandenburg also notes the "primacy of the state in economic life" but argues that this is a centuries-old tradition. The most comprehensive study of Mexican business concludes that "most leading entrepreneurs accept the fact that Mexico has a mixed economic system....Even in the 1980s, most businessmen still favor a substantial government role."

Another way to assess the dominance of developmentalism is from the perspective of the eclipse of competing discourses, especially orthodox economics and liberalization, which had ardent albeit isolated backers in both countries. In Brazil one of the strong but ultimately unsuccessful candidates for the presidential elections of 1945 campaigned against developmentalism and the desarrollista state. Vargas had been constructing and in favor of relying primarily on export agriculture. In Brazil Eugenio Gudin and Octavio Bulhones were the leading liberal economists. They were both ministers in postwar governments but could do little more than stall developmentalism and increasing state intervention. In Mexico the cleavage between monetarists and structuralists dominated struggles over discourse and policy. However, the ascendant monetarists in the period of stabilizing development, including Antonio Ortiz Mena, a major figure among monetarists and finance minister from 1958 to 1970, were still moderate developmentalists.

A survey of elite opinion in authoritarian Brazil (1972–73) revealed widespread support for economic over social or political development. In terms of long-term priorities all groups (save church leaders and leaders of the opposition party) favored economic development, including Arena politicus (48 percent, N = 53), labor leaders (49 percent, N = 53), top civil servants (60 percent, N = 49), business executives (66 percent, N = 84), and managers of public companies (80 percent, N = 15). In a broader survey in the 1960s in twelve Latin American countries including Brazil and Mexico, most managers (N = 324) favored state intervention to provide infrastructure, technical assistance and research, credit, tariff protection, tax exemptions, and overall planning. They were more ambivalent about state enterprises and thought them appropriate only when they did not compete with private firms. They also criticized inefficiency and politics in government but generally opposed inept intervention rather than intervention per se. As late as 1982, a survey after the decision by the Mexican government to nationalize private banks revealed widespread support for the decision among all social groups: 72 percent of all respondents favored the nationalization, as did nearly two-thirds of business leaders and industrialists.

Quantitative thresholds require qualitative confirmation because strong developmental motivations can underlie apparently noneconomic spend-
Political exclusion (or limited pluralism) exists when the majority of adults are denied the right to free and meaningful choices in regular elections—meaningful in that opposition candidates have a chance of coming to power, free in the limited sense of absence of direct coercion. Neither of these conditions exists in authoritarian regimes, which in most cases hold no elections. When they do, as in Brazil under the military, the opposition still has no chance of winning. Political exclusion is not limited to authoritarian regimes, however; many democracies inhibit, formally or informally, the participation of the majority of adults.  

50. Many formal democracies in Latin America fit Linz's definition of authoritarian regimes as "politicized systems with limited, not responsible, political pluralism; without elaborate and guiding ideology (but with distinctive mentalities); without intensive nor extensive political mobilization (except some points in their development); and in which a leader (or occasionally a small group) exercises power within formally ill-defined limits but actually quite predictable ones." See Linz, "An Authoritarian Regime," p. 297. Other authors who define political systems in Latin America as exclusive regardless of regime type include Thernborn, who uses the term "exclusive," Soares, and especially Remmer. See Goran Thernborn, "The Travail of Latin American Democracy," New Left Review 119/114 (January-April 1979): 71-109; Soares, "O Novo Estado na América Latina," p. 71; and Karen L. Remmer,  

"Exclusionary Democracy," Studies in Comparative International Development 20, no. 4 (Winter 1985-86): 64-85. Thernborn also considers many democracies in Latin America "exclusive," singling out Brazil, Mexico, and Costa Rica as the only "constitutional exclusionary regimes" in 1978 (p. 95, Table 3). Remmer uses Dahl's distinction between contestation and participation in defining democracy to create a two-dimensional classification of regime type: authoritarian versus democratic, and inclusionary versus exclusionary. The key category for the present discussion is exclusionary democracy, which included Brazil (1945-64). For 1980 Remmer classifies Brazil and Mexico as exclusionary authoritarian and inclusionary authoritarian, respectively (p. 75).  

51. For an in-depth analysis of the "technocratic thought" of the military regime, see Cove, A fala dos homens (on democracy, see esp. pp. 234-70).  


machinations. The clase politica was successful in controlling its membership and blunting nonelite challenges. Beyond crude devices such as limiting the electorate in Brazil or electoral fraud in Mexico, politicians in both countries devised more sophisticated techniques of manipulating elections. Basing electoral competition on clientelism and patronage shores up elite positions, because it favors those with access to resources and denies voters accountability. Political leaders co-opted rather than represented. In both Brazil and Mexico, election was usually by appointment, which allowed elites to screen entry into the clase politica and to co-opt challengers. In Mexico nomination by the Institutionalized Revolutionary Party (PRI) guaranteed electoral victory. Elections in Brazil were more open, but the many politicians who launched their electoral careers from executive positions testify to the electoral value of appointment. The ambitious were more likely to enter the appointive bureaucracy than to try to build grassroots support for a program.

Civil society posed little threat to this political elite. Local associations such as squatter settlements, religious groups, professional organizations, and labor unions had little independent power. Depending on the administration in power, the political elite attempted to co-opt their leadership, manipulate their finances, or intimidate and repress both leaders and members. In Brazil, government officials successfully manipulated corporatist financial controls and legal restrictions on labor unions. In Mexico PRI control of the Confederación de Trabajadores de México (CTM) is less formal and legal but more effective.

In sum, political competition in the developmental state was restricted to a small group. Of course, these polities were not hermetic and static; several defects kept them in constant agitation (if not evolution). These exclusive polities lacked solid legitimacy, institutional mechanisms for resolving interelite conflict, and assurance of the continued acquiescence of nonelites. The clase politica usually managed to stop threatening opposition but spent enormous energies re-creating internal accommodation while constantly checking over its shoulder.

The Appointive Bureaucracy

By the 1980s the Brazilian and Mexican bureaucracies comprised thousands of agencies and employed millions of people. In 1988 public employment in Mexico totaled 4.4 million (including 2.7 million in the central government, 600,000 in state and local government, and 1 million in public enterprises) and accounted for one-fifth of total employment. In Brazil in 1973, 9 percent of the economically active population, or 3.4 million people, worked in the public sector, though two-thirds of them worked in state and local government (1.4 million worked in public firms and other autonomous agencies at all levels of government). Municipal, state, and federal employment grew to 4.3 million by 1984, and the largest state enterprises employed over 1 million people in addition.

In these mammoth bureaucracies, formal organizations are fluid and flexible, save for such well-known exceptions as the Banco de México and the Brazilian National Bank for Economic and Social Development (BNDES), which prove the rule. Moreover, these bureaucracies suffered from a debilitating range of conventional pathologies: overcentralization, fragmentation, low professional ethics, high turnover, corruption, low salaries, and poor training. It is hardly surprising that bureaucracy enjoyed so little public esteem in either country.

Appointments gave this unwieldy mass dynamism and structure. In the desarrollista state, positions of power in the bureaucracy were distributed by direct personal, political appointment. One thousand appointments to the top three to four levels of the bureaucratic hierarchy is a rough threshold to define an appointive bureaucracy. Brazil, Mexico, most of Latin America and other developing countries, the United States, and all communist systems thus have appointive bureaucracies. About 50,000 positions are filled by political appointment in Brazil and Mexico. The incoming Collor administration estimated the number of political, confi-

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56. See Schneider, Politics within the State, pp. 243-44.
An estimate for Mexico from the 1960s, when the bureaucracy was smaller, put the number at 25,000 (including 8,000 in the PRI bureaucracy). Later observers put the total closer to 50,000. Thousands of these appointments may be pure patronage with little impact on policy, but all positions with any real power are open to appointment and subject to immediate dismissal. Even the Banco de México which by tradition has a meritocratic, career bureaucracy, was legally unprotected from the appointive powers of the president. The extremely high number of appointments distinguishes Brazil and Mexico from most developed and many developing countries.

Appointments structure power and incentives inside and outside the bureaucracy. Subordinates can rise only through appointment, which helps focus their attention on those above them. The power to appoint and dismiss reinforces the top-down flow of power and gives superiors far more potential control over subordinates than they would have in a bureaucracy where promotion depends on impersonal criteria. Given the dominance of the bureaucracy in the polity, appointment then becomes the primary means for gaining representation. Factions in the political elite maneuver to get their representatives designated, while ambitious bureaucrats seek outside support. The process often takes on the aura of an electoral campaign: the candidates for various positions (or any position) seek visibility, make speeches, and give interviews. Newspapers and magazines endorse or reject candidates, propose names, and circulate resumes. When the president has selected his subordinates (and they in turn theirs) the basic lines of representation and access are set until the next ministerial shakeup or presidential succession. In a famous quote, the politician último de Carvalho distilled the essence of power in the Brazilian political system into four verbs: appoint, dismiss, imprison, and release.

The key variable in distinguishing among bureaucracies is tenure. Bureaucrats in appointive bureaucracies have no job security and are thus constantly looking toward their next jobs and their next boss. In contrast, a key element of what Peter Evans calls Weberian bureaucracy is precisely job security. Meritocratic recruitment and promotion are possible in both Weberian and appointive bureaucracies, but depoliticized administration is possible only in the former. The distinction between Weberian bureaucracies in Asia versus politicized, appointive bureaucracies in Latin America is the crucial factor that differentiates developmental from desarrollista states. I return to these and other comparisons after examining the consolidation of desarrollista states in Brazil and Mexico and assessing further the interaction and synergy among the four components.

Consolidation

Several contributors to this volume have noted that developmental states are historically bounded phenomenon. What indicators do we use to set beginning and ending bounds? Determining the beginning and end of a multicomponent conceptualization of a type of state is at best difficult, especially when some components elude precise quantitative measurement. The political components predate the full developmental state by decades if not centuries. The economic elements are harder to date. At the turn of the century the Brazilian and Mexican governments intervened in their economies but generally limited intervention in accordance with the dominant economic liberalism. From 1895 to 1910 government revenues ranged from 6 to 12 percent of GDP in Brazil and from 5 to 8 percent in Mexico. The mid-1930s however mark a turning point in the goals and methods of state intervention. On the one hand, liberals could no longer hold out hope that the old international trading system would soon return. On the other hand, presidents Getúlio Vargas and Lázaro Cárdenas were moving increasingly, sometimes admittedly only in response to short-term crises, toward more systematic state intervention. This was a period throughout the world of political and economic redefinition. What gradually emerged from it in Brazil and Mexico was a particular form of developmental state.

Cárdenas dramatically increased and redirected government spending (see Table 2). He nearly doubled the total budget and expanded the share dedicated to economic development from an average of 25 percent (1924-34) to 38 percent for his term. After Cárdenas, neither economic nor total spending fell until the 1980s. The 1938 nationalization of oil in Mexico marks qualitatively and certainly symbolically, if not...
quantitatively, a watershed in state intervention. It created a lasting association between nationalism and state intervention. Some protective tariffs and tax exemptions for industry predate Cardenas, but the flurry of legislation creating state-led import-substituting industrialization (ISI) came mostly in the late 1930s and 1940s.

In Brazil, president Getúlio Vargas promoted a qualitative shift in government spending and intervention, though a recognizable and deliberative developmental state emerged only during the Estado Novo (1937–45). From 1930 to 1945 various Vargas governments with strong military encouragement steadily created new ministries (for example, the Ministry of Labor, Industry, and Commerce in 1930), departments, councils (such as the National Petroleum Council in 1938), and state enter-

The triumph of developmental discourse is difficult to date with precision. Some subcomponents such as the primacy of the state over individual interest had deep historical roots. Equating autonomous industrialization with national security and welfare, however, is a postwar phenomenon. Overall, the period between the eclipse of liberalism in the early 1930s and the emergence of a coherent developmentalism backed by both theoretical elaboration and by state and societal actors in the 1950s is best characterized as one of competing discourses. But, the core ideas that would later flourish in the 1950s mostly date back to the 1930s. Prebisch, the foremost Latin American theorist of developmentalism, was implementing policies in the 1930s for which he would develop theoretical justification only later, out of power, in the 1940s and 1950s.

The beginnings of the desarrollista state are thus visible in the 1930s. As part of a fully functioning development model, the core years date roughly from 1950 to 1980. Economic and industrial growth were rapid in the 1940s, which was more the result of international factors (in that World War II forced ISI in Brazil and Mexico) than directed state intervention. Mexico’s default in August 1982 was the death knell for the desarrollista state, but inertia carried it on for several more years. By 1985, political leaders in both Brazil and Mexico were embarking on policies to dismantle one or more components of their desarrollista states. In Mexico, the first changes came in state intervention and hence political capitalism. In Brazil, the transition to civilian rule in 1985 led quickly to full political inclusion. Largely unformed appointive bureaucracies survived intact in both countries through the 1990s, but by then the other elements were either weakened or on their way out.

Both countries moved closer to an ideal typical desarrollista state from the 1940s through the 1970s and then retreated in the 1980s. Systematic state intervention in the economy began in the 1930s and 1940s. The state role increased in the 1950s and 1960s through extensive protection and other ISI policies, and governments in the 1970s in both countries vastly expanded the number and scope of state enterprise. On the political side, nonelite participation expanded through the 1940s in Mexico and the 1960s in Brazil but then contracted until the 1970s, especially in Brazil. In the 1980s both systems experienced expanding but still limited pluralism.

In symbolic terms the creation of National Steel Company (CSN) in 1941 and the successful construction of the mammoth steel works epitomized the dawn of a new era of state-led industrialization.

### Table 2. Government spending in Mexico, 1930–1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic (percentage of actual government budget)</th>
<th>Social</th>
<th>Administrative</th>
<th>Per capita spending (in 1960 pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929–1928</td>
<td>25</td>
<td>10</td>
<td>65</td>
<td>189</td>
</tr>
<tr>
<td>1929–1934</td>
<td>25</td>
<td>15</td>
<td>60</td>
<td>188</td>
</tr>
<tr>
<td>1935–1940</td>
<td>35</td>
<td>18</td>
<td>44</td>
<td>264</td>
</tr>
<tr>
<td>1941–1946</td>
<td>39</td>
<td>17</td>
<td>44</td>
<td>287</td>
</tr>
<tr>
<td>1947–1952</td>
<td>52</td>
<td>13</td>
<td>35</td>
<td>400</td>
</tr>
<tr>
<td>1953–1958</td>
<td>55</td>
<td>14</td>
<td>33</td>
<td>452</td>
</tr>
<tr>
<td>1959–1960</td>
<td>65</td>
<td>20</td>
<td>41</td>
<td>689</td>
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<tr>
<td>1961–1965</td>
<td>39</td>
<td>21</td>
<td>31</td>
<td>1,158</td>
</tr>
<tr>
<td>1966–1970</td>
<td>41</td>
<td>24</td>
<td>31</td>
<td>1,689</td>
</tr>
<tr>
<td>1971–1976</td>
<td>45</td>
<td>24</td>
<td>31</td>
<td>2,331</td>
</tr>
<tr>
<td>1977–1982</td>
<td>50</td>
<td>24</td>
<td>31</td>
<td>3,252</td>
</tr>
</tbody>
</table>


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73. See especially Hamilton, Limits of State Autonomy, pp. 216–70.
74. See Story, Industry, the State, and Public Policy, p. 38, for a chronology of major policies.
75. Skidmore argues that “Vargas used the occasion of the war effort to elaborate a policy of industrialization, a goal toward which he had been moving since 1937, although as late as 1940 he had still not committed himself unequivocally to systematic industrial development.” See Skidmore, Politics in Brazil, p. 45. Suzigan claims that from 1930 state intervention became deliberate (consciente) and “truly statizing” during the Estado Novo. See Wilson Suzigan, “As empresas do governo e o papel do Estado na economia brasileira,” in Rezende et al., Aspectos da participação do governo na economia, p. 85.
Table 3 provides a summary of the developmental state in Mexico and Brazil. Political capitalism and developmentalism affect the economy, whereas political exclusion and appointments are more political. In terms of differentiating structures and goals, political capitalism and the appointment bureaucracies are the structures through which elites pursue development and limited pluralism. Exclusion and developmentalism shaped the preferences or “ambitions,” to borrow Michael Loriaux’s term, especially of state and political elites, whereas the appointive bureaucracy and political capitalism influenced the strategies economic and state elites adopted to further their preferences.

The four components of the desarrollista state affect and often reinforce one another; they are parts of a system. In the introduction to this volume, Woo-Cummings writes that the developmental state is a “shorthand for the seamless web of political, bureaucratic, and money influences.” Less a seamless web than a dense set of interrelationships, my conception of the desarrollista state tries to break out the analytically discrete components better to understand their interaction. This kind of systemic analysis is largely absent from research on developmental states in Latin America, which tends to focus much more on the bases of support and patterns of intervention in the economy.

The interactions among the four components are complex and multiple. Suffice it here to offer some examples and note that not all the interactions are equally significant. For instance, the effect of appointments on political capitalism is less than vice versa. It is the executive’s control over resources that moves politics into the bureaucracy, and the executive bureaucracy dominates both politics and economics. The various entities of this bureaucracy run state enterprises and banks, fix tariffs, subsidize credit, and otherwise budget and plan government intervention into the economy. The legislature and judiciary are marginal in economic policy, and this exclusion dilutes their political relevance. The political elite therefore flocks to the executive that then dominates politics and further marginalizes the other branches. Politics becomes an essential part of doing business. In her study of Mexican industrialists, Flavia Derossi concluded that “when success and failure depend on political action as much as on productivity, entrepreneurs will remain ‘power-oriented’ more than ‘production-oriented.’”

The causal relations also operate in the reverse direction, though less strongly. The stakes in political capitalism are very high, so capitalists and state actors want direct influence in appointments and through them control over the distribution of state resources. Political capitalism therefore makes it harder to reform an appointive bureaucracy. An innocuous-seeming proposal to create a career civil service is in fact a radical reform to redistribute power. These difficulties and contending pressures are important to bear in mind when analyzing possibilities for administrative reform. Most analyses of developmental states in Asia emphasize Weberian bureaucracy. By extrapolation the recommendation for Latin America would be that interventionist states require reforms to make them more Weberian. Yet, once states intervene extensively in the economy, they make such administrative reforms more politically costly and less likely.

Given that the politicization of capitalism focuses political activity on the executive bureaucracy, it is then appointments that structure access and representation for societal groups attempting to defend their interests. Appointments also distribute power in this politicized bureaucracy and present power holders (the appointers) with a sometimes difficult dilemma: how to balance representation and central control. This control and effective bureaucratic performances are crucial to elites with developmental goals. And, it is through appointments that top developmentalists communicate incentives to subordinates to make decisions that effectively promote industry. Lastly, to the extent that representation is possible only through appointment, the appointive bureaucracy impedes mass participation, because appointment politics are opaque and restricted to elites. In this sense the appointive bureaucracy acts to exclude...
nonelites politically and to inhibit in a simple logistic way the expansion of pluralism.

The association between authoritarianism and industrialization has a long, unresolved history in social science theory. As suggested in Table 1, the association between the developmental state and authoritarianism seems historically to be a stable, if not necessary, combination. Of course, economic performance clearly varies independently of the type of political regime. Yet there are mutually reinforcing tendencies between developmentalism, as ambition not outcome, and political exclusion. Johnson thinks so when he characterizes democratic Japan as a soft authoritarian regime. The developmental state in Japan appears to work because the system is not fully democratic. The two seem more closely related and mutually supportive in discourse than they may be in practice.

Developmentalism regularly bemoans the messiness and sluggishness of democracy. Apologists for dictatorships just as regularly justify authoritarian means to promote development. The reinforcing pressures also work in the opposite direction. Dictators increasingly lost the means to legitimate their rule as the democratizing twentieth century progressed and were naturally drawn to developmentalism. Maria Covre conducted an extensive analysis of the discourse of the military rulers in Brazil. They began their rule by saying they were there to restore democracy. After several years they could no longer claim to be restoring democracy, and their discourse clearly shifted to extol the virtues of development and the advantages of military rule to achieve it.

Political capitalism also contributes to, or is functional for, political exclusion. Political capitalism was in large part the result of the sedimentation of myriad short-term decisions designed to meet particular economic problems. The result, as politicians are quick to realize, is that the state ends up with discretionary control throughout the economy that can easily be manipulated to stem political challenges. For those outside the elite, political capitalism also gives state actors resources for strengthening exclusionary clientelism. These funds do not usually promote real distribution but go to local elites who can effectively silence nonelites in their areas.

Among business people or the bourgeoisie, political capitalism can also blunt democratic impulses. Economic elites realize that they probably should not create trouble for a government that is reviewing their applications for subsidies. Political capitalism disaggregates business elites and forces them to work through ad hoc "bureaucratic rings." Economic elites are thus poorly equipped to mount a collective challenge to authoritarian rule. Moreover, political capitalism makes business especially worried about the possibility that democracy would allow antiflows politicians to oversee vast and deeply interventionist controls over the private economy. Big business in Mexico quickly retreated from active opposition to the PRI when the left emerged as the leading alternative to the PRI in the late 1980s. There are limits, though, to the extent political capitalism shores up exclusion. At the limit, if business feels excluded, then economic elites become a powerful force for democracy.

These, then, are some illustrative interactions among the four components of the desarrollista state. The analysis so far has emphasized similarities between Brazil and Mexico. In the following section I consider some distinctions between the empirical evolutions of the political economies of Brazil and Mexico.

### Variations on the Theme

Brazil and Mexico had desarrollista states for most of the postwar period, but they differed from each other and from other developmental states. The PRI sharply distinguishes Mexico from Brazil. As a mass electoral force, the PRI appears to challenge the ideas of political exclusion and representation through the bureaucracy. Moreover, by channeling some demands and representation, the PRI eased pressure on appointments and shielded appointees from popular pressure, enabling them to carry out unpopular programs, particularly anti-inflation policies. Yet, the very success of the PRI from the 1940s to the 1980s tended to move Mexico closer to the ideal typical desarrollista state. The PRI's quest for complete electoral dominance (el carro completo) stripped elections of meaning and thereby reduced the utility of politicians to other elites. In

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84. See Cardoso, O modelo politico brasileiro.


eliminating elections as a source of uncertainty, politicians did not secure a commensurate reward for their efforts but committed political suicide. In this sense, PRI dominance shifted political attention away from elections to the bureaucracy. Moreover, in co-opting or capturing popular-sector organizations, the PRI preempted nonelite challenges and reinforced political exclusion. At the same time, PRI dominance tarnished the revolutionary legitimacy of the political elite and encouraged them to rely more on nationalism, clientelism, and developmentalism.

The revolutionary ideology would seem to give Mexican political leaders a solid alternative legitimacy normally lacking in the developmental state, but paradoxically, it may have driven them to embrace developmentalism. To the extent that political leaders could not claim that past policies had advanced the revolutionary promise of social justice, they found it expedient to embrace developmentalism. From another perspective, the revolutionary ideology embodied in the 1917 constitution is effective precisely because it embodies all the major “isms” of that era and can now be invoked in the service of communal, patrimonialist, socialist, and liberal projects. In any event, the revolutionary ideology (in all its forms) filled Mexican ideological space. It could and did accommodate developmentalism but never allowed it the dominance achieved in Brazil.

Mexico’s porous two-thousand-mile border with the United States enhances the structural power of business and thereby circumscribes state intervention and makes Mexican capitalism less political. The border limits the potential for state control of the economy, especially of the exit option for mobile resources; reduces the range of effective intervention; and hence predisposes state elites to more market-oriented policies in some areas. For example, exchange controls are costly to enforce and high inflation is more disruptive because of easier currency convertibility. Policymakers had an indication of the significance of the border from the very beginning of the desarrollista state. Between 1935 and 1939 capitalists exported close to a billion pesos, more than twice the total deposits in the banking system. In the explanation of different results between business and government after 1940 in Brazil and Mexico, this border looms large. The Brazilian military has been a more visible protagonist in the desarrollista state than has its counterpart in Mexico. Brazilian military officers have since the 1920s propagated developmentalism, restricted political participation even in civilian regimes, and sought and achieved representation through appointment. Overall, the military helped make Brazilian developmentalism more potent than the Mexican version.

In the democratic period 1945-64 Brazil appears to deviate from a pure case. Developmentalism and state intervention gained ground, but not without interruption. In fact, from the viewpoint of 1965, the previous twenty years seemed to be a merry-go-round in economic policy from liberal to developmental, to populist, and back. Formal literacy requirements and informal electoral coercion limited participation but not contestation, and the political system and exclusion were unstable. Before 1964, one can imagine several plausible alternative scenarios for Brazil; had Quadros not resigned, had Goulart not polarized politics, had the military not intervened. Yet in the period from 1930 to 1990 as a whole, developmentalism and exclusion were dominant, though there were more detours, fluctuations, and instability than in Mexico.

In terms of the appointive bureaucracy, state elites in Mexico managed to insulate the bureaucracy from outside pressures and to institute more meritocratic promotion criteria, though more by custom than law. Lateral entry into high levels of the economic bureaucracy became rare, and outside economic and political elites could no longer pressure to have one of their own appointed to a top bureaucratic position. Meritocratic advancement became the informal norm in public banking and finance.

Overall, Brazil had a fuller desarrollista state than did Mexico. Brazil lacked a strong party (which could deflect some political attention from the bureaucracy), had greater control over its borders, and could therefore manipulate markets more to developmental and political ends. The Brazilian military invested a lot in discourse and helped create a stronger strain of developmentalism. Lastly, the appointive bureaucracy in Brazil was more open to outside infiltration and pressure and more politicized.

89. Maxfield argues that “the threat of flight to the dollar is more acute in Mexico than in other developing countries thanks to the two thousand mile U.S.-Mexican border . . . [which] heightens the threat of capital flight in response to unfavored policies.” See Governing Capital, p. 71. She also quotes Cárdenas lamenting that “exchange controls can only work in highly disciplined countries where customs rules are well organized and borders can be effectively watched; exchange control in Mexico would surely be undermined by the black market” (p. 72). Some instances, however, the response of state officials to difficulties of control has been more interventionist than in Brazil, as in the bank nationalization of 1982 and the earlier policy of Mexicanization of MNCs. See Gerlach and Evans, “Transnational Corporations.”
THE DESARROLLISTA STATE IN COMPARATIVE PERSPECTIVE

The desarrollista state is an "intense" concept, in Giovanni Sartori's terms, designed to generate "rich, differentiated theory" applicable to a small range of cases. Excluding one of the four components of the desarrollista state would leave a concept broader in coverage but weaker in analytic leverage. For instance, dropping the element of political capitalism would allow the inclusion of predominantly market economies such as small or open economies that are constantly subject to international market pressures as in countries of Central America, the Caribbean, or the entrepot economies of Asia. But the dominant discourse in these countries is unlikely to be developmental, and hence the whole economic side of the desarrollista state is left out, and the general literature on authoritarianism is adequate to the task of analyzing the many governments with appointive bureaucracies that limit plurality.

Dropping the condition of political exclusion allows the extension of the concept to include countries with strong parties and organizations such as labor unions in a vibrant civil society. In Argentina and Chile before the military coups of the 1970s, appointment relations structured the bureaucracies, capitalism was largely political, and developmentalism enjoyed wide though not hegemonic support. Strong parties and unions, however, made elections more important and gave nonelites greater power, in turn encouraging the bourgeoisie to organize politically.

In these instances, nonelite power, democracy, and the elements of the desarrollista state created a volatile mix. Political capitalism contributed to polarization because economic elites had more reason to fear a leftist (or Peronist) electoral victory in that they depended so heavily on the state. Political capitalism can also exacerbate polarization by politicizing the labor movement. Because the state is so heavily involved in the economy—which means it also controls such variables as wages and prices that most affect workers—workers have strong incentives to organize to pressure the state, rather than employers. Unions target the state, and strikes become political weapons. Once polarization has taken hold, developmentalism becomes increasingly difficult because one or another faction will oppose almost any industrial policy on the grounds that it favors the opposition. Polarization also tends to strip the appointive bureaucracy of the flexible advantages it has in less antagonistic environments. In other words, authoritarianism and the desarrollista state may have an elective affinity because democracy so upsets the interaction among the four components: democratic conflict makes developmentalism contentious, political capitalism exacerbates polarization in a democracy, and political competition cripples the appointive bureaucracy.

Developmental discourse orientates the desarrollista state. Without it (but with the other three components) the state would be more parasitic and rent seeking and less constrained by capitalism. Such predatory, kleptocratic states have appeared with greater frequency in Central America, the Caribbean, and Africa than in the larger countries of Latin America. Of course, the constant temptation for illicit gain exists for all officials with discretion over direct or indirect resource allocation, and some officials succumb. Officials in successful developmental states often have strong ethical, ideological (discourse), career, or legal grounds for resisting the temptation, yet even here corruption has been endemic if not debilitating. Without an alternative discourse, leaders have the limitation of pluralism and retention of power as their only goals, and in such agrarian societies as Zaire, Ghana, Haiti, Paraguay, or pre-Sandinista Nicaragua, they found political capitalism and bureaucratic appointments useful in these pursuits.

Although the developmentalist discourse is, on the face of it, one of the common features of developmental states in both Asia and Latin America, the nationalism underlying the discourse, as emphasized by Woo-Cumings in the introduction, differs. In Asia, nationalism appears to have both stronger and deeper roots as well as more urgent and immediate stimulation. That is, Asian societies, especially Korea and Japan, are far more homogeneous and have far longer histories as discrete cultural units than do any of the societies of Latin America. What constitutes the essence of the Mexican nation has been a contested debate for much of this century, largely because of the unequal status of indigenous and mestizo cultures. Brazil has no comparable indigenous groups but was, especially earlier in this century, a patchwork of immigrant communities, the African the largest among them. Primary loyalties in both countries, as in others in Latin America, have often not been to shared vision of the nation.

In terms of immediate stimulus, Japanese colonialism and the cold war have been far more dramatic influences in Asia than American imperialism and economic dependency in Latin America. True, the United States did take half of Mexico's territory in the nineteenth century and sent troops into Mexico during the Mexican revolution. Still, this is a far cry from nearly half a century of brutal Japanese colonial rule of Korea. Simi-
The Desarrollista State in Brazil and Mexico

Ben Ross Schneider

larly, the Cuban revolution sent adrenaline through the veins of cold warriors and developmentalists in Latin America, but neither the fear was as enduring nor the threat as close as it was in divided Korea and Taiwan/China. In sum, despite moments of intense nationalist mobilization in Mexico and Brazil—the nationalization of the oil industries in the 1930s and 1950s, respectively is the best example—nationalism was never consensual enough among nonelite groups or urgent enough among elites to provide the same impetus to developmentalism.

Creating a Weberian bureaucracy and insulating officials from appointment politics can give greater impetus to developmentalism, as in the cases of Taiwan and Korea, which otherwise resemble much more the desarrollista states discussed here. The absence of extensive appointments in these bureaucracies helped create a professional, committed, and less overtly politicized cadre of developmentalist officials (who in addition are more attuned to market concerns because of the vulnerability of their economies to international markets). In his comparative study of Brazil, Korea, and India, Evans argued that the “embedded autonomy” of Korean officials accounts for the greater effectiveness of the Korean developmental state. Officials are embedded when they have enduring ties to dense networks of industrialists; they have autonomy when they have Weberian careers within the bureaucracy. The appointive bureaucracy, in contrast, undermines bureaucratic autonomy and generates high levels of circulation, which preclude embeddedness. Officials in an appointive bureaucracy rarely have the time to develop the long-term relations of trust and reciprocity with business that characterize developmental states in Asia because officials move to another job in another area of the state or the private sector whenever ministers or presidents change.

My first goal in this essay was to understand fully a few causal relationships within a limited range of variation, rather than generate concepts with broad coverage but, as Weber warned, “devoid of content.” Nonetheless, the model of the desarrollista state can be useful in approaching broader comparative analysis by generating hypotheses and identifying primary causal variables. The comparison of East Asia and Latin America has attracted much attention, and explanations for their differing economic performance range from international factors to authoritarianism and to culture. Fred Block has concluded that “there is reason to believe that most states aspire to be developmental states; the real issue are differences in capacities and effectiveness in their policies.” My approach

96. Ibid.