2011

Economic Development Under Dominant-Party Regimes

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Case Studies of Japan, Mexico, India, and Kenya

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April 2011

Government Department Honors Thesis. Advisor: Walter Hatch; Reader: Jennifer Yoder

My deepest gratitude in the completion of this project goes to Prof. Walter Hatch for his guidance and encouragement throughout the research and writing process. His insight and contributions were invaluable to my work on this thesis.

In addition, I appreciate the contributions from members of the senior thesis working group from the fall semester. Profs. Maisel, Reisert, and Mackenzie provided valuable perspective and criticism as I developed my topic and research design.

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INTRODUCTION

Over the past several decades, statists, particularly developmental state theorists, have enjoyed significant influence within the field of development studies. The success of the developmental state model in several remarkable cases of economic progress in the post-WW II era enabled scholars from economics and political science to extrapolate lessons from these societies, concentrated in the region of East Asia, into guidelines and rules for the promotion of economic growth in developing states around the globe. The resulting analysis and recommendations made based upon the experiences in states such as Taiwan, Singapore, and South Korea serve to prop up the model of a strong authoritarian state as the architect of a comprehensive economic platform that encourages rapid development. While such a regime may have produced the stated results in some cases, the focus of this literature on these few successes functions to cast democracy as antithetical to economic development in industrializing or developing states.

To be sure, some have critiqued the developmental state theorists. One worthwhile analysis focuses on the limited examples and evidence used by this theory to advance an argument that autocratic government is better suited to promote development.[1] In this line of reasoning, the few cases of significant economic growth in East Asia should not stand to legitimize the practice of authoritarianism that, in the preponderance of cases, leads to perilous economic performance and abusive conditions. While the cases cited by developmental state advocates are interesting and may illustrate the mechanics of successful industrialization, critics argue that it is imprudent to assume dictatorships and authoritarian regimes in other societies would institute similar policies and pursue a successful developmental agenda.

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[1] Halperin, Siegle and Weinstein "Why Democracies Excel", Foreign Affairs Vol. 83 No. 5 pp. 57-71

While other scholars have criticized assertions that democracy renders societies more prone to conflict or economic collapse, a perception that democracies in the developing world are predisposed to failure in attempts to industrialize persists. However, empirical evidence from three large-scale cases of postwar industrialization indicates that significant growth can be achieved within a democratic society. The developmental experiences of Mexico, Japan, and India serve as interesting cases for the theory and practice of development and suggest that industrialization can be successful within democracy.

My research project identifies a key similarity between these three states—the presence of a dominant political party—and examines how that structure facilitates or shapes development and industrialization. The statist argument that developing societies need stable political institutions may be valid; however, these dominant party states achieve a measure of stability without a resorting to the authoritarian practices of other developmental states such as Taiwan and South Korea. Not all dominant party states have engendered the economic success observed in Japan, India, or Mexico. Indeed, Kenya stands as an interesting contrast to the development progress made in the other states and highlights some of the characteristics that hinder progress. Therefore, it is apparent that dominant party states emerge with and develop different sets of characteristics that affect their capacity to facilitate industrialization.

CASES OF DOMINANT PARTY GOVERNANCE

Japan, a society that grew out of devastation in the Second World War to become the world's second largest economy by the end of the twentieth century, is often heralded as the paramount example of the developmental state in practice. Indeed, Japan did exhibit many of the features admired by advocates of this model such as close industrial ties and government officials that pursued an explicit and aggressive developmental plan. As such, Japan is often grouped together with its regional neighbors such as Taiwan and Korea when advocates of developmental authoritarianism expound the virtues of this model. However, these scholars fail to address a key difference between these states: Japan is a functioning democracy, with regular elections for its Diet and a system of party politics. Korea, on the other hand, was ruled by military dictators while a one-party regime governed Taiwan by martial law.

Mexico is also characterized as an authoritarian regime as the post-independence *Partido Revolutionario Institucional* (PRI)—Institutional Revolutionary Party—held a firm grasp on power from the 1930s until Vicente Fox's victory in the 2000 Presidential election. While the characterization of the PRI as an authoritarian one-party state is not entirely false, these critiques discount the presence of democratic procedures including regular elections in Mexico. Although PRI shared some characteristics of one-party authoritarian states in the region, existing scholarship does not adequately account for the adjusted dynamics that faced the PRI because it operated within a democratic paradigm. The existence of democratic institutions and elections, though imperfect, forced the party to adjust its strategy and promote development in a different manner than its authoritarian peers.

Of the three cases explored in this project, India experienced the greatest amount of democratic competition during its era of industrialization. While the Indian National Congress benefited from its association with the independence movement against the British Raj and held power for all but two years from the period from independence through the 1980s. While the party did face more serious opposition threats than the other cases, it too employed similar measures before its economic takeoff in the 1980s and 1990s.

As indicated above, these three states—all of which underwent significant industrialization in the postwar era—share common threads in their developmental experiences as states governed by *dominant party regimes*. In the later chapters of this paper, I will explore the nature of these states to determine which characteristics and conditions were necessary to facilitate the periods of development in these three democratic societies and how the presence of a dominant party encouraged the presence of such conditions.

In addition to these three cases of varied success under dominant party rule, this project includes Kenya as a comparison case of dominant party rule that did not produce significant economic progress. The case of Kenya affords a look at a party, the Kenya African National Union (KANU), which failed to implement the policies and reforms identified in other cases that pacified sources of opposition and partnered with private and social sector entities to pursue industrialization. While it did foster some initial growth in the 1960s, the government could not sustain this growth after its first decade of independence and promote real development or continued industrialization. My analysis attempts to determine if Kenya's initial gains occurred as a result of the eradication of inefficient colonial practices and could not be sustained since the regime did not follow the paradigm of economically successful dominant party states. Furthermore, Kenya's lapse into a state with banned parties and, eventually, an official one-party state in the 1980s is a useful reminder of the fragility of the dominant party system and the importance for these regimes to maintain a delicate balance of support from divergent interest groups. Although Kenya's ability to outperform many of its peer nations in the region is noteworthy, this project compares its performance to its global peers of countries characterized by similar political systems.

VARIABLES EXAMINED

Dominant party states have political systems that differ from both competitive democracy and autocracy or authoritarianism. Their political systems produce dynamics that enable governments to implement practices that facilitate industrialization that are not characteristic of other regime types. While such practices are not an inevitable feature of dominant party regimes, the successful cases of economic development reveal a pattern of conditions that are necessary for success in these states. This project analyzes the cases of dominant party rule to determine what these conditions are and how they work to enable successful development policy in dominant party states.

The conditions which facilitate growth in dominant party systems, which are revisited in subsequent chapters of case analysis, examine both the mechanisms by which the party remains in power as well as its ability to successfully formulate and implement a developmental policy:

- *Bureaucratic coherence and cohesion*—a capable and independent government administration to guide policy implementation and development. This variable evaluates the presence of a Weberian bureaucracy that is meritocratic and hierarchical.

- *Corporatism*—the absorption of business interests into the structure of the regime for cooperative policymaking and information sharing. This variable is well-defined by Collier as "a pattern of relationships between the state and interest groups…[with] state control over their leadership" but also encompasses information-sharing and patterns of consultation between the state and business

- *Pacification of labor*—a political strategy to stave off the mobilization of an organized labor movement against the regime.

- *National developmentalism*—a pairing of nationalism and the government's developmental agenda to create a societal commitment to industrialization and growth.

SUMMARY OF RESULTS

Through the examination of four cases of dominant party government—Japan, Mexico, India, and Kenya—this study evaluated the importance of several variables to the developmental success or failure of each state. While all four conditions figure into the developmental outcomes observed in each case, the developmental experiences studied identify the composition of the bureaucracy and the presence of corporatist links between the state and private sector as the main drivers of the varied development outcomes. Strong, autonomous bureaucratic entities were key policymakers during the economic miracles observed in Mexico and for a longer period in Japan. India and Kenya fell victim to low-level bureaucratic interference and development policy failed to make a significant impact. In addition, both Mexico and Japan developed networks between state technocrats and private-sector businessmen. Consultation among these groups both influenced policy formulation of public policy and facilitated mutual trust that each would work to grow the country's industrial capabilities. In contrast, such relationships were absent in Kenya as state resources were used for patrimonial corruption and in India until the 1980s when a state-business consensus yielded liberal economic reforms.

In summary, the conclusions of this study are consistent with some developmental state theories which focus on the networks created between bureaucrats and the private sector. As Evans notes, administrative autonomy is an important component for states to implement development policy and discourage the private cooptation of government power as is observed in Kenya. However, his main conclusion, that autonomy and the bureaucracy is not sufficient because "even the most bureaucratically coherent state cannot effect transformation without a network of ties to social groups and classes with which it shares a project".[2] The cases of dominant party government support this argument as both Japan and Mexico for a time had substantial cooperative relationships with major private sector actors. In contrast, Kenya's under-developed business sector, dominated by allies of the country's president, dictated that such networks could not be formed because autonomous social groups with whom the state could partner did not develop. Therefore, while dominant party states differ from the autocratic developmental states in their political systems, the conditions which facilitate economic growth in each are quite similar. Although much of the past focus on developmental states has concerned strong states in an autocratic setting, this study suggests that a stable and adept state apparatus can emerge in a democratic setting.

LITERATURE REVIEW

As indicated above, much of the current literature on industrialization places great emphasis on the successes of state-directed development in a few East Asian autocratic states during the postwar era. This line of reasoning, which casts participatory democracy as antithetical to the goals of economic development, has severe implications for the practice of government and state-building in the developing world to this day and serves to legitimize the suppression of democratic institutions or movements in favor of a stronger and more autonomous autocratic regime.

[2] P. Evans, Embedded Autonomy, Princeton University Press 1995, p. 249

Samuel Huntington's "Political Development and Political Decay" and his ensuing book Political Order in Changing Societies established the reasoning that characterizes the developmental state theory. He argues that development theorists before him were mistaken in the coupling of political development—in particular, social mobilization and participation—with a broader developmental goal of modernization and the assumption that all developmental goals are mutually supportive.[3] He reasons that the over-emphasis on participation and mobilization leads to a political system without sufficient institutionalization that is able to regulate competition and government action and results in chaos or authoritarian domination. States undergoing a transition are marked by polities that seek attention for their personal needs and breeds corruption by political elites who are not assimilated into a structured process of government. Huntington's main source of evidence for the instability and ineffectiveness of broad participation is the high rate at which newly independent states experience coups, particularly in postwar Latin America.[4] As a result, he concludes that states best equipped to facilitate development and modernization are those that employ "contained polities" with high political institutionalization but low social mobilization that might threaten nascent institutions.[5]

Huntington's argument, therefore, hinges on political stability as the most important factor to encourage modernization in developing societies. He points to India and Mexico as states which have used the model of a strongly institutionalized state to promote stability and resist possible usurpation (such as military coup) through their ability to act as a unifying force and regulate competing voices.[6] However, his argument does not distinguish between the dominant party states, in which one political party is able to gain a preponderance of political power through a democratic process but allows for the participation of rival parties in regular elections, and illiberal one-party states. As such, he fails to make the distinction between the strategies and characteristics dominant

[3] S. Huntington (1965), "Political Development and Political Decay", World Politics Vol. 17 No. 3 p.389
[4] Ibid 407
[5] Ibid 408
[6] Ibid 410-411

parties such as the INC and PRI employ to facilitate development under the umbrella of democracy and those of authoritarian regimes.

Huntington's more recent work, which indicates the influence of the "East Asian Tigers" on scholarship of development and democratization, highlights the inverse relationship development theorists observe between economic growth and democracy. His book The Third Wave posits that states democratize after they achieve sufficient economic growth to move into a class of "middle income" states.[7] While he does recognize the advantages of dominant party systems in the facilitation of economic growth, his analysis equates these democratic states with the authoritarian systems found in other successful developing countries. For example, he lauds the ability of PRI to consolidate the spirit of the Mexican Revolution into a new political framework but the focus of his argument remains on the political stability provided by the PRI government and its ability to unite Mexico.[8] Although the stability and unification presence provided by dominant parties are important, they represent necessary but not sufficient conditions for economic growth in these countries.

Robert Wade's influential book Governing the Market examines the developmental experiences in East Asia to determine the policies or strategies adopted by these states to achieve successful growth outcomes. He concludes that free-market explanations for the economic takeoff of these societies do not hold well against the evidence produced in these states. Such an approach, he notes, would "suggest that economic performance would have been still more exceptional with less intervention, which is simply less plausible than the converse."[9] Therefore, while he does grant some credence to the market forces at play in East Asia, he concludes that state intervention assumed a crucial role in the process of industrialization. Specifically, it nurtured new industries and helped firms overcome barriers such as technological development. These governments followed predetermined patterns of growth and were willing to use state capacities to encourage the growth of

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[7] S. Huntington, The Third Wave, University of Oklahoma 1991, p. 60
[8] S. Huntington 1968 p. 317
[9] R. Wade, Governing the Market, Princeton University Press 2004, p. 306

specific industries and products viewed as key to future economic success.[10] He terms this strategy employed by Taiwan and others as one of a "governed market" that takes advantage of favorable market forces and shapes others in order to facilitate a coherent growth strategy.

Another major contributor to the literature on developmental states, Peter Evans, gives a different analysis of the emergence of the East Asian cases as a model for effective state action for development. He observes that the failures of neoliberal structural adjustment and other development policies undertaken by the international community in the late twentieth century emphasize the importance of state capacity and institutionalization for the process of development and modernization. He builds off of Huntington's stability argument and examines three cases in which a strongly institutionalized and autonomous state directed substantial economic growth: Japan, Korea, and Taiwan. The latter two states built off of the Japanese model of a well-institutionalized and highly educated bureaucracy directing significant policy action to intervene in markets and promote a pro-development environment.[11] Indeed, he moves on to argue even states that are not entirely developmental or successful, such as Brazil, experience the greatest success in areas where they possess the highest amount of state capacity and institutional links to relevant private sector actors.[12] He concludes that a major focus of developing states must be to harness these lessons from successful states and "transform the state from problem to solution" in order to promote effective economic policy.[13] While he does not rule out the potential for the existence or creation of similar relationships and institutions in different political systems, his focus on the successes of Korea and Taiwan and the shortcomings of similar institutions in India and Brazil are characteristic of the tendency to observe that the most-praised aspects of the developmental model embodied by Japan are successfully implemented in autocratic states.

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[10] Wade 302
[11] P. Evans, "The State as Problem and Solution: Predation, Embedded Autonom,y and Structural Change", in The State: Critical Concepts, Vol. 2 ed. Hall, Taylor & Francis 1994 p. 395
[12] Ibid 407
[13] Ibid 415

Evan's analysis extrapolates finding from the important work of Chalmers Johnson to understand the nature of the Japanese economic bureaucracy and policymaking. His book Japan: Who Governs? serves as an insightful view into the operation of effective governance within the framework of a dominant party regime. He notes that, contrary to the model associated with authoritarianism, the Japanese political system is characterized by a true "separation between power and authority" meaning that policy development occurs away from the centers of power within the LDP but rather in the bureaucracy.[14] His study concludes that the Japanese bureaucracy holds significant influence over the legislative process and initiates legislation within the Diet to conform to its cohesive policy goals.[15] This ownership of economic policymaking and regulation by an independent bureaucracy insulated from political pressures, indicates the scope of policy initiative and control that is relinquished by the party leaders in order to produce the economic results observed in Japan. Therefore, advocates of state-directed development should be wary of claims that autocratic regimes will be able to replicate such results when they are more often characterized by a strong central government authority and policy decisions made by a close circle of advisers.

Indeed, Evans' scholarship of developing states outside of East Asia notes the prevalence of predatory and anti-developmental autocratic regimes. He uses the case study of Zaire to indicate the corrupt practices of these states that do not serve to produce collective welfare or development.[16] Under Mobutu, Zaire floundered economically and patrimonial rule enabled well-connected individuals to grow rich. This regime was characterized by a poorly developed bureaucracy consisting of only the President's close allies and family. As such, it was not sufficiently independent to regulate economic and government activity, resulting in widespread corruption that penetrated all levels of society as explained by Mobutu: "Holding any slice of public power constitutes a veritable

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[14] C. Johnson, Japan: Who Governs?, W.W. Norton 1995, p. 115
[15] Ibid 123
[16] P. Evans, "Predatory, Developmental, and Other Apparatuses: A Comparative Political Perspective on the Third World State", Sociological Forum Vol. 4 No. 4 1989 p.562

exchange instrument, convertible into illicit acquisition of money or other goods".[17] This example indicates that the simple presence of autocracy often leads to backtracking on development goals and that other conditions for regulation and policy implementation are necessary to achieve development.

In spite of such evidence about the pitfalls of autocracy, economists in the 1990s sought to distill distinct policy lessons and recommendations from the "East Asian Miracle" in order to determine the causes of rapid economic growth in these states and how governments may be able to learn from such cases to catalyze growth elsewhere. In one such analysis, Joseph Stiglitz identifies a set of policy choices made by these governments (Japan, South Korea, Singapore, Taiwan, Thailand, Indonesia, Malaysia, and Hong Kong) that contributed to economic takeoff. His study discredits other analyses that focused on a unique presence of cultural norms or values particularly conducive to productive economic activity and determines that the targeted government intervention and policies practiced by these states contributed to their economic growth. Stigilitz determines that the economic takeoff in these states represents a departure from the previously dominant paradigms of development as solely caused by either market forces or state intervention. Rather, he notes that these governments facilitated a mixed economy with focused and targeted government intervention to provide needed public goods and create markets where they did not exist in order to facilitate the creation of desired industries.[18]

Some other economists arrive at more extreme conclusions and recommendations from the East Asian experience. In her book about South Korea Asia's Next Giant and a later critique of the World Bank's report on the "East Asian Miracle", Alice Amsden argues that report misinterpreted the evidence to support its advocacy of market-led development. She concludes that the examples of South Korea, Taiwan, and Japan indicate that non-Western states must take a different course in pursuit of development because they are "late industrializers". As a result, she endorses significant

[17] Ibid 570
[18] J. Stiglitz, "Some Lessons from the East Asian Miracle", World Bank Research Observor Vol. 11 No. 2 1996 p. 155-156

government intervention to correct market deficiencies and guide economic growth. Her analysis juxtaposes the East Asian experience as an opponent to market-friendly development and concludes that the interventionist strategy employed by developmental states is a powerful and relevant model for other late industrializers.[19]

In spite of Amsden's criticism of its proclamations, World Bank officials did re-evaluate their orthodox support of market-led development during its analysis of the East Asian "miracle", according to Edith Terry in her book How Asia Got Rich. In it, she devotes a chapter to the 1993 World Bank report and the role of Japan in its creation. She argues that Japan financed this report as part of a strategy to keep US-backed international financial institutions (IMF and World Bank) from imposing market reforms in East Asian countries. When the report concluded that market forces were central to the takeoff of the East Asian economies, Japan was able to implement its own reform policies in the region without criticism from Washington.[20] The report established a delicate balance between free-market development and the interventionist approach observed in East Asia, arguing that the early success of Northeast Asian states such as Japan were not replicable and that the second wave of development in Southeast Asian states originated in pro-market policies that attracted foreign investment.[21] Although the report did not embrace the developmental model advocated by Japan and was heavily criticized by contemporary scholars of these economies, it acknowledged the primacy of Japan in the region and a partnership with the World Bank facilitated its growing role in international development in East Asia.

Due to the influence of economists such as Amsden, the lessons of East Asian governments and their economic intervention are relevant to the field of development studies as other developing states seek to achieve similar results. Stiglitz's analysis of successful industrial policy in the East Asian states serves as a blueprint for late industrialization in which the state identifies certain sectors as key aspects of economic growth and crafts policy to promote these sectors including the provision

[19] A. Amsden, Asia's Next Giant, Oxford University Press 1992, p. 631
[20] E. Terry, How Asia Got Rich, M.E. Sharpe 2002 p. 240
[21] Terry 275

of targeted public goods (investment in education, particularly in engineering and science) as well as subsidies and policies that provided easy credit access to these industries.[22]

However, Stiglitz does not assume that an interventionist government approach alone engenders rapid growth. Indeed, he hints at the important factors of government that made the state interventions in East Asia effective while efforts elsewhere may not produce the desired results. He points to common criticism of strong industrial policies which argues governments are inefficient and will stifle entrepreneurship or allow bad performers to prevail in an arena that stifles competition. While such critics may be correct in other cases, he notes that the East Asian states formed important institutional features that decentralized decision-making processes and facilitated better outcomes. In particular, he points to the discretion given to banks to choose which projects or firms received financing after a specific sector was targeted for assistance.[23]

Furthermore, this analysis highlights the structural importance of both corporatism and the presence of a capable bureaucracy for the implementation of pro-growth policies. Stiglitz notes that, while the case may be overstated, the East Asian governments in general and Japan in particular recognized the importance of partnerships between government and the business sector. They utilized several formal and informal practices to create networks and information exchange between these important actors and encouraged important cooperation between them. He argues that these networks of cooperation were crucial in the state's ability to persuade firms to sacrifice short-term profits or gains in the pursuit of a long-term government strategy that would benefit both these firms and the economy as a whole.[24]

While many of Stiglitz's other points and his complementary article written with Marlou Uy[25] examines specific policies that these states enacted to create markets or expand credit, they do not address the governmental characteristics of states that enabled successful implementation of

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[22] Stiglitz 157
[23] Stiglitz 162
[24] Ibid 163
[25] J. Stiglitz and M. Uy, "Financial Markets, Public Policy, and the East Asian Miracle", World Bank Research Observor Vol. 11 No. 2 1996

these policies and developmental practices. Indeed, in a concluding discussion on the prospects for the replication of such policies and the rapid economic growth of East Asian states, Stiglitz and Uy are wary of the significant risk associated with autocratic developmental states: that in order to enact activist policies governments must assume powers that can be abused or corrupted.[26] They indicate that the "lessons learned" from these cases should include the institutional design observed in these states—the most cited is Japan—that create a divide between political power and regulatory decision making.

As explored above, the current literature has identified some of the variables I explore as crucial aspects of a successful developmental agenda. In particular, the cooperative relationships between business leaders and government officials or bureaucrats are observed as a crucial venue for information sharing that enables effective policy design. The institutional design of such relationships, which contributes to greater efficiency and the avoidance of corruption, is also noted as a crucial aspect of these developmental states. However, the current literature does not adequately address the relationship between political structure and the presence of these conditions.

While Johnson's analysis does highlight the role of the Japanese LDP in cultivating strong relationships between government bureaucrats and their private sector counterparts it overlooks the process through which characteristics of the dominant party system necessitate and facilitate the emergence of corporatism and national developmentalism. My study attempts to examine the unique incentives and opportunities afforded by a dominant party system and how successful states have responded to such opportunities to craft successful, development-oriented policies.

Therefore, my analysis of the cases identified above—India, Japan, Mexico, and Kenya—builds from the existing literature on the importance of political stability for positive growth and the character of dominant party regimes. Huntington and others may be correct that political and economic stability are important factors for growth in developing states. However, this observation should not lead to a blanket endorsement of one-party rule in these states, as Evans and Stiglitz note,

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[26] Ibid 273

such regimes can produce corruption, inefficiency, and chaos. My research focuses on the characteristics and institutions employed by dominant party states that facilitate successful development outcomes. While political stability may be one important factor of development, my analysis hypothesizes that it is not sufficient to ensure developmental success and, in the absence of certain other conditions, fails to facilitate the implementation of development-oriented policies. This project evaluates the necessity and importance of four such other conditions to the pace and direction of development in a dominant party system: corporatism, national developmentalism, pacification of labor interests, and the embedded autonomy of bureaucratic institutions.

RESEARCH METHOD

As mentioned above, I explore the nature of the developmental dominant party regime through four independent variables: corporatism, pacification of labor, bureaucratic coherence and cohesion, and national developmentalism in order to determine under what conditions such a regime can facilitate significant economic development. The analysis flows from case studies of four cases of the dominant party framework—Japan, India, Mexico, and Kenya. The study examines the performance of the more successful cases in these four variables during periods of significant, long-term economic growth. While case analyses also reference times of poor economic performance in these states, these anecdotes intend to illustrate the contrast between the conditions that yield significant economic progress in these societies and the stagnant outcomes produced by actions that step outside of the proposed framework.

I analyze the experience of these four cases using both process tracing and a congruence procedure. The congruence procedure examines the dynamics observed in each of the dominant party regimes studied in order to determine which conditions are most important and the relationships between them. In order to make this comparison I determine the extent to which each condition is present in the cases and plot those observations alongside per-capita Gross Domestic Product (GDP) growth to reveal trends that may indicate the relative importance of each variable or some interaction between these societal characteristics. This analysis will yield a graphical representation of the prevalence of each condition within each case compared to its economic performance to evaluate the extent to which each independent variable contributes to or explains the cross-case variation in economic performance. Such a case study comparison reveals the importance of each condition identified and determines if they are each conditions which affect of economic growth prospects for dominant party states.

For the process analysis, I examine three cases during the timeframes identified as periods of significant industrial progress and economic development—the economic "miracles" in Japan and Mexico as well as the accelerated growth of the Indian economy in the 1980s and 1990s. Kenya will be examined from its independence in 1964 to 1982 when it became a *de jure* one-party state. For each case the presence and extent of each independent variable is determined in order to test the hypothesis that they each contribute to the economic performance of dominant party states. In this portion of the analysis, the dependent variable of economic growth (as measured by per-capita GDP growth) is used to determine the relevant time periods for study of societal characteristics. However, the intent of this analysis is not to determine the extent to which each variable contributes to or explains economic growth but rather to establish that each is a condition or characteristic that successful dominant party regimes employ.

Process tracing is a form of case analysis which involves a thorough examination of the processes and conditions present in a case that facilitate the desired outcome. It is useful in my study due to its strength in testing of a unique theory or hypothesis through a single case. While this project examines four cases, process tracing tests the same theory across each case and helps to determine if the hypothesis holds for several examples of dominant party states.

Although this method may seem imprecise and narrative as opposed to analytical, it is a useful tool to determine how outcomes develop and, therefore, the role played by the conditions hypothesized. A process tracing analysis of one dominant party state might be insufficient to determine that certain conditions are necessary for economic growth, but my study of four states aims to establish a pattern of characteristics present in these states during periods of economic growth. If such a pattern emerges it represents a strong piece of evidence that the structure of dominant party states facilitates some unique opportunities but also necessitates certain conditions in order to achieve economic growth.

Chapter Two:
Japan

INTRODUCTION

In the second half of the twentieth century, the Japanese state emerged from defeat in World War II to post some of the most impressive economic growth in world history. It climbed over the output of the European states to become the second largest economy in the world on the back of impressive growth in key industries and created a new model for late-stage economic growth that other states in the East Asian region have attempted to emulate. Indeed, the story of Japanese growth in the postwar era gives important insight to the factors and conditions that enable a state or economy to thrive in an environment where others have achieved important growth first.

The Japanese case interests this study because the postwar era of economic growth in Japan co-occurs with a long stage of dominant party governance by the Liberal Democratic Party (LDP). The party ruled the country through a majority in the houses of Parliament from its inception in 1955 into the 1990s and the 21st century. Over this period, the LDP established a system which proved instrumental to the creation of the "Japanese model" for rapid late-stage growth that some have attempted to adapt into a model for late-developing states. In particular, the existing literature focuses on the importance of elite bureaucrats, particularly at the Ministry of Trade and Industry and the Ministry of Finance, and the relationships they developed with the private sector. Early LDP leaders ceded policymaking duties to these bureaucracies and constructed the party as a stabilizing force to look after the constituencies left behind by the industrial development policies implemented by MITI and others.

All of the characteristics examined in this study are present to a significant degree in the case of Japan. While this result is not surprising since the variables were developed in accordance with the hypotheses of development scholars who focus on Japan and the East Asian Tigers, it underscores the developmental success the country experienced under a dominant party. However, the presence of an autonomous and capable bureaucracy with corporatist ties to the private sector appears to have the most significant impact on the developmental outcomes observed in Japan. To be sure, the cooptation of popular mobilization enabled through the LDP's redistribution policies helps to explain that party's longevity, but the country was unlikely to experience the economic takeoff in the absence of the public-private networks developed under the LDP. In the same vein, the pairing of nationalism and development by early party leaders such as Yoshida Shigeru granted the bureaucracy a significant mandate to pursue aggressive state-led development. However, the greatest impact of his leadership was the promotion of a technocrat-laden bureaucratic corps to carry out this ideology. As later cases demonstrate, the rhetoric of national developmentalism often falls flat when state capacity is weak or ill-suited for effective regulation. Therefore, the ability of Japan to build up an administrative sector that pursued developmental objectives through corporate ties is an important aspect of Japan's developmental success under the LDP.

BUREAUCRATIC COHERENCE AND COHESION

The composition of Japan's bureaucracy and its importance to the state's policymaking has been the subject of extensive inquiry and analysis for development scholars who attempt to draw lessons from the "Japanese miracle". Indeed, Johnson's analysis of the Japanese state concludes that the separation created between the politicians who reign over the state and the bureaucrats who craft policy and direct state resources is a key aspect of the Japanese system and an important reason for its economic success.[27] The dominance of the LDP shifts the important debates and policy initiative away from the legislators themselves and to the bureaucrats who direct policy from their posts within the various elite pilot ministries such as the Ministry of Finance and Ministry of International Trade and Industry (MITI).

In the wartime system, civil bureaucrats were forced to contend for power and influence with the military. After the postwar reforms imposed by the occupying American authorities—the Supreme Commander of the Allied Powers (SCAP), Gen. Douglas MacArthur—the military

[27] C. Johnson, Japan: Who Governs?, W.W. Norton 1995, p. 29

disbanded while the bureaucracy remained untouched by reforms. Indeed, bureaucrats accrued further power and legitimacy as politicians and military officials were discredited by the wartime defeat. The absence of a military presence also eliminated the bureaucracy's main rival for top talent as a career in top ministries became the best way to accumulate political connections and cultivate power.[28] Although MacArthur targeted the bureaucracy for some reforms, these did not seek to reform the culture or structure of the bureaucracy but rather SCAP crafted reforms that improved efficiency and, therefore, increased its power. The 1948 policy that banned strikes by public employees resulted in a structure unconcerned with reform but rather focused on the stated goal of economic recovery.[29]

With the significant concentration of power within the bureaucracy, one might expect the various administrations to lack cohesion and compete with each other to the detriment of effective policymaking. To be sure, Johnson's analysis suggests that during this era the most difficult aspect of Japanese policymaking was the formulation of a consensus among the bureaucrats and ministries they represent. These agencies engage in significant disputes over policy influence and bureaucratic territory.[30] However, the administrative culture of Japan emphasized loyalty and consensus once a policy is in place. Government officials within one of the elite ministries deferred, at least in public, to the "party line" and did not block policy implementation at lower levels. Suzuta Atsuyuki emphasizes the persistence of a governing code within the bureaucracy where there is strict respect for seniority among elite policymakers. While he does note the significant turf battles between the agencies, such as an incident in which MITI opposed the creation of an Energy ministry in order to protect its own authority over that policy area, he emphasizes the tightly woven nature of the ministries and the practice of age cohorts to remain together as they advance within careers and then retire once one of their peers ascends to the top post so he may remain unchallenged for power or

[28] Johnson 1995 29
[29] Ibid 133
[30] Ibid 121

legitimacy.[31] In addition, the elite economic bureaucracies are steeped in the relationships and networks of Tokyo University where faculty directed top students to the Ministry of Finance and MITI.[32] This pattern not only directed the top intellectual talent to public service—over 50 percent of Tokyo University's law school graduates enter the bureaucracy—it also stocked the agencies with individuals who had already built relationships with elite actors in the commercial sector as the University was also known as a breeding ground for CEOs.[33] As a result, economic regulation and industrial promotion in Japan could be centrally controlled by MITI and the Ministry of Finance because each was staffed by capable but disciplined talent with existing network connections to each other and business leaders.

However, Suzuta's argument highlights the rigid structure and norms of the Japanese bureaucracy in order to illustrate its shortcomings and help explain the slowdown in economic growth in the late 1970s even after the oil crisis subsided. His 1978 article indicates that bureaucrats are overly steeped in their own elite culture and are unwilling to make needed adjustments to incorporate outside voices and adapt to a changing environment.[34] While this criticism is important to note and may explain the eventual decline of the bureaucratic dominant party system in Japan, the presence of an elite-dominated and autonomous bureaucracy is a key element of the system that cultivated and managed the country's impressive growth. Because of the rapid economic growth achieved in the early postwar period, the rigidity of the Japanese bureaucracy only came to affect economic management in the late 1970s as Japanese firms garnered lower profits than their international counterparts.[35] The economy completed its "catch-up phase" in the 1970s but

[31] S. Atsuyuki, "The Way of the Bureaucrat", Inside the Japanese system ed. Okimoto and Rohlen, Stanford University Press 1988, p. 201
[32] C. Johnson, MITI and the Japanese Miracle: The Growth of Industrial Policy 1925-1975, Stanford University Press 1982, p. 60
[33] U. Schaede, "The Old Boy Network and Government-Business Relationships in Japan", Journal of Japanese Studies Vol. 21 No. 2 1995, p. 297-298
[34] Atsuyuki 203
[35] W. Hatch, Asia's Flying Geese: How Regionalism Shapes Japan, Cornell University Press 2010, p. 67

bureaucrats did not re-examine the basic structures of the state's economic policy until much later, in the 1990s.

In Peter Evans' comparative analysis of the nature of developmental states, he determines that the Japanese system during the postwar economic miracle fit a hypothesis based on Weber's ideas about the nature of states. For Evans, the Japanese case illustrates well that a system which cultivates a coherent bureaucracy with established norms is able to pursue a developmental agenda with success.[36] However, he also notes that the Japanese system is characterized by informal networking and practices of cooperation which contribute to the effectiveness of the system. He terms the addition of strong ties between the bureaucratic structure and private enterprise as a phenomenon of "embedded autonomy" enabled by the competence and cohesion of Japanese ministries.[37] For his analysis, the reason agencies such as MITI exhibit the tendencies of *amakudari* and extensive consultation is the intensely meritocratic nature of these organizations and the skill of their members to develop relationships with nongovernmental actors. As a result, Evans contends that the basis of the wide-scale accumulation of power in specific Japanese ministries is not only in formal powers granted by the postwar reforms to government institutions but also from important participation in external networks with the private sector.[38]

CORPORATISM

The system of networks and relations between elite policymakers and business leaders was a central component of Japan's developmental success under the LDP. After the war, the state harnessed some of the principles of the wartime economy towards a new strategy that viewed economic reconstruction as key to emergence from military defeat. Policymakers harnessed the paradigm that emerged during the war effort, oriented towards production as opposed to maximized profits, and formulated an economic reconstruction plan focused on growth in key industrial

[36] P. Evans, Embedded Autonomy, Princeton University Press 1995, p. 49
[37] Ibid 50
[38] Evans 50

sectors.[39] This plan, advocated by economist Arisawa Hiromi, identifies several important sectors such as iron and steel as key to the economic reconstruction of Japan. Gen. MacArthur agreed to assist the Japanese effort by allowing the import of a select few goods so Prime Minister Yoshida and his advisers needed to craft a plan that would take advantage of this assistance in 1946 and pave the way for future economic growth in Japan.[40] Through the promotion of these key industries, the postwar state incorporated business interests for these select industries into its policymaking through careful consideration and consultation with relevant firms to ensure their success.

The corporatist structure of the Japanese system manifested itself in the postwar Ministry of International Trade and Industry, created in 1949 to coordinate international trade and help ensure the success of Japanese firms. The bureaucrats in this ministry took initiative to intervene strategically in the market in pursuit of the broader goals for economic growth. For example, in order to boost production in the chemical industry, MITI implemented a group of policies that allowed the introduction of new technologies, subsidized firms' investment through accelerated depreciation, and granted tax exemptions.[41] The ministry had a long-range goal to cultivate firms that would demonstrate international competitiveness and sought to employ protectionist measures in order to promote national champions that would drive the economy forward. While these actions do point to the significant bureaucratic and ministerial influence over government policy, the tendency of the postwar Japanese government to prioritize economic growth over the establishment of democratic institutions or other aspirations indicates the influence of business interests within the state.

It is prescient to analyze these corporatist ties at the level of the individual bureaucratic ministries as opposed to between the state as a whole and business leaders. Unlike other democracies where private sector actors might attempt to curry favor with influential politicians, the system of LDP dominance ceded policy control to the bureaucracy and MITI and the Ministry of

[39] B. Gao, Economic Ideology and Japanese Industrial Policy, Cambridge University Press 2002, p. 44
[40] Ibid 141
[41] H. Kohama, Industrial Development in Postwar Japan, Psychology Press 2004, p. 64

Finance in particular. As a result, the relationships between elite bureaucrats and the private sector take the form of exclusive interaction and consultation between regulators and businessmen. For example, bureaucrats often shared information about regulation with the relevant trade association and invited representatives from the regulated industry to closed-door meetings to bargain over the proposed actions.[42] This flexible system of consultation is facilitated by the broad powers granted to the elite economic bureaucracy and allows regulation to take place informally based on mutual trust between government actors and the private sector.

This trust and cooperation was facilitated at least in part by an informal practice known of *amakudari*. Translated as "descent from heaven", under this pattern high-level bureaucrats took management positions at private firms after leaving public service.[43] These newly-minted businessmen bring their bureaucratic networks and technocratic mindset to the private sector and are willing participants in the closed-door negotiation sessions. The presence of so many ex-bureaucrats in regulated industries creates a mutually beneficial system for both the state and the established firms who hire the retiring officials and contributed to pro-business policymaking in Japan.[44] In addition, this system promoted a state-business consensus that reduces dissent in the private sector. Johnson's study of corporatist relations determined that industries with a high level of *amakudari* such as steel, energy, and banking exhibited a greater consensus with government policy than others.[45] Such networks between the state and business also extended into the banking sector with the Ministry of Finance. Because the Japanese growth strategy rested on the promotion of several key sectors, the ministry leveraged its influence over banks to encourage low interest rates for firms in these industries. The state kept rates low through the Bank of Japan and encouraged private banks to grant favorable rates in chosen sectors.[46]

[42] Hatch 49
[43] Johnson 1995 134
[44] Hatch 50
[45] Johnson 1995141
[46] Hatch 62

In addition to these informal networks and ad hoc consultation sessions, some corporatist structures were institutionalized in the Japanese system. The formation of consultative committees, *shingikai*, had been a part of Japanese administration in the prewar era but evolved from implements of public relations to bodies that can be used to resolve conflicts over proposed policy.[47] Schwartz argues that because parliament is downplayed in the LDP-dominated political system, these advisory councils allow for the coordination of interests that might play out in the legislature in a more competitive system.[48] Bureaucrats appoint loyal followers of an agency's policies such as former civil servants who have landed in the private sector as a result of *amakudari* and academics who are sympathetic to a specific policy agenda.[49] As a result, these councils result in closed "golden triangles" that mediated interests and crafted policy to propel Japan's industrial development.

Indeed, this pro-business policy context manifested itself with aggressive state intervention on behalf of domestic firms to promote their competitiveness on the export market. For example, in 1964 when Texas Instruments wanted to enter the Japanese computer market through a fully-owned subsidiary, the ministry stalled its application for a permit to operate so that the domestic industry could develop powerful firms of its own.[50] This strategy, employed across the computer industry, paid important dividends as Japan became the first state in which a domestic firm, Fujitsu, displaced IBM in market share.[51] By taking a hard line with foreign firms, Japanese regulators garnered important concessions including the access to patents from companies such as IBM and TI and reduced royalties to use them.[52] These actions indicate the extent of the Japanese state's commitment to the interests of domestic firms and the importance of such firms to the overall economic growth

[47] F. Schwartz, Advice and Consent: The Politics of Consultation in Japan, Cambridge University Press 2001, p. 49 and 56
[48] Ibid 57
[49] Hatch 50
[50] Kohama 103
[51] M. Anchordoguy, "Mastering the Market: Japanese Government Targeting of the Computer Industry", International Organization Vol. 42 1988, p. 512
[52] Ibid 515

strategy of the LDP regime as improved competitiveness in vital sectors such as computing drove the economy forward on its accelerated path.

NATIONAL DEVELOPMENTALISM

Another important aspect of dominant party government, the cultivation of a national ideology of developmentalism, is a vital part of the Japanese case. After defeat in World War II and disarmament, the Japanese state needed a new cause to rally its citizens behind and create legitimacy. As Gao states, the military defeat "resulted in the collapse of the spiritual pillar of nationalism" and the state required quick action to fill such a gap.[53] As a result, the regime staked its legitimacy to the cause of economic redevelopment and the push to cultivate an economically independent and competitive Japan as its new national project. The country became intent on asserting itself through production and viewed the need to avoid dependence on American aid as an important patriotic task.[54]

Although it seems that a new focus on national developmentalism and the project of economic development may have been adopted merely because the Japanese state had been discredited through the war, Kenneth Pyle argues that such an approach was not a simple utilization of the regime's next option for legitimacy but rather a calculated action for Japan to regain and surpass its previous standing in the global system.[55] He argues that the country's first postwar Prime Minister, Yoshida Shigeru, crafted the doctrine of economic nationalism in accordance with the opportunities and limits placed on Japan in that era. While the American occupation restricted Japan's ability to act independently on the global stage, it freed politicians from the responsibilities of national defense or foreign affairs. Yoshida desired to quickly rebuild the country's reputation among the world's powers and determined that a commitment to economic growth and productivity

[53] Gao 164
[54] Ibid 140
[55] K. Pyle, The Japanese Question: Power and Purpose in a New Era, American Enterprise Institute 1996, p. 20

would gain the favor of allies such as the US and focused efforts on increasing production and political stability on the domestic front while national security was handled by the Americans.[56]

Beginning early in his term as Prime Minister, Yoshida cultivated support for the policy of developmentalism and inserted this ideology into the political mainstream of the country for the years to come. The opportunity presented in these early stages by the departure of many politicians from the wartime period allowed Yoshida to install allies to political office and create a core group of former bureaucrats—the "Yoshida school"—that constituted the basis of the conservative majority in the Diet for the postwar era.[57] The ascendency of these politicians not only underscores the important linkage between the bureaucracy and other government institutions explored above but also illuminates a key difference in political dialogue observed in postwar Japan. Because potentially divisive foreign policy issues were off the table, Yoshida appointed loyalist technocrats to legislative positions since the focus of policymaking would be his ambitious economic agenda. Political actions at this time focused on the successful administration of the developmental vision for Japan rather than a clash of ideologies or political posturing.

Pyle's characterization of Yoshida's actions, particularly the bargains struck with Gen. MacArthur and John Dulles, suggests that the focus on economic growth arises from the unique circumstances of the Cold War. The desire of the US to maintain a significant military presence in Japan through the second half of the twentieth century enabled Yoshida to guarantee military protection for his country with a small amount of domestic investment in security—in 1952 just over 100,000 men for the National Security Force.[58] While such a global climate may have provided part of the impetus for the adoption of developmentalism, this ideology's importance in the success of the Japanese economy during this era should not be overlooked. Beginning in the 1950's the country launched a paradigm under which its national identity would be staked to its ability to catch up with the economic production of the West. As such, Johnson characterizes the Japanese policy

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[56] Pyle 25
[57] Gao 243
[58] Pyle 26

framework in this era as one which "pursues economic activities primarily in order to achieve independence from and leverage over potential adversaries rather than to achieve consumer utility [or] private wealth."[59]

Although future Japanese leaders may have lacked the same fundamental commitment to developmentalism found in Yoshida's doctrine, their actions indicate an understanding of the importance of this ideology to postwar Japanese society. The LDP had become the dominant political force by the mid-1950s and ensuing political leaders continued to operate under the model proposed by that party's founder. For example, in order to unite the country after an extended debate over a security treaty with the US in the late 1950s, PM Ikeda Hayato, one of the bureaucrats-cum-politicians recruited by Yoshida, turned to the aspiration for high economic growth and a policy of developmentalism.[60]

The previous leader, Kishi Nobusuke, resigned amidst popular protest over a security treaty with the US and Ikeda needed to find a new direction to quell such discontent. As a result, he decided upon a return to a successful and unified "economic season" focused on improving living conditions for the Japanese people, a cause he identified as the root of popular opposition.[61] In this vein, Japan launched the National Income Doubling Plan (NIDP) as an ambitious agenda to promote large-scale and long-run economic growth. According to Bai Gao, the adoption of the NIDP elevates the state's strategic economic concerns to a higher level than pursued under Yoshida and the other Prime Ministers who preceded him. While the original "Yoshida doctrine" centered on developing a comparative advantage in select industries, the new policy constituted a broad-scale coupling of overall economic growth and the country's ambitions. Under NIDP the state increased public expenditures significantly (16.1 trillion yen over ten years) and sparked large private

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[59] Johnson 1995 105
[60] Gao 248
[61] Gao 249

investment under its provisions as firms were encouraged or required to upgrade their capacities to realize the vision of accelerated economic growth.[62]

The cabinet coupled NIDP with a gradual program of trade liberalization in Japan as a managed strategy to facilitate the growth envisioned by Ikeda. The plan was formulated during the final period of the Kishi administration but implemented by Ikeda as a framework to reach 97 percent liberalization by 1967 (from 26 percent in 1959).[63] While this plan was steeped in classical economic theory and used terminology consistent with market-oriented growth strategy, including a reverence for the productivity and ingenuity of the private sector, the measured implementation of liberalization and twinning indicate a substantial use of this economic policy implement to strategically enhance Japanese economic performance. For example, MITI's program of liberalization for the electronics sectors did not unfold in accordance to a market-based analysis but rather in a staged process that delayed implementation of new policies to enhance the competitiveness of Japanese firms before they were exposed to new rivals.[64]

In further analysis, Johnson's characterization of the Japanese system emphasizes the strategic and nationalistic tendencies of Japanese economic and industrial policy. He underscores the differences between the "market-rational" system found in the US and other Western industrialized states and the "plan-rational" one of Japan, which justifies policy based on a plan to promote international competitiveness.[65] Unlike other states such as the US that have a separate economic and foreign policy, the Japanese system links its objectives in the international system—promoting stability and reaffirming its place among global powers—to a developmental agenda. As such, Johnson suggests that the major financial and economic ministries in Japan, especially MITI,

[62] Gao 231
[63] Y. Kosai, The Era of High-Speed Growth, University of Tokyo Press 1986, p. 136
[64] Kohama 112
[65] C. Johnson, "Market Rationality v. Plan Rationality", Inside the Japanese System ed. Okimoto and Rohlen, Stanford University Press 1988, p. 215

should be understood not as a counterpart of the US Department of Commerce but rather as akin to the Department of Defense due to the shared focus on strategic objectives.[66]

PACIFICATION OF LABOR AND POPULAR MOBILIZATION

The presence of enterprise unions shapes labor relations in Japan. These unions, which represent a wide cross-section of Japanese workers at a particular firm as opposed to those who participate in a certain trade, serve as a unifying rather than divisive force and fail to embody the adversarial role of labor unions in many western systems. In Japan, though disputes occurred, the demands of workers were largely absorbed by internal resolution processes during the period of rapid growth. For example, an effort by the Sōhyō union federation to contest wages on an industry-wide basis was embraced by the steel industry in an effort to marginalize the unions' left-wing leadership. Anti-communist purges beginning in the 1950s targeted the leaders of the prominent Sanbetsu federation, who pushed for decision-making powers for workers, and wiped out this organization as firms fired 12,000 workers accused of communist activity.[67] These efforts empowered more conservative leaders such as Miyata Yoshiji who were sympathetic to the concerns of management and organized workers across industries including steel, automobiles, shipbuilding, and electronics.[68] The resulting labor coalition organized itself around a principle that "prosperity of the enterprises makes possible improved lives for workers" and a need for cooperation between management and workers. [69]

In addition, because the state legally restricts the ability of government employees to strike, already small unions can seem bloated by the presence of members who cannot be mobilized. Additionally, the dominance of enterprise unions—which accounted for 83 percent of union members in the mid-1970s and 95 percent of unions by 2000—renders the task of building consensus

[66] Johnson 1988 217
[67] A. Gordon, The Wages of Affluence: Labor and Management in Postwar Japan, Harvard University Press 1998, p. 10
[68] T. Hirokuni, "Industrial Relations and the Union Movement:", The Political Economy of Japanese Society Volume 1, Oxford University Press 1997, p. 97
[69] Ibid 96

in the labor community difficult if not impossible.[70] [71] Enterprise unions join blue-collar employees with white-collar workers at the same firm or company as opposed to all workers across a given sector of the economy. The prevalence of these types of labor organizations in Japan weakened the ability of labor to influence Japanese industrial policy as a part of a corporatist coalition. Therefore, due to the character of the labor sector in Japan, the state pursued the ambitious plan for economic growth in close consultation with the business community but did not incorporate an organized labor voice in a significant manner.

Andrew Gordon argues that the postwar period saw a replay of the struggle between management and labor as workers asserted their new rights.[72] In the 1940s, the unions won important concessions such as guaranteed employment through strikes and threats at large companies such as Japanese National Railways. Through these bargains, workers became partners in the commercial enterprises, a relationship formally institutionalized in the labor-management councils formed in over two-thirds of firms.[73] However, these advancements were met with a backlash from management in the 1950s that rolled back some of the concessions in the run-up influential ten-month strike at the Miike mine, held by the Mitsui Corporation. The end of this strike marked the final stand in the dispute over the new social contract as the workers in that mine had resisted some of the changes made in other firms during the 1950s. The bargain which emerged from the 1950s centered on the concession of control over job assignments and the firm's operations to management in exchange for job security. Therefore, although labor relations experienced a tumultuous shift after the war, a new agreement which emphasized stability emerged after only a few years and firms were able to participate in the corporatist system without significant interference from the labor movement.

[70] T. Pempel and K. Tsunekawa, "Corporatism Without Labor? The Japanese Anomaly", Trends toward Corporatist Intermediation ed. Pempel, Sage 1979, p. 263
[71] J. Benson, "Collective Justice or Managerial Compliance", Trade Unions in Asia ed. Benson and Zhu, Psychology Press 2008, pg. 28
[72] A. Gordon, "Japanese Labor Relations During the Twentieth Century", Journal of Labor Research Vo. 11 No. 3 1990, p. 246
[73] Gordon 1990 247

In addition to the cooptation of labor unions through enterprise unionism, the Japanese system resisted popular opposition through government programs targeted at generating the support of local populations. The LDP cultivated a party whose candidates did not campaign on an ideological platform but rather as a patron of local clients who would distribute the benefits of the country's economic growth.[74] As a result, the state enacted popular measures which subsidized agriculture and invested in infrastructure in rural areas with 19 percent of government expenditure tied to public works projects by the mid-1960s.[75] These initiatives capitalized on an opportunity to build political support in rural areas since the postwar authorities, led by MacArthur, enacted wide-ranging land reform to displace large landowners who wielded significant political influence in the previous era.[76] The policy that passed the Diet in 1946 ensured that local power brokers in rural villages gave up their monopoly on land to the farmers in the community and diluted one form of the traditional power bases.[77] This program, coupled with the rural subsidies bought the Japanese leadership and LDP tremendous support in rural areas, which became an important constituency for its conservative majority alongside big business. Through the years, the party perfected its exploitation of support in rural areas through significant subsidies to Japanese agriculture as well as legislative gerrymandering to increase the importance of rural support for seats in the Diet.[78] Therefore, while the policymaking bureaucracy proved effective at cooperation with business and labor leaders, the party provided a stable institution to redistribute the benefits of growth and ensure opponents could not gain traction in farming-dominated areas as the country industrialized.

CONCLUSION

Japan's developmental experience is an important example of statist development and successful economic intervention. Indeed, the country's unprecedented economic miracle validated

[74] Hatch 110
[75] Hatch 34
[76] Gao 126
[77] T. Kawagoe, "Agricultural Land Reform in Postwar Japan: Experiences and Issues", World Bank Policy Research Working Paper No. 2111, pg. 8
[78] Johnson 1995 75

the practices initiated under the LDP and spurred initiatives for state-led growth in other industrializing countries, particularly in East Asia. For the purposes of this study, Japan stands as the prominent example for effective use of all the hypothesized characteristics to govern effectively in a dominant party state. The ambitious land reform program and strict regulation of the labor sector successfully sidelined political opposition for decades. That context allowed the country to cultivate its elite economic bureaucracy in the absence of political interference and allowed these technocrats to form important networks with private sector actors. Indeed, these networks and the cooperation between the state and business seem to have influenced the developmental experience in Japan to the greatest extent.

LDP politicians and policy leaders embraced a national project of economic development in the wake of the devastation of World War II, but such a plan could have been derailed without support from the private sector and the economic bureaucracy as a whole. The practices observed in Japan with ministries presenting a unified policy direction and business leaders included in the policy process through both formal institutions and informal consultation enabled the state to implement its comprehensive development vision. Indeed, without substantial cooperation from the banking sector and other industries, the strategy of promoting firms in targeted sectors may have fallen flat if these firms had not been granted preferential treatment. Therefore, while all factors are present in the Japanese case, the cooptation of labor and creation of a developmentalist ideology help to explain the policy track pursued by the state but the coherent bureaucracy and corporate ties appear to enable the developmental success of these programs.

Chapter Three:
Mexico

INTRODUCTION

After a period of unrest following the 1910 revolution, the modern Mexican state was founded under its 1917 constitution by Venustiano Carranza. However, the initial years of this government were characterized by strong-handed rule and did not fulfill the revolutionary aspiration of progress and justice. Indeed, the period of rapid industrialization and development in Mexico came over two decades after the post-revolutionary government came to power. As is discussed further below, many of the measures initiated in the 1930s, including infrastructure development and strengthened ties with the business community, built up vital parts of the system that developed and sustained high levels of growth in the following decades. Indeed, Fitzgerald notes that the state began to accelerate capital accumulation in this era to set the stage for future development.[79]

Beginning in 1940, the Mexican economy entered a period of unprecedented growth which was sustained for over two decades. Indeed, in the period from 1940 to 1981, Mexico's GDP growth rate averaged at above six percent per year, keyed by manufacturing gains above seven percent per year.[80] While the character of this development evolved over time—from inflationary growth in the early stages to more sustainable progress later on—the ability of the Mexican state to both foster rapid late-stage industrialization and sustain power in the hands of the dominant political party (PRI) is worthy of further examination. These successful developmental outcomes appear to hinge on the presence of autonomous structures within the bureaucracy and effective corporatist partnerships with private sector leaders. Indeed, Mexico experienced its greatest developmental success in the 1960s when its leading economic ministries were insulated from political interference and imposed a developmental ideology throughout the policymaking apparatus similar to the

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[79] E. Fitzgerald, "Mexico", The State and Capital Accumulation in Latin America Vol. 1 ed. Anglade and Fortin, University of Pittsburgh Press 1985, p. 212
[80] Ibid Appendix 4.A1

actions of the de-politicized economic administration in Japan. In addition, this era was characterized by consultation and cooperation between these bureaucrats and business leaders. However, once economic policy became more politicized in the 1970s the private sector grew wary of these partnerships and developmental outcomes soured. Therefore, while its hold over the labor sector is a large component of the party's electoral success, the economic development experienced under PRI domination in Mexico appears to be a result of the coherent economic bureaucracy and corporatist arrangements between the state and the private sector.

CORPORATISM

The system of cooperation between government and the business community has its roots in the early consolidation of the Mexican state after the revolution. Indeed, during the presidency of Álvaro Obregón (1920-1924), a system of alliances between these groups and other powerful institutions at the time—namely the army—stabilized the country.[81] Obregón used the alliances he built effectively as a political machine to encourage loyalty among these varied groups and used his strength of support to promote discipline within the political class, indicating to possible rivals that he, as the leader, could launch a successful campaign to defeat them.[82]

From these modest beginnings as divergent interest groups tied together by a powerful and ambitious leader, the corporatist system in Mexico began institutionalization with the creation of Partido Nacional Revolucionario (PNR), a precursor to PRI, in 1929. This party aimed to unite the various forces that contested the revolution under a single institution with a broad ideology which captured the spirit of their movement.[83] Additionally, then-President Plutarco Elías Calles viewed the party as an essential instrument to consolidate numerous associations and interest groups, including 2781 labor unions, under a single platform which he and his allies could monitor and

[81] R. Newell and L. Rubio, Mexico's Dilemma: The Political Origins of Economic Crisis, Westview Press 1984, p. 37
[82] Ibid 39
[83] Ibid 44

control.[84] Such integration was further institutionalized during the presidency of Lázaro Cárdenas (1934-40) through a project of political and national reorganization that crafted the dominant party system observed in Mexico from 1940 through the demise of the economic miracle and the strong corporatist system in the 1970s and 1980s. This project entailed, foremost, an effort to corporatize business interests which had grown wary of government reforms in the early years of the post-Revolution government because of some of the populist programs such as land reform and nationalization that were vital parts of the regime's platform of social justice.[85]

After Cárdenas' government successfully co-opted labor unions, his successor, Manuel Âvila Camacho set out to bring adversarial business interests under the regime's corporate tent. Cárdenas had passed the influential Law of Chambers of Commerce and Industry in 1936 which required all businesses to register with the autonomous chambers of commerce in their relative region or sector.[86] While these organizations were *de lege* independent, in practice the state controlled the permits and organizational mechanisms through which they registered and conducted business, so bureaucrats could monitor the activities of business groups at that time even though the commercial sector was not yet a party to the formal corporatist institutions. Camacho set out to further extend government control and influence over the commercial sector through some changes to the law in 1941 that fractured these confederations through the creation of a new chamber for manufacturing, Canacintra, which encompassed the state's national champions to spur growth.[87] Canacintra became an effective propaganda machine and bully pulpit for supporters of Mexico's state-led import-substitution industrial strategy beginning in the 1940s as the first business organization to endorse state intervention in the economy.[88] The confederation used its position as a favored interest of the state to grow rapidly and accumulate greater resources than its rival, Concamin, in spite of a smaller

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[84] Ibid 47
[85] B. Ross-Schneider, Business Politics and the State in Twentieth Century Latin America, Cambridge University Press 2004, p. 63
[86] Newell and Rubio 66
[87] Ross-Schneider 2004 63
[88] Ibid 64

base of industrial chambers. In addition, the law amended the purpose of the chambers to include a role as "organs of consultation of the state" overseen by the Secretary of Industry and Commerce. To fulfill this role, the chambers were forced to admit representatives of the commerce ministry to their meetings as observers.[89]

As the process of industrialization and economic growth progressed in Mexico, the PRI government managed to sustain the corporatist structure through continued successful cooptation of both labor and business. Though the labor movement, because of government- and party-controlled federations, was largely co-opted and de-fanged, the business sector represented a greater risk for defection due to higher levels of resources and a general skepticism of the populist rhetoric employed by the party. Therefore, the party was forced to take significant measures to keep the private-sector aligned with government actions once the state launched its economic interventions. These efforts began in the early 1940s through close consultation and coordination of objectives between key government officials and private sector leaders. For example, in 1942 the labor secretary met with leaders of the industrial federations to discuss the opportunities afforded by World War II and Mexico's plans for increased production.[90] The secretary encouraged increased private investment to boost industrial capacities and seize the opportunity for Mexico to enhance its manufacturing output. Additionally, the state used its power to appoint the leadership of state-owned enterprises to stock those organizations' boards with representatives from the business sector. Under Camacho, nearly thirty nationalized firms included private-sector leaders on executive boards and this strategy helped to stave off private-sector opposition to the activities of the state through these firms and preserve the corporate consensus in Mexico.

This effective, institutionalized corporatist system governed Mexico through unprecedented growth in the 1940s, 1950s, and 1960s. However, alongside impressive economic progress, the country's demography altered dramatically. Mexico evolved from an agrarian society at midcentury

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[89] Ross-Schneider 2004 63
[90] Newell and Rubio 84

to one with several major urban centers, home to an emerging educated middle class. Indeed, the student population in the country more than tripled from 1940 to 1960 and this growing educated class contributed to a doubling of Mexico's GNP.[91] However, corporatist cooperation degraded as the miracle progressed as the PRI, losing its grip on the labor sector, shifted towards populist programs to retain popular support. Urban protests in the late 1960s and the state's inability to reign in independent union leaders gave way to government crackdowns and wage increases to retain support.[92] Because private sector cooperation with government policy hinged on the state's ability to control labor demands and allow firms to keep wages low, the erosion of the PRI's hold on labor unions provided room for greater dissent from commercial leaders. Indeed, the business association CMHN (Consejo Mexicano de Hombres de Negocios) became a center for private-sector criticism of government radicalism in the 1970s in spite of its low profile. The exclusive presence of many of Mexico's largest firms in this association lent it an important role in crafting the stance of the business elite in this period.[93] CMHN conducted influential business lunches with officials of the economic bureaucracy and the Mexican President on a regular basis in order to provide informal consultation on industrial policy for the country.[94] This practice reflected the altered corporatist structure of the Mexican system as state relations with the private sector remained a vital part of developmental policy but the balance of power shifted towards the business associations after the 1968 protests and the ensuing populist response in the early 1970s.

BUREAUCRATIC COHERENCE AND COHESION

According to Schneider's comparative study, Mexico seems to embody several of the characteristics embodied in other states with powerful bureaucratic arms. Indeed, he points to the practice of recruiting bureaucrats almost exclusively from a core of top universities and the grooming

[91] Newell and Rubio 98
[92] Ibid 103
[93] Ross-Schneider 2004 76
[94] Ibid 77

of future state elites as key aspects of both Mexico and Japan's bureaucratic structure.[95] In Mexico, 93 percent of graduates between 1929 and 1951 at the National School of Economics (held at UNAM—the country's national university) went on to careers in the bureaucracy. This significant recruitment activity creates a paradigm in which elite-level bureaucrats are identified early in life and spend the majority of their career in service to the state. However, unlike Japan, the merit-focused nature of the Mexican bureaucracy ends with the recruitment of new state officials. The appointment leeway granted to the Mexican president places the control of bureaucratic advancement in the hands of political leaders and, as a result, party officials. As a contrast to the Japanese prime minister, who appoints a few dozen officials at the most senior level, the Mexican president appoints thousands at all levels of government service.[96] Therefore, advancement in the bureaucracy is incumbent upon political ties and support of the president in power and the PRI and deviates from the insulated, meritocratic ideal.

Although the Mexican system of appointments does not contribute to an insulated Weberian bureaucracy, the results indicate that the executive branch was indeed able to implement successful development policy within this structure. Party officials weakened the bureaucracy through a program of regular circulation among government agencies which strengthened loyalty to the party rather than private-sector clients.[97] In contrast to their Japanese counterparts, Mexican bureaucrats were not given a sufficient opportunity to develop skills and relationships in a given sector or policy area. While circulation serves to insulate the bureaucracy from society and potential clientelist relationships with the private sector, it also enhances the centralized power of the president and party as government officials know they are subject to frequent transfer. The question of how Mexico was able to implement effective developmental policy, therefore, with a bureaucratic system controlled by political interests might be troubling to the hypothesized construction of a successful

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[95] B. Ross-Schneider, "The Career Connection: A Comparative Analysis of Bureaucratic Preferences", Comparative Politics Vol. 25 No. 31993, p. 335
[96] Ross-Schneider 1993 339
[97] Ibid 338

dominant party state. However, those familiar with the working of the Mexican state argue that, although many appointments and rotations were used for political purposes, the vital organs of developmentalism, the central bank and finance ministry, operated as singularly autonomous and insulated institutions that might be treated as the kind of meritocratic bureaucracies necessary for the formulation of effective policy. Beginning in the 1950s, those institutions were headed by powerful and autonomous bureaucrats who served long terms.

After 1954, Mexican politicians appeared to recognize the need to control inflation in order to meet the developmental targets they had set. In order to curb inflation, the Mexican central bank (*Banco de México*), though not formally insulated from political activity, was granted de facto organizational autonomy in order to reign in the out-of-control inflation—10 percent per year from 1940 to 1954. To spearhead this agency, the PRI elevated Rodrigo Gómez to be the director of the bank in 1952 and kept him in that position for eighteen years, until 1970.[98] In addition, the central bank was one agency that guaranteed lifetime employment and operated somewhat as an autonomous and meritocratic island within the vast bureaucracy off the Mexican state. In order to take advantage of its effective staff, the bank initiated the practice of "personnel loans" in which bank economists would be invited to work for other agencies on a temporary basis while they remained employees of the central bank.[99] This program extended the influence of the bank and allowed it to streamline some aspects of economic policy and advise the other agencies to craft policies that fit into Mexico's developmental agenda.

Such partnerships were especially effective in the finance ministry under the leadership of Antonio Ortiz Mena, who served as Secretary of Finance and Public Credit from 1958 to 1970. Ortiz Mena had been an architect of the stabilizing development strategy and was granted a great deal of latitude from the presidents of the day, perhaps because they feared him as a potential rival. These two worked well together and effectively coupled fiscal and monetary policy in Mexico during

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[98] S. Babb, Managing Mexico: Economists from Nationalism to Neoliberalism, Princeton University Press 2004, p. 88
[99] Ibid 89

their tenure.[100] Haggard notes that the Mexican bureaucracy on the whole did not promote the same concentration of economic policymaking in elite bureaucracies as the East Asian states, including Japan. However the period from 1954 to 1970 in Mexico stands as an exception to that trend as the economic ministries built a kind of parallel bureaucracy with internal coherence and autonomy under politically independent leadership.[101]

However, after new President Luis Echeverría excluded both men from his new cabinet in 1970, leaving the Mexican administrative state with a vacuum of expertise and guidance that had guided the impressive growth of the previous decades. Under Echeverría, Mexico launched a series of populist spending measures and also put off needed tax reform.[102] Without the strong, apolitical leadership in the financial bureaucracy, the state ramped up borrowing and pushed the economy towards the crisis which materialized in 1976 and 1982. Such results indicate that the Mexican government was less effective at the formulation of economic and development policy after the departure of strong and autonomous department heads in the financial bureaucracy. Once a president decided to appoint loyalists to these important posts, the realm of economic decision-making shifted away from expert bureaucrats to politicians, who implemented a strategy that would cripple the economy in the years ahead.

NATIONAL DEVELOPMENTALISM

Although not nearly as pronounced as the nationalist rhetoric of industrialization observed in Japan, Mexico's coherent plan for rapid development fits the paradigm of the late development under a dominant party regime in some aspects. Because of its revolutionary legacy, the PRI state in Mexico often espoused socialist-style rhetoric of improved class relations and equitable development.[103] Although the policies that oversaw the country's economic surge often failed to embody this rhetoric, the party cultivated a sense of a national project to industrialize in order to

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[100] Newell and Rubio 141
[101] S. Haggard, Pathways from the Periphery: The Politics of Growth in Newly Industrializing Countries, Cornell University Press 1990, p. 45
[102] Newell and Rubio 143
[103] Babb 57

justify its significant intervention in the economy. This national plea had its roots in the tumultuous environment which surrounded the Great Depression and World War II and forced states such as Mexico to look for new economic strategies since international financing was no longer readily available.[104] While not as far-reaching as the Japanese rhetoric which set economic development as the country's new "total war" in the aftermath of the war, Mexico also recognized a need to assert itself on the global stage and used the rhetoric of nationalism to advance this agenda.

Beginning in the 1940s, Mexico attempted to promote domestic firms through protection of targeted "infant industries" from outside competition.[105] These protectionist measures allowed the private sector to take advantage of the significant infrastructure investments made during the 1930s and produce the observed economic takeoff.[106] Indeed, Schneider's analysis of the preferences of Mexican technocrats indicates that these officials coalesced around the need for industrialization in the postwar era and moved the development of a robust private sector to the front of Mexico's economic agenda beginning in the 1940s.[107] Even though some disagreement existed among the economic elites in Mexico—top bureaucrats and business leaders—at this time both sides reflected a consensus on a plural economy with substantial state intervention.[108]

For example, even the officials who rose to primacy to combat the high inflation of the early years of the industrialization program, such as Ortíz Mena, did not advocate a shift away from the developmentalist approach. Indeed, the period of "stabilizing development", from the mid-1950s through the 1960s are a period of widespread consensus among Mexico's economic policymakers around an interventionist role for the state in order to protect nascent domestic industry.[109] For example, a disagreement between a "conservative" and a "leftist" in the Mexican policy elite during this time would be over a seven percent or eight percent growth target, with no voice for adherence

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[104] Babb 56
[105] Ibid 76
[106] Fitzgerald 214
[107] B. Ross-Schneider, "The *Desarrollista* State in Brazil and Mexico", The Developmental State ed. Woo-Cummings, Cornell University Press 1999, p. 286
[108] Ibid 286
[109] Babb 117

to orthodox economic practices.[110] Therefore, while a close analysis of the policy establishment will yield a range of outlooks and preferences due to the bloated state, observers of the structures which surrounded the Mexican Miracle should note that any such disagreements were housed within a framework of developmentalism. The question of concern to policymakers at this time was not whether or not the state should promote rapid industrialization but rather the nature and scope of such intervention.

In spite of this consensus on intervention, the developmental push of the Mexican regime was restrained by the significant influence of foreign capital in the country. Unlike in Japan, the PRI was forced to balance the interests not only of domestic firms but also multinational corporations and private investors wary of statism. Indeed, in the 1970s when Echeverría attempted to launch further economic intervention with the creation of new public enterprises the plan was abandoned not only because of resistance from domestic industry but also due to threats of foreign capital flight.[111] Therefore, the conditions present in the Mexican economy during and after the economic miracle dictated that the regime would struggle to cultivate a widely-held commitment to development. Instead of rebuilding an economy through the promotion of targeted industries, the Mexican state coexisted with several other forces including foreign capital and the domestic elite who blocked the implementation of aggressive developmental intervention when it threatened their economic position.

The consensus began to erode in the1970s as stagnant economic growth and rising economic inequality discredited the protectionist system developed in Mexico.[112] Critics argued the import-substitution strategy had made some easy gains in the early years but was now exhausted because policymakers had not focused on developing capacities for secondary and final goods production. The effects of this exhaustion supported the advancement of dependency theory as an alternative to the development strategy pursued by Mexico and other statist regimes. Additional financing

[110] Ibid 118
[111] Babb 112
[112] Ibid 8

available from foreign governments to promote liberalization also contributed to a less certain development strategy within the Mexican economic elite as technocrats began to question the future viability of the country's development model. The state, in response to the considerable influence of business interests, did not respond aggressively to criticisms of the economic miracle and continued to prop up inefficient industries. As a result, the 1970s indicate that an ideological commitment to development was not as present in Mexico as in Japan. Ortiz Mena and Gómez crafted a coherent developmentalist framework, but ensuing appointees chipped away at their policy legacy to continue protectionism even as the economy soured. Therefore, it appears that development policy in Mexico was influenced by political considerations, first to initiate "stable development" but later to placate the industrial giants built up in the 1950s and 1960s possibly at the expense of further economic development.

PACIFICATION OF LABOR AND POPULAR MOBILIZATION

The institutions built up in Mexico by Cárdenas after the Revolution re-created the political system so the country was no longer ruled behind the scenes by political strongmen. These power brokers held influence over key labor groups but were replaced by a wide-ranging bureaucracy that could channel and filter popular demands to stave off unrest and opposition.[113] Low-level bureaucratic positions were often granted to local labor leaders who could use this access to distribute state resources and ensure PRI support among the working-class population. The state formed institutions such as the National Committee of Proletarian Defense and the Confederation of Mexican Workers in 1936 to unify labor groups into one bloc that could be treated by the party as a single unit, a pattern which continued in 1938 with the formation of the National Peasant's Confederation and the Federation of State Workers' Unions.[114] These unions and federations enabled the government—in practice, the party—to exert significant control over the leadership and organization of these pressure groups.

[113] Babb 54
[114] Newell and Rubio 51

Under the institutions founded by the Cárdenas administration, disciplined and successful local labor leaders were rewarded with promotions and political appointments, while those viewed as potential adversaries of the state were quickly and easily removed by the bureaucratic machine. Indeed, the cooptive apparatus quickly evolved into repression after some successful strikes by independent "wildcat unions" in the 1950s.[115] The state took heavy-handed action against dissent in the labor sector and jailed independent union leaders in many sectors beginning in 1959. Therefore, while Mexico can be said to have a pacified, coopted labor sector for some of its history, by the launch of the stabilizing development program this support was maintained, at least in part, by authoritarian repression. The PRI ensured that opposing political forces would not be able to gain a foothold among the working classes even though the regime allied itself to corporate interests, but a base for popular dissent lurked beneath the surface.

Indeed, the strong-armed labor relations were short-lived as unrest boiled over once again in the late 1960s. A movement which began with student protests for increased political and economic freedoms in 1968 "detonated" criticism of systemic problems with government action that undermined the regime's support.[116] Unlike earlier critiques of state policy, these protests drew the support of a large segment of the population—fifteen or twenty percent—concentrated among the politically active middle-class urbanites who had already proven resistant to coercion.[117] True to form, Echeverría initiated a surge in social spending targeted towards urban areas beginning in 1970 in order to blunt the popular unrest in cities.[118] This effort, as well as an initiative to keep unions under government control through wage increases, demonstrates the political desperation of the state in the 1970s.[119] Control over the labor sector was a key to its amicable relations with business interests and in this era politicians were willing to enact unsustainable policies for short-term political considerations. Therefore, labor unions remained coopted into the 1970s but the breakdown

[115] Newell and Rubio 100
[116] Ibid 121
[117] Ibid 122
[118] Ibid 122
[119] Ibid 127

of the state-led order appeared imminent as development outcomes soured because the party failed to adapt to the new economic climate its growth plan had created.

The cooptation of labor unions was only one aspect of the state's successful pacification of the popular sector during the initial economic boom years. Indeed, Newell and Rubio characterize the early stages of the Mexican economic miracle as a series of cycles between pro-business industrial policies and populist programs.[120] This strategy aligns with the PRI's duality of rhetoric, calling for both significant industrial progress to catch up with developed nations as well as increased social justice and equality--a legacy of the Revolution.

In the late 1930s, under the leadership of Cárdenas, Mexico's developmental agenda was launched as a program to lift the country out of the poverty and inequality caused by the Great Depression. In this period, the state nationalized some important industries, including the railroads and petroleum, and launched an ambitious program to build up the country's infrastructure that created thousands of jobs.[121] This pattern of job creation and social stimulus through state investment diverged from the strategy found in many other Latin American countries during this period. Rather than the unsustainable social spending found elsewhere in the region, Mexico's program of public works projects not only enhanced social welfare through increased employment but also laid a foundation for the significant industrial progress later on.

The state's greatest effort to fulfill its populist rhetoric and pacify potential adversaries in the popular sector was the large-scale land reform effort initiated in the early years of the post-independence government. This program began under Carranza but Obregón significantly widened its scope through the distribution of 921,627 hectares between 1920 and 1924.[122] Cárdenas extended these land reform efforts to fulfill his promises of social justice and equitable progress made during his unprecedented presidential campaign in which he traveled the country extensively and voiced his

[120] Newell and Rubio 122
[121] Babb 54
[122] Newell and Rubio 38

support for organized labor during strikes.[123] His administration oversaw the redistribution of over eighteen million hectares of agricultural land—more than double the amount of all previous land reform efforts—and targeted large commercial landowners to break up their influence over the rural areas.[124] At this time, Cárdenas also established programs to provide easier access to credit for small-scale farmers as well as public works projects to enhance irrigation in Mexico's agricultural regions. Indeed, land reform efforts were sustained throughout the economic boom years in Mexico, with *ejidos* increasing from 3.5 million hectares in 1940 to nearly 13 million by 1970.[125]

However, the efforts at land reform in Mexico did not have the large impact on economic equality they may have envisioned. While a good deal of land was distributed to the *ejidos*, private farms received many of the benefits from state-initiated irrigation projects and their total holding area actually increased slightly over the period from 1930 to 1960 after some decline from 1930 to 1940.[126] In addition, agricultural production at large private farms (over five hectares) increased by 264 percent from 1940 to 1960.[127] Haggard notes that the party became burdened by its own landed interests and resisted further land reform after Cárdenas' initial push in the 1930s.[128] Therefore, land reform in Mexico cannot be viewed as an event which dramatically altered the country's economic stratification but rather another element of the regime's cooptive apparatus as it built up an apparatus for political mobilization of peasants in the *ejidos*.

CONCLUSION

As indicated above, all four variables under study—corporatism, bureaucratic autonomy, national developmentalism, and a pacification of the popular sector—were important factors of the state system which produced the "Mexican Miracle". However, close analysis reveals corporatism as the key condition that facilitated development in this case. Indeed, it appears that had Mexico been

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[123] Babb 53
[124] Newell and Rubio 63
[125] F. Alba and J. Potter, "Population and Development in Mexico since 1940: An Interpretation", Population and Development Review Vol. 12 No. 1 1986, p. 51
[126] F. Dovring, "Land Reform and Productivity in Mexico", Land Economics Vol. 26 No. 3 1970, p. 264
[127] Ibid 668
[128] Haggard 37

able to continue its institutionalized corporatist relations into the 1970s, the destabilizing policies enacted during that decade may have not been necessary. The unrest triggered in the late-1960s and the state's inability to uphold the corporatist agreements led to an overall crisis which crippled the dominant party system. Indeed, the PRI's role in the country's politics and governance changed significantly in 1978 when a reform package ended its position as a repressive, all-controlling apparatus and moved towards the institutionalization of a multiparty system.[129]

To be sure, the other variables under study contributed significantly to the success and eventual downfall of the Mexican developmental plan. In particular, the partial autonomy of the economic ministries from the mid-1950s through the 1960s resulted in a stabilization of the peso with continued impressive growth. The 1970 departure of Ortiz Mena and Gómez coincided with the end of such stabilization measures and an accrual of economic policymaking authority for politicians rather than bureaucrats. However, this leadership turnover appears to also stem from the collapse of corporatism in the late-1960s. Those bureaucrats who had overseen the "stabilizing development" period were perceived as pro-business and did not fit the populist mood ushered in by the new administration. The rise of middle-class voices in the popular sector as a threat to the political dominance of the PRI mandated that administrative changes be made to wrest some policymaking authority from these bureaucracies so that political upheaval could be tempered with another period of inflationary spending.

[129] Newell and Rubio 205

Chapter Four:
India

INTRODUCTION

Now regarded as one of the most important countries in the global economy, India's pattern of economic development since its independence from the British Commonwealth in 1947 is uneven and does not resemble either the constant high growth observed in Japan or the booms and busts in Mexico. Rather, India experimented with several different growth strategies with mixed success before its impressive economic performance began in the late 1980s and accelerated growth into the 21st century.

For the first several decades of independence, India experienced slow economic growth under four percent per annum which scholars such as Vithal later termed the "Hindu growth rate."[130] This early phase, described as one of socialist experimentation launched by the country's first Prime Minister Jawharlal Nehru, produced per-capita GDP growth of just 1.3 percent annually—a significant increase above the poor economic performance under the British Raj but not the type of accelerated growth observed in other dominant party states.[131] Nehru and his advisors pushed for an interventionist state and were skeptical of India's under-developed private sector. Indeed, the state's economic policymakers were resistant to allow investment from foreign multinational corporations, unlike Mexico and other developmental states.[132] The interventionist policies of Nehru and his successors attempted to pursue development within a closed economy that would rely on import substitution to promote self-reliance and equitable growth—a divergence from the export growth model of Japan. Therefore, during this period significant constraints including permits and licenses were placed upon the private sector and its activity was controlled by the

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[130] A. Virmani, "India's Economic Growth: From Socialist Rate of Growth to Bharatiya Rate of Growth", Indian Council for Research on International Economic Relations Working Paper No. 122 2004, p. 1
[131] Ibid 15
[132] R. Herring, "Embedded Particularism: India's Failed Developmental State", The Developmental State ed. Woo-Cummings, Cornell University Press 1999, p. 318

expansive public bureaucracy. At the same time, the Congress government pursued nationalization of key industries and propped up the public sector to provide for the party's social development agenda.

The policies implemented by Nehru continued through the 1960s and were extended by Indira Gandhi's drive to eradicate poverty in her 1971 election campaign. While this rhetoric allowed her to continue the Congress Party's electoral stronghold, the spending programs initiated in the 1970s exposed flaws in the Indian system with high inflation.[133] Social unrest coupled with charges of political malpractice led to the State of Emergency declared by Gandhi in 1975 and contributed to the defeat of the Indian National Congress in the 1977 elections. However, Congress would sweep back into power just two years later after ineffective rule by the opposition Janata coalition. The experience of the 1970s, however, seems to have taught some lessons to Congress Party officials as the 1980s brought a behind-the-scenes effort to dismantle parts of the socialist legacy and reform India's market structures. Although economists initially attributed India's economic growth in the late-1980s and 1990s to the mid-decade economic reforms, closer analysis indicates that even as early as 1980 manufacturing gains caused by the removal of activity constraints accelerated the growth of India's economy.[134] Indeed, India's GDP growth rate increased from 3.6 percent in 1980 to 6.2 percent in 1981, 4 percent in 1982, and 6.37 percent in 1983.[135]

Therefore, although economic growth and systemic reform was consolidated in the early 1990s, analysis should focus on the 1980s as a time of structural change that reveals the character of India's economic takeoff. The Congress Party enjoyed great electoral success from the time of independence through the 1980s, yet its policies shifted away from the state-led slow-growth model of Nehru and others towards one of economic liberalization capped by the budget reforms of 1991. The stagnant experience before the 1980s, even with a coherent development plan in the early years,

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[133] V. Joshi and I.M.D. Little, India: Macroeconomics and Political Economy 1964-1991, World Bank Publications 1994, p. 54
[134] Virmani 30
[135] Data from IMF World Economic Outlook Database, October 2010 update

reveals India's deficiencies in bureaucratic coherence and corporatism. The central government was unable to rein in the various arms of government administration, all loyal to different interests or regional authorities, and as a result its attempts for stringent economic regulation were coopted and irregularly enforced. At the same time, the regime took a hostile position against the private sector as it attempted to build the economy through state owned enterprises which became bloated and inefficient. The economic reforms of the 1980s were presaged by an increase in the political influence of the business sector which underscores the importance of state-business relations for successful economic policymaking. However, the major finding of this case is the developmental failure caused by poor bureaucratic coherence and insufficient cooperation with the private sector while other components of dominant party rule were present after independence.

BUREAUCRATIC COHERENCE AND COHESION

An important legacy of colonial rule in India is the presence of an autonomous bureaucracy from the moment of independence in 1947. The British constructed an administration to absorb local demands and, as in Kenya, allow the settlers to dominate the local economy through resource extraction. Unlike the more developmental bureaucracies observed in other high-growth regimes such as Japan or Korea, India's case does not appear to follow a paradigm of bureaucrat-initiated industrialization policies pursued outside the realm of politics. Indeed, it appears that the Indian bureaucrats followed the lead of politicians and business leaders rather than dictating that the latter fall in line with a development plan orchestrated from the autonomous ministries. To be sure, the history of Indian economic development does afford an important role to several top-level bureaucrats, but the overall involvement of elite government agencies in the formulation of the country's developmental agenda is less prominent than in other cases of effective dominant party government.

The Indian bureaucracy was created within the British system to serve as an institution of implementation and administration and that attitude continued into the early years of post-colonial

India. Indeed, Nehru found little objection to his agenda of socialist-leaning policies within the Indian ministries.[136] Over time these policies invested significant powers in the Indian ministries with the implementation of an import-substitution industrialization plan with the use of protectionism to support the growth of domestic industry. The country adopted a complex system of economic licenses and other controls in 1951 with the Industries Act intended to control the pace and form of industrialization in India from the central government.[137]

This system, known as the "License-Permit Raj", granted significant economic control to bureaucrats within the Indian state. However, the impetus for economic policy formulation is found in an elite subset of the bureaucracy with close ties to the Prime Minister and the cabinet in the National Planning Commission. In this body, instituted in 1950 by Nehru, economists and cabinet officials developed policy strategies to be implemented by the leadership including periodic Five Year Plans that laid out a discrete development agenda for policymakers. The most notable of these early memoranda, the Second Five Year Plan from 1956 to 1961, amounts to the first evidence of a central government development plan in India as it calls for the promotion of capital-intensive industry to move the country away from a reliance on agriculture revenue.[138] In the second plan, the party aimed to build up infrastructure in anticipation of future needs and undertake the groundwork for future industrial progress.[139] The concrete goals and policy objectives of the five-year plans, therefore, points to the primacy of this centralized and politicized National Planning Commission. However, Herring notes that the planning apparatus in India was heavily "embedded" not in society as in the Japanese case but in state politics and disputes for power at the various levels of government.[140] Therefore, the economic bureaucracy may appear as a center of autonomous

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[136] Joshi and Little 9
[137] Agihon et al., "The Unequal Effects of Liberaliztion: Evidence from Dismantling the License Raj in India", NEBR Working Paper No. 12031 1996, p. 1398
[138] Joshi and Little 11
[139] S. Chakravarty, Development Planning: The Indian Experience, Oxford University Press 1987, p. 12
[140] Herring 321

development planning, in reality its proscriptions were often influenced by political considerations of the party leadership.

Indeed, the same body that outlined Indira Gandhi's poverty eradication plan in 1980 formulated the liberalization reforms of 1991.[141] Therefore, this commission diverges from the model of an autonomous bureaucratic institution that is able to formulate a coherent development agenda insulated from political pressures. Indeed, while the Planning Commission gained significant importance under Nehru because of his ambitious agenda, its relative importance diminished after his death because its role in policy creation had been a result of Nehru's initiative to empower it.[142] To be sure, some of the top-level bureaucrats involved in the commission garnered significant influence on policy for India, but their role should be understood as that of a close political advisor or colleague and not an independent source of policy initiative.

In spite of its large bureaucracy, the federalized structure of post-independence India renders the administration, including the Planning Commission, relatively ineffective at implementation of its developmental agenda because of disputes between the various government structures. Although this system helped to ease tensions that may have otherwise boiled over in the heterogeneous Indian society, it granted decision-making authority over many important policy areas to state and local governments.[143] For example, the Second Five Year Plan proposed an ambitious land-reform plan in order to realize the socialist aspirations of Nehru but such a program could not be enacted since the central government lacked the authority to tax or re-organize the agricultural sector.[144] While the central government does have the authority to impose orders on the states, such strong-arming would break the spirit of the federal system and posed political difficulties since the Congress Party was not strong in many regions.[145]

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[141] Chakravarty 37
[142] Joshi and Little 15
[143] Ibid 9
[144] Chakravarty 21
[145] Joshi and Little 9

Additionally, the Planning Commission and other arms of Indian policymaking did not understand the resource and capability limitations of the state when formulating development plans. The Five Year Plans often did not regard feasibility as a concern and, as a result, several of them were delayed in implementation or cut because of fiscal deficiencies. For example, the ground-breaking Second Five Year Plan was shelved due to a balance-of-payments crisis just after its formulation.[146] The Commission continued to issue memoranda in line with Nehru's agenda, but in the wake of fiscal crisis they were merely exercises in futility as the stat did not have the ability to implement aggressive developmental policies at this time.

Furthermore, policymakers were often overly optimistic about the ability of state agencies to coordinate their agenda and implement a wide-ranging agenda. Information-sharing deficiencies and an inability to respond to changes in the policy environment crippled many efforts at policy implementation.[147] The central government planners were relatively uninhibited by pressures from various interest groups but failed to account for the many groups who applied pressure on local officials to resist broad policy changes.[148] Indeed, bureaucrats steeped in the colonial administration were resentful of centralized authority and often disregarded the statements of politicians to pursue their own interests and the system of licenses and permits presented many opportunities for low-level bureaucrats to engage in corruption and rent-seeking with private firms.[149][150] As a result, Indian development planners gained a reputation as experts at planning on paper but unsuccessful at the actual implementation of such policies since regional and intra-governmental dynamics were often ignored in the policy formulation process.

CORPORATISM

The economic takeoff of the country in the 1980s can be attributed to a pro-business move in policymaking during that decade. Indeed, by 1980 Indira Gandhi was convinced that the populist

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[146] Joshi and Little 11
[147] Chakravarty 41
[148] Herring 316
[149] Ibid 315
[150] Ibid 324

approach to development she championed in previous years was not producing the desired results and moved towards an alliance between the state and business over the next several years. Indeed, from her first years back in office, Gandhi implemented some basic reforms in line with the stances of major business associations such as the Federation of Indian Chambers of Commerce and Industry (FICCI) including the removal of some licensing restrictions and legislation to discourage labor strikes.[151] These reforms and ones that followed amount to a substantial pro-business shift in government policy aimed at charting a new developmental course for India with a policy of providing support for industrialists rather than centralized planning which proved ineffective in the years since independence.

Indeed, beginning in 1980 the role of the Planning Commission altered as its mandate to issue plans for India's economic development faded. By the mid-1970s, industrialists began to grow frustrated with the restrictions of the licenses imposed as a part of the import-substitution strategy of early policymakers such as Nehru and started to put pressure on the political classes to implement some reforms.[152] As a result of this push, in the early 1980s the centralized commission was replaced by ad hoc committees led by senior bureaucrats amenable to the business community. These committees were initiated by Indira Gandhi but emerged as a common practice under Rajiv Gandhi and subsequent leaders. They developed policy recommendations implemented by the government in the late 1980s and early 1990s as the country's economic transformation progressed. These committees reflected a new state-business elite consensus on some liberalizing reforms and, beginning under Rajiv Gandhi, started to dismantle the rigid licensing system which controlled the conduct of business in India.

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[151] A. Kohli, "Politics of Economic Growth in India: Part I the 1980s", Economic and Political Weekly 2006, p. 1256

[152] D. Nayyar, "Economic Development and Political Democracy", Economic and Political Weekly 1998, p. 3126

Business elites emerged as powerful political players in the late 1970s through their use of financial support to sway elections and co-opt lawmakers.[153] The system that emerged from such practices was one of excessive patronage and a pay-to-play system which degraded economic productivity.[154] Indeed, such corrupt practices in the public administration led to a perception among some observers of the Indian economy that it had been "hijacked" by the twin forces of elite businessmen and politicians.[155] However, such interaction between the state and business interests may have contributed to the eventual consensus among policy elites that India's economic future lay in the hands of its entrepreneurial private sector. By the late 1980s, after some mild reforms to the licensing system had been undertaken, some of the elite bureaucrats called upon to lead the economic reform committees, including Abid Hussain who examined Indian trade policy beginning under Indira Gandhi, noted that the government's role going forward should be to support the new class of entrepreneurs in society and provide an environment for them to drive India's economy forward.[156]

The pro-business tack during the 1980s did have important consequences for India's development. Although the more wide-ranging reforms of 1991 are often cited as the beginning of India's liberalization, Arvind Panagariya categorizes initiatives taken in the 1980s as "reforms by stealth".[157] These piecemeal reforms are insufficient to amount to a true policy shift but they laid a necessary groundwork for the policies of 1991 and made headway at liberalization across multiple sectors. As a result, 25 industries had been de-licensed by 1985 and exports, which had grown at only 1.2 percent per year from 1980-1985, accelerated to 14.4 percent annual growth in the second half of the decade.[158]

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[153] Ibid 3127
[154] J. Bhagwati, India in Transition, Oxford University Press 1993, p. 50
[155] J.Pedersen, "Explaining Economic Liberalization in India: State and Society Perspectives", World Development Vol. 28 No. 2 2000, p. 266
[156] Ibid 276
[157] A. Panagariya, "Growth and Reforms During the 1980s and 1990s", Economic and Political Weekly 2004 2583
[158] Ibid 2586

The evidence presented above indicates a substantial shift towards a pro-business policymaking environment beginning in the early 1980s, well before the monumental reforms initiated in 1991. However, the practices identified do not seem to embody the same corporatist structure of government and business relations found in the dominant party states of Mexico and Japan. While the important committees which directed Indian economic policy in the 1980s and into the 1990s surely had some input from the industrial sector, institutionalized cooperation between the government and business seems to be lacking from the Indian development experience. The relationships between state officials and the private sector in the 1980s are characterized by informal ties fostered through political fundraising and clientelist relationships. To the extent that collusion with business leaders occurred in India, it persisted in these informal ties and the political pressure exerted by industrialists and entrepreneurs on lawmakers. Indeed, the country's largest firms exploited school affiliations and family relationships to circumvent the regulations posed by the state in the 1970s and 1980s.

NATIONAL DEVELOPMENTALISM

In addition to the change in policy content observed in the 1980s, that decade is also marked by an important shift in rhetoric away from some of the populist proclamations of the previous era towards the formulation of a more business-oriented society. However, while such a shift did occur, a broad consensus over a project of national developmentalism in India is not apparent. Political elites at this time did not seem to find an advantage in public support for their plans, and chose to pursue economic reforms without soliciting popular approval.

The shift in rhetoric can be observed almost immediately after Indira Gandhi returned to power in 1980 as the Prime Minister of the now back-in-power Congress Party. In order to make a strong rhetorical break from the *garibi hatao* poverty eradication programs which characterized her tenure in the 1970s, Gandhi made a new rhetorical commitment to economic growth upon arrival in office. Indeed a *Times of India* editorial from 1981 noted the substantial change in tone initiated during the first year from redistribution politics to a focus on fostering economic growth.[159] Atul Kohli argues that Gandhi and Congress had learned from the previous failures of the welfare-focused policies of the 1960s and 1970s and determined that a new tack was required to achieve positive development outcomes.

Gandhi's rhetorical shift was furthered in 1982, coined the "year of productivity", as she put the growth of India's productive capabilities and economic output at the center of her government's platform.[160] However, it was not until her assassination in 1984 and the ascendance of her son Rajiv to the post of Prime Minister. Rajiv continued the economic development orientation of Congress' policymaking but used his opportunity as a new leader to emphasize a break from the past in Indian economic policymaking. While his mother had not renounced the socialist policies she and the party pursued in her earlier terms, Rajiv made an open commitment to the practice of liberal government, a significant break from the Congress Party's legacy since independence.[161]

While such rhetorical adjustments are important, observers should note that a commitment to economic reform or developmentalism was not shared throughout the regime. Some scholars such as DeLong and Rodrik attribute India's growth acceleration to a shift in government attitudes towards economic policy during the 1980s.[162] However, N.K. Singh, a high-level bureaucrat during this time involved in the Planning Commission criticizes this notion, arguing that even in the 2000s the state struggles most to elicit a change in attitudes in India.[163] He notes that the 1980s and 1990s were characterized by sweeping policy changes but not a necessary shift in attitudes among government officials.

In addition, the rhetoric used by Manmohan Singh, then Finance Minister, to announce the 1991 financial reforms indicates that India struggled to make full departure from the previous developmental paradigm. Singh took care to draw a connection between the populist and state-

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[159] Kohli 1255
[160] Kohli 1256
[161] Ibid 1257
[162] Panagariya 2581
[163] Ibid

directed policy legacies of Nehru and others while announcing a series of liberal reforms in his budget speech.[164] These signals point to the mounting debt levels and significant pressure from the international community as the main determinants of India's economic reforms in 1991 rather than an ideological shift towards developmentalism. Unlike Mexico and Japan, whose leaders viewed development as a vital component of a plan to promote the national interest, the piecemeal approach to reform in India beginning in the 1980s indicates the absence of a cohesive developmental state mindset among policy elites. Rather, it appears that Indian public officials turned to policies of industrial promotion and, later, economic liberalization as a response to the policy failures experienced during the 1960s and 1970s and did not solicit a widespread public commitment to a new policy direction.

PACIFICATION OF LABOR AND POPULAR MOBILIZATION

Although many of the reforms put into place after 1980 reflect a pro-business, anti-labor mood among policy elites, the Congress Party at this time implemented some programs intended to improve general welfare and placate workers and peasants. However, the importance of labor cooptation measures in India is diminished when compared with the cases of Mexico and Japan. In India, only 6.8 percent of the total labor force in the early 1980s participated in the organized employment sector, and 68 percent of those workers were employed by the government.[165] Therefore, although Indira Gandhi's policies to restrict the organizing capabilities of labor are important to the overall paradigm shift observed in India, the economic reality of India at that time, with an overwhelming peasant population and underdeveloped industry mandated that the organized labor sector could only exert so much political pressure on her and other policymakers.

Unlike her counterparts in other dominant party systems, who used the powerful state apparatus to control the labor movement, Indira Gandhi directly attacked the organizing capabilities of labor interest groups. Beginning in 1980, she began to criticize strikes and other demonstrations as

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[164] Ibid 2582
[165] Joshi and Little 18

"irresponsible" and against the national interest.[166] Such proclamations came amidst the passage of legislation to restrict the effectiveness of strikes and encourage labor cooperation with the new pro-business outlook of the Congress Party.

The tough stance of Indira Gandhi and other Indian officials on organized labor, however, should not be understood as an indication that the Congress Party did not undertake measures to ensure popular support. Due to India's largely unorganized labor force these initiatives were instead focused on increasing social welfare among peasants and rural communities. Programs such as the National Rural Employment Program and the Rural Landless Employment Guarantee were instituted beginning in 1980 to provide work through infrastructure projects in rural areas.[167] These programs were coupled with a plethora of agricultural subsidy programs left over from the 1970s to alleviate poverty in these regions and Indira Gandhi's *garibi hatao* poverty eradication campaign beginning in 1971. Taken together with the government's Integrated Rural Development Program, which provided assistance and training for rural entrepreneurs, the Congress Party's policies regarding the great majority of the population who live in rural areas during the 1980s does reflect a desire to distribute benefits and coopt the support of these communities. Indeed, these populist initiatives were primarily motivated towards gaining political support for Indira Gandhi and the results were mostly symbolic—a simple attachment of populism to the statist development model.[168] Unlike Japan or Mexico which used social spending to distribute the benefits of growth, India's slow growth in the 1950s and 1960s dictated that the state had few benefits to redistribute so populist measures amounted to political rhetoric as opposed to policy action.

As discussed above, the central government in India lacked the authority or resources necessary to implement the comprehensive land reform programs observed in other dominant party states. Therefore, these attempts to empower the rural poor through government-provided incomes

[166] Kohli 1256
[167] Nayyar 3126
[168] A. Kohli and R. Mullen, "Democracy, Growth, and Poverty in India", States Markets and Just Growth ed. Kohli, Moon, and Sorenson, United Nations University Press 2003, p. 202

and development assistance should be treated as an attempt by the Congress Party to use its more limited authority for the same goals. Japan and Mexico used land reform to buy support from rural communities and sideline potential challengers and India's distribution policies are similar efforts to hold on to political power in the face of oppositon. As with the turn to pro-business policies in the 1980s, the adoption of poverty alleviation programs is a response to the ineffectiveness previous policy implementation. After ill-fated attempts at rural land reform in the 1960s and 1970s, Indira and Rajiv Gandhi turned to other instruments of poverty alleviation for India's masses with significant results. Indeed, the poverty rate in India decreased from 51.3 percent in 1978 to 38.9 percent in 1988.[169]

In spite of this decrease in poverty and the success of India's growth agenda, the Congress Party still struggled to maintain its grip on popular support. Just as Indira Gandhi was displaced by an anti-Congress vote in 1977 brought about by allegations of corruption, Rajiv's campaign in 1989 faltered after accusations of kickbacks to party officials from a defense contractor and his effectiveness was undermined by this public scandal.[170] As a result, while the 1980s policies seemed to produce the economic outcomes necessary for Congress to remain a dominant party, its lack of a true coercive apparatus or legitimacy gained through land reform cripple its ability to insulate itself from an opposition in India. While opposition coalitions only came to power for brief periods from 1947 to 1996, the ability of Congress to lose elections and be publicly implicated in scandals demonstrates its departure from the dominant party paradigm observed in other cases where the party does not meet a credible challenge until economic development persisted for an extended period.

CONCLUSION

The picture of economic development in India is not as clear as those in Mexico or Japan. Indeed, it is difficult to point to one or two aspects of the dominant party paradigm as the main

[169] Nayyar 3126
[170] Rodrik and Subraminan 5

drivers of accelerated growth in this case study. All four variables are present in the Indian case and each altered in the early 1980s to allow for the new growth pattern. However, in India these structures also demonstrate some reluctance to embrace a full-scale shift towards the private-sector initiated growth strategy. This slow acquiescence might be attributed to political considerations for the Congress Party. Unlike the other dominant parties observed in this study, Congress did not enjoy a complete monopoly on the political space in India during the period of study. Indeed, its removal from power in 1977 and 1989 demonstrates the necessity for it to appeal for popular support in ways the PRI or LDP did not because of their cooptive apparatus aided by land reform programs that distributed benefits to rural citizens. As a result, even though India's policy positions shifted towards greater corporate cooperation and some elite consensus on liberalization, officials could not make a substantial break from the past rhetoric of populism as they needed to earn the support of Congress' rural base.

After this political context is considered, the presence of corporatist ties and an embrace of the developmental project by policy elites emerge as the most important structural changes that initiated India's accelerated growth. While Indira and Rajiv Gandhi did not completely abandon the rhetoric of poverty eradication, the actions taken by their governments in the 1980s suggest an abandonment of the populist welfare policies that contributed to poor economic performance in the past and coalescence around development as a means to improve social outcomes for the Indian population. Furthermore, the business-government alliance for reform of the rigid regulatory processes implemented during India's early years of independence fostered private sector actors willing to carry out the state's development vision. Although the "License Raj" was dismantled in pieces, these ties between business and state policymakers generated greater confidence within the private sector that a reform tack was underway and their antagonistic relationship with the government would not persist.

In contrast, the character of the Indian bureaucracy and the state's ability to coopt the popular sector do not seem to have changed in the run-up to the economic takeoff in the 1980s and

1990s. The federalized Indian state and the poor reputation of its development planners meant that while India's bureaucracy was large and capable, it was not the kind of autonomous policymaking institution observed in Japan's MITI. Indeed, it seems that politicians and a few elite policy advisors crafted development strategies in ad hoc committees that subverted the role of the traditional Indian bureaucracy to construct reform proposals. In addition, the Congress Party's defeat in the 1989 elections indicates that its hold on popular support did not strengthen but rather eroded during the 1980s. While the party was able to ride the wave of independence and promises for development for the first few decades after 1947, it was unable to ride out corruption scandals in the 1970s and 1980s which led to brief periods out of power. The Indian case does not fit the mold of Mexico's experience of supreme legitimacy in the population which enabled the state and business to disregard popular welfare for long stretches. Rather, the experience in India in the 1980s indicates a strong perception among policy elites that support will erode if a new strategy for development is not adopted and a shift towards a partial embrace of the private sector to improve economic performance after government programs such as land reform failed to realize the desired outcomes.

Chapter Five:
Kenya

INTRODUCTION

Although its economic performance has been less impressive than the other cases included in this study, Kenya's experience under a form of dominant party government provides a useful view of the structures important to these systems. While the country employs some characteristics outside of the hypothesized paradigm, such as a legally banned party in the Kenya People's Union, a superficial observation might lead one to believe that it was well-equipped to experience the solid economic performance observed in other dominant party states. Indeed, Kenya inherited a capable and cohesive bureaucracy which had experience administering policy throughout the countryside. Additionally, early indications pointed to some adoption of a developmental outlook and a desire to replicate the growth observed in East Asia among policy elites. However, such an outcome proved elusive in Kenya as solid growth performance yielded to stagnation and decline in the 1980s and 1990s.

Kenya's experience under KANU domination appears to unfold in two contrasting periods. Just after independence in 1963, the country stepped into a period of impressive growth as output grew over six percent annually. While this initial surge of production seems to indicate that Kenya is on the fast-growth track of Japan or Mexico, the regime did not sustain this performance in the years to come. Upon further examination, it is apparent that the post-colonial growth in Kenya, unlike the "miracles" in other dominant party states, was fueled by an increase in agricultural production but not capital accumulation or the promotion of new sectors. Indeed, the post-independence policies which opened up European-owned lands to cultivation and introduced high-yield crops to Kenyan agriculture improved farming production in these initial years.[171] However, the state appeared to grow complacent with this improved agricultural performance and did not promote industrial

[171] F. Mwega and N. Ndung'u, "Explaining African Economic Growth Performance: The Case of Kenya", AERC Working Papers No. 03 2004, pg. 14

development at this time. Indeed, because of the inherited import substitution industrial policy from the colonial era, foodstuffs remained over 40 percent of Kenya's manufacturing output while textile production and other sectors increased only marginally.[172]

Coupled with the decline in economic performance precipitated by a slowdown in agricultural productivity growth, the state demonstrated a lack of responsiveness to the challenges which faced the economy beginning in the late 1970s. A poor agricultural season and the oil price fluctuations led to poor economic performance as the inefficiencies of the Kenyan system were exposed.[173] While manufacturing grew initially, the import substitution program and stringent government controls hindered the development of efficient processes or profits since prices were controlled by the state. Indeed, while overall GDP did increase in the 1970s, it failed to keep pace with population growth and per-capita income contracted. In the 1980s and 1990s, Kenya's failure to respond to the collapse of the coffee industry and the state's policy of high interest rates undermined private investment and capital per worker decreased throughout this time period while government spending continued to rise.[174,175]

These overall developmental failures, in spite of superficial success in the early stages, point to the deficiencies in Kenya's post-independence state. Although KANU did a sufficient job to coopt local elites and ensure political support, these elites played a pervasive role in policy implementation as their low wages and tribal affiliations dictated they would engage in corruption and irregular regulation. In addition, Kenyatta and his allies dominated the private sector as well as the government so effective corporatist structures could not be constructed since there were few autonomous actors in the business sector to cooperate with. As a result, economic policymaking in Kenya degraded into patrimonialism and rent-seeking by party loyalists. Indeed, although KANU came to power with hopes of economic development and the beginnings of an ideology, the lack of a

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172 Mwega and Ndung'u 12
173 Ibid 13
174 Ibid 22
175 Ibid 24

coherent bureaucracy dictated that effective state intervention could not occur and growth would only be felt by regime allies in a position to tailor government policies for personal benefits.

BUREAUCRATIC COHERENCE AND COHESION

Like India, Kenya gained independence from the British Commonwealth with a tradition of capable bureaucratic administration which the settlers used to dominate economic life. However, analysis of the years after independence indicates that the bureaucratic apparatus eroded into an arm of patrimonialism which did not project significant power or authority throughout the countryside. The country's first President, Jomo Kenyatta, set an important precedent by coopting the bureaucracy as a part of his party state and did not construct the kind of autonomous structure that yielded developmental success in Japan or Mexico. To be sure, Kenya's bureaucracy should not be characterized as under-resourced. The civil service grew dramatically from 63,000 in 1965 to over 258,000 by 1979, still only a small percentage of the population, but the World Bank notes its size was appropriate for the country's level of economic development.[176] Rather, the bureaucracy was ineffective and counterproductive because it was constructed as an extension of the executive branch and a rubber stamp for the personal authoritarianism of the presidency.[177] Indeed, Evans and Rauch's analysis of bureaucracies ranked Kenya the lowest of the countries included in its "Weberianness Scale" with a score of 1 while top bureaucracies in Korea and Singapore rated over 12 points.[178]

Under colonial rule, the Kenyan bureaucracy was cultivated as an institution to serve the narrow economic goals of foreign capitalists of resource extraction. Therefore, while some capacity was accumulated, deficits remained in vital developmental areas as the country moved to independence. Rather than building up capacity for proper development administration, the state under Kenyatta chose to continue the promotion of elite minority interests and kept the bureaucratic

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[176] A. Goldsmith, "Africa's Overgrown State Reconsidered: Bureaucracy and Economic Growth", World Politics Vol. 51 No. 4, p. 529
[177] Ibid 540
[178] P. Evans and J. Rauch, "Bureaucracy and Growth: A Cross-National Analysis of the Effects of Weberian State Structures on Economic Growth", American Sociological Review Vol. 64 No. 5 1999, p. 756

structures largely the same as the colonial era. Indeed, Branch and Cheeseman characterize the post-colonial system as a "pact of domination between transnational capital, the Kenyan elite, the provincial administration, and the executive."[179] This tacit agreement enabled foreign investors and the Kenyan economic elite—those connected during the colonial era—to benefit from some nominal reforms while the majority of citizens do not experience better outcomes. Top politicians assumed a role as top economic insiders and carved out substantial stakes in the agriculture and banking sectors while the bureaucracy had little recourse to properly regulate such activity because of its political dependency.[180]

After independence, Kenyatta politicized the country's bureaucracy to centralize power and assume an authoritarian position. He entered office determined to appoint loyalists in prominent positions and created a government predominantly of his Kikuyu ethnic brethren. In a departure from the Weberian model idealized as a key aspect of successful dominant party states, Kenyatta mandated that bureaucrats at every level pledge themselves to the ruling party. Indeed, the state threatened to dismiss civil servants who express support for any opposition while senior officials were often observed at KANU meetings and rallies.[181]

Kenyatta's efforts paid off as power accumulated around him and a close group of advisors. The regime crafted politics in his image and the state became a de facto authoritarian system with the president carrying a preponderance of legitimacy.[182] Indeed, Kenyatta amassed enough power that a small power struggle broke out in 1978 when he died. Kikuyus had grown accustomed to control over state resources over the previous decade and were wary of transferring the powerful presidency to Vice President Daniel Arap Moi, a Kalenjin. As a result, several MPs attempted to block his ascendency through the Gikuyu Embu Meru Association (GEMA) but Moi eventually

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[179] D. Branch and N. Cheeseman, "The Politics of Control in Kenya: Understanding the Bureaucratic-Executive State 1952-1978", Review of African Political Economy Vol. 22 No. 107 2006, p. 15
[180] A. Bigsten and K. Moene, "Growth and Rent Dissipation: The Case of Kenya", Journal of African Economies Vol. 5 No. 2 1996, pg. 182 and192
[181] G. Muigai, "Kenya's Opposition and the Crisis of Governance", Issue Vol. 21 No. 1 1993, p. 30
[182] G. Murunga, "The State, its Reform, and the Question of Legitimacy in Kenya", Identity Culture and Politics Vol. 5 No. 1 2004, p. 185

assumed the executive by promising key positions to some moderate Kikuyu officials who remained neutral.[183] These appointments in order to consolidate power are symptomatic of the system instituted in Kenya after independence as the notion of merit in the bureaucracy was abandoned in order to perpetuate the political ambitions of the country's leadership. As a result, Godwin Murunga argues that the Kenyan regime should be treated as an "ethnic mafia" rather than a formal bureaucracy as understood in democracies.[184]

However, this characterization ignores some aspects of Kenyan administration that might appear to be autonomous. Indeed, the wide-ranging Provincial Administration can be cited as an important part of the country's bureaucracy. These local authorities project power throughout the countryside and could represent a facet of the state with some insulation from the party-state which emerged in Nairobi. These administrators have their roots in the colonial era where the British "grafted" their own economy onto the subsistence agriculture of Kenya and used local leaders to control the system and ensure the settlers would be unimpeded.[185] These leaders grew accustomed to autonomy from the central authority, especially in the post-independence era when Kenyatta retained many of them as patronage appointees. Indeed, the long terms of Provincial Commissioners during Kenyatta's reign posed difficulties to Moi as many of these officials had amassed a strong local following and resisted a new policy direction. However, the new president was able to project significant authority through the centralized ministries in the capital and over the course of a couple of years transitioned all of these local power-holders out of office through retirement.[186] Additionally, while the provincial authorities seem powerful due to their numbers and tenure of senior officials, in reality they are coopted in a similar fashion to other bureaucrats. A KANU National Executive Officer observed that "administrative officers from Provincial Commissioners

[183] J. Barkan and M. Chege, "Decentralizing the State: District Focus and the Politics of Reallocation in Kenya", Journal of Modern African Studies Vol. 27 No. 3 1989, p. 435
[184] Murunga 189
[185] J. Nyang'oro, "On the Concept of Corporatism and the African State", Studies in Comparative International Development Winter 1986-87, p. 46
[186] Barkan and Chege 439

downwards have assumed the role of the party officials" and these local civil servants serve as arms of the ruling party and, as a result, the central government.[187]

Furthermore, the evidence indicates that the provincial administration failed to assume a significant role in policymaking or development programming even at the local level. When developmental projects—*harmabee*--were implemented, less than 20 percent received state funding.[188] Instead of a substantial role for the formal bureaucracy, local politicians and other elites fund many of these initiatives and local populations assume the administrative duties. In contrast to these projects, the state offered poor compensation to provincial administrators such village leaders, (*Liguru*). As a result, these low-level bureaucrats resorted to corruption and extortion as opposed to constructive initiatives.[189] As opposed to an autonomous and capable force administer a cohesive development program, therefore, the local administration appears to be a tool used by the regime to coopt some local leaders and tie their fate to the state's.

CORPORATISM

Although the case of Kenya exhibits significant cooperation between capital-holding elites and the government, in the end these structures are clientelist rather than corporatist. As opposed to the corporatist examples of Japan and Mexico, where a prominent private sector was brought to the table to shape and inform government policy, the regime in Kenya held a decided balance of power over private sector actors. The state apparatus constructed in the colonial era and promoted during the Kenyatta administration was structured more as the distributor of economic rent and patronage as opposed to a clearinghouse for policy proposals or a regulator of private economic activity. Indeed, the main power of the provincial administration during this era is not derived from its ability

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[187] R. Mukandala, "To Be or Not to Be: The Paradoxes of African Bureaucracies in the 1990s", International Review of Administrative Sciences Vol. 58 1992, p. 571
[188] J. Barkan and F. Holmquist, "Peasant-State Relations and the Social Base of Self-Help in Kenya", World Politics Vol. 41 No. 3 1989, p. 360
[189] Murunga 187

to resolve conflict or promote public welfare but rather its access to the distribution of patronage resources and an ability to build dependent client networks.[190]

Because Kenyatta crafted KANU and the early independent Kenyan state as Kikuyu-led institutions, the regime faced some initial opposition from other ethnic groups and regional power bases. Rather than integrating these varied factions, as he did with Moi and his main political rivals, Kenyatta and his advisors appeared averse to a strategy where consolidation of power might hinge on an ability to provide positive developmental outcomes. Therefore, in order to marginalize the Kenya People's Union and other potential threats the regime turned to its party-controlled provincial administration and granted them access to the instruments of economic distribution such as land reform and education resources in order to coopt local power-brokers and win support.[191] While this strategy is similar to the corporatism observed in other cases because it focuses on relationships between the state and elites, the structure deviates considerably because the private-sector elites only benefit from their access to government resources rather than information or a role in the policy process which facilitates development.

While one might expect the formal independence of Kenya to usher in a new era of economic relations, in reality the postcolonial era exhibited many of the same structures as observed under British rule. Indeed, the corporatist policies rooted in the colonial era which created a hospitable climate for foreign capital and the few native elites chosen by the former occupiers continued with no significant challenge into the Kenyatta era.[192] Rather than a break from the past through recognition of new, native social and economic forces, the regime continued to view as its primary objective the continuation of its power and used the well-developed devices of patronage and clientelism to perpetuate the power of the party and its leader. Native elites asserted their hold over land and the agricultural sector so foreign investors shifted their focus to Kenya's

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[190] Branch and Cheeseman 27

[191] Ibid 26

[192] N. Chazan, "Engaging the State: Associational Life in Sub-Saharan Africa", State Power and Social Forces: Domination and Transformation in the Third World ed. Migdal, Kohli, and Shu, Cambridge University Press 1994, p. 263

manufacturing sector in the 1960s and 1970s.[193] However, these overseas investors were excluded by the populist KANU state that resisted forms of colonial or neo-colonial influence. As a result, the sole outlet for effective state-business cooperation would be between policymakers and the local operators in manufacturing and industrial sectors, but those two groups overlapped significantly. Indeed, by 1978 Kenyatta's family and associates owned or operated "all meaningful business" in the country.[194] As opposed to the corporatist regimes in Japan and Mexico which sought policy input from an autonomous private sector, the KANU-dominated Kenyan state took control of the business community and corporatist relationships between the state and autonomous business leaders could not be developed since such leaders were not present.

NATIONAL DEVELOPMENTALISM

As indicated above, Kenya did experience significant economic growth in the initial years of independence and appeared to be on a path that would set it apart from many of its regional peers. Indeed, in the 1960s and 1970s, the country experienced significant GDP growth of over five percent annually and averaged 6.6 percent growth between 1964 and 1973.[195] However, the concentration of growth in a few sectors indicates a lack of cohesive development planning that would be able to sustain economic growth over the long term.

In 1965, the government published a development plan, "African Socialism and Its Application to Planning in Kenya", which calls for rapid economic growth achieved through higher savings, attracting foreign investment, and managed control of resources by the state.[196] Indeed, this document seems to encourage the development of many of the characteristics observed in other dominant party states including the use of nationalization "only where the national security is threatened" and the creation of new savings instruments to encourage domestic investment.

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[193] Nyang'oro 44
[194] Ibid 46
[195] Mwega and Ndung'u 20
[196] Government of Kenya, "African Socialism and its Application to Planning in Kenya", Sessional Paper No. 101965, p. 50

However, the evidence in Kenya indicates that the provisions of this plan were not implemented across all sectors and economic development began to sour after some initial success.

In the 1960s and 1970s, agriculture and government spending drove Kenya's economic growth and together accounted for nearly 60 percent of GDP growth from 1966 and 1979.[197] The country garnered significant gains in the agriculture sector early in the post-colonial era because of the eradication of many colonial restrictions to farming including bans on cultivation for certain lands, private ownership for farmland, and the introduction of new technology.[198] As discussed above, the strong influence of agriculturalists in the Kenyan political system as the primary African economic elites facilitated the adoption of these beneficial policies.[199] However, other sectors such as manufacturing experienced significantly less growth, even in a context with perhaps more room for development, because the leading industrialists could not place the same political pressure on state officials. Indeed, even though the development vision laid out in 1965 called for Africanization of industry and other economic sectors, private firms remained dominated by foreign-born ownership and management with little political power.[200]

While the government did issue statements about a new development policy, the evidence suggests the new regime failed to pursue a coherent developmental agenda. Rather, Kenyatta and his allies only modified some aspects of the previous era and garnered some impressive early results but did not lay a foundation for further growth. Murunga terms the strategy adopted in the post-colonial era "state nationalism" and argues it is a direct descendant of colonial tactics of control.[201] In the final years of colonial rule, the British became wary of growing dissent and nationalist rhetoric and moved to coopt prominent African elites into the economic system established in Kenya. Therefore, this system represented an evolution of the colonial paradigm as the situation in Kenya changed. After Kenyatta came to power, he sought to consolidate his authority through infrastructure

[197] Mwega and Ndung'u 20
[198] Ibid 19
[199] Ibid 33
[200] Ibid 20
[201] Murunga 182

programs and development projects around the country. Indeed, government expenditures grew at an average of 16.9 percent each year from 1964 to 1973 and accounted for over thirty percent of overall GDP growth in that period.[202]However, once Kenyatta sidelined any effective opposition and centralized power in the Presidency, the administration slowed government expenditure in the late 1970s. Additionally, government expenditure increased once again in the mid-1980s after Moi was challenged in unsuccessful coup attempt.[203] The new president had assumed office with an agenda to reform the excesses and corruption he observed as Vice President. However, the coup and increased opposition from other elites caused him to revert to the policies used by Kenyatta to win support in rural areas through development aid. Moi's resort to populist policies underscores his political desperation and the weakness of Kenya's state capacity. Moi became President with an ambitious platform which might have earned him support but the structural difficulties he faced—resistance from low-level bureaucrats and Kenyatta loyalists—dictated that no progress could be made. As a result, he was forced to abandon a developmental platform in favor of actions that might keep him in office. Under these conditions, where policymakers must consider short-term political viability, developmentalist ideology cannot be practiced unless implementation occurs without any resistance. In the absence of a capable and coherent administration, therefore, politicans and other elites do not have the luxury to develop a developmentalist consensus because they are wary of challenging entrenched interest groups such as the military and local leaders who profit from corruption in the status quo.

PACIFICATION OF LABOR AND POPULAR MOBILIZATION

In Kenya, the efforts to earn political support of citizens and stave off opposition took on some of the same instruments employed in the other cases of dominant party government. Indeed, the use of the local provincial administration as an extension of the national party apparatus is a feature observed in Mexico as a powerful means to coopt local leaders and form an electoral

[202] Mwega and Ndung'u 20
[203] Murunga 191

coalition. The pervasiveness of the civil service on the countryside demobilized the social sector and stunted the growth of civil society organizations in Kenya that might have challenged the regime or its local partners.[204] These provincial authorities were originally constructed by the colonists to provide space for Kenyans to channel their grievances and insulate the central government from opposition. In this regard, the role of local authorities did not appear to change with independence as Kenyatta continued to use these positions to earn the support of local communities and promote stability in the hands of these local strongmen rather than development-oriented administrators.

However, this pattern of cooptation in Kenya does diverge significantly from the other cases with the use of crackdowns and force to retain support. Indeed, the state granted local officials broad authority to disrupt opposition and harass dissenters.[205] Furthermore, while other dominant party states such as Japan and Mexico sought to control the organization and mobilization of labor unions and other popular sector organizations, Kenya banned the organization of students, university faculty, civil servants, and other segments of society. This hard line against popular organization is difficult to explain, as the regime demonstrated a considerable ability to coopt trade unions and controlled their leadership positions into the 1990s.[206]

In addition, Kenya's experience with land reform deviated from the model observed in Mexico and Japan. While an initiative to transfer colonially-owned land to native Kenyans was undertaken, these transfers disproportionately benefited elites with established political connections. Even by 1974, over half of the country's farmland was owned by just five percent of farm owners.[207] This failure to implement comprehensive land reform meant that the regime missed a crucial opportunity to promote equality in its population and dilute the influence of the local elites who had been propped up by the colonial system. As a result, the poverty rate in Kenya remained in the 40 percent range through the 1970s even during a period of economic growth and increased in the

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[204] Branch and Cheeseman 14
[205] F. Holmquist and M. Ford, "Kenya: State and Civil Society in the First Year after the Election", Africa Today Vol. 41 No. 4 1994, p. 14
[206] Ibid 11
[207] Barkan and Holmquist 362

1980s as industrial performance stagnated.[208] The local elites who remained prominent through land reform were beneficial to the regime in some ways including cooperation with political control strategies. However, they also came to represent a prominent force that undermined the legitimacy of the regime when developmental outcomes were not achieved in rural areas. Locally-based development projects, *harmabee*, provided infrastructure and services to local populations but often relied on financing from rich landowners as opposed to state resources.[209] These programs amounted to a type of parallel social service provision and decreased state involvement with local communities as the provincial administration devolved into corruption.

CONCLUSION

The experience of Kenya underscores the importance of bureaucratic coherence, corporatism, and developmentalism to effective dominant party government. To be sure, Kenya did struggle to maintain the cooptation of its popular sector and experienced popular backlash in the 1980s and 1990s which threatened KANU's dominance. However, these reactions appear to be the result of poor developmental performance as poverty rates and other indicators worsened in the 1970s and 1980s. Therefore, the failure to manage popular dissent should not be regarded as a cause of Kenya's developmental failure because if Kenya had produced the same economic growth observed in Mexico or Japan, it is feasible that KANU's hold on local elites and state control of major unions would have replicated the cooptation of the popular sector observed in those cases. The lack of effective land reform is a significant difference between Kenya and Japan or even Mexico. However, in Kenya the major power broker on the countryside, the colonial authorities, departed and the elites who assumed their place were loyal to the new ruling party so long as they had access to some patronage resources so the opportunities posed to Kenya at independence can be compared to Mexico or Japan where the party held political control in rural areas at the outset.

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[208] Mwega and Ndung'u 21, 35
[209] Barkan and Holmquist 373

As a result, the major lesson from Kenya is the patrimonial authority and stagnant growth that can occur if proper institutions are not developed to administer development in a dominant party state. In the case of KANU, Kenyatta and others could not resist the opportunity to use their preponderance of popular legitimacy to centralize power around the president and his ethnic group. Rather than acting as a necessary link between the state and the private sector, the bureaucracy propped up the economic interests of politicians and others with close ties to the regime. Since most of Kenya's industrial sectors were controlled by foreign owners as a legacy of colonialism, this structure prohibited the corporatist ties and information sharing which proved invaluable to the development experiences in the other cases. Kenyan policymakers, absent input from other sources, were left to enact policies that served the interests of the individuals in the state including the president and other party officials. The actions of the bureaucracy, therefore, should be considered evidence that these officials enjoyed little autonomy from the political pressures of the regime. Indeed, their low pay and political appointments provided incentives to engage in corrupt practices detrimental to effective policymaking. While the Mexican bureaucracy also had patrimonial elements, more effective ministries stepped in to direct policymaking and cultivate the corporatist regime. In Kenya, that pattern did not hold as Kenyatta and Moi accumulated a preponderance of power and the state took on authoritarian tendencies of increased inequality and a lack of responsiveness to important challenges.

Chapter Six:
Conclusion

INTRODUCTION AND MAIN FINDINGS

This project attempts to understand the wide variation of outcomes observed across countries that appear to have similar political systems. Many previous studies have attempted to determine what aspects of state policy or structure facilitated the impressive performance of Japan and the so-called East Asian Tigers in order to develop a model or prescription for developing states. However, much of this analysis proposes to make a comparison across political systems—between a democracy and authoritarian states—rather than identifying the aspects of developmental states in their own political context. When political systems of late-industrializing countries—those which attempted to industrialize in the mid-twentieth century—are examined, a group of dominant party states emerged which seemed to strike a balance between autocracy and democracy. To be sure, the political systems of these states varied but each was governed by a powerful political party which held onto power in spite of regular elections.

Therefore, through the examination of four cases of dominant party government—Japan, Mexico, India, and Kenya—this study aimed to evaluate the importance of several variables to the developmental success or failure of each state. Previous literature on late development and the growth experiences of these countries identified four variables—a pacification of popular forces, an ideology of national developmentalism, bureaucratic coherence and cohesion, and corporatism—as possible determinants of economic success. While all four conditions figure into the developmental outcomes observed in each case, this study identifies the composition of the bureaucracy and the presence of corporatist links between the state and private sector as the main drivers of the varied development outcomes. Strong, autonomous bureaucratic entities were key policymakers during the economic miracles observed in Mexico and for a longer period Japan while India and Kenya were unable to exert sufficient influence over low-level bureaucrats who resisted central policy action. In addition, both Mexico and Japan were characterized by institutionalized relationships between state technocrats and private-sector businessmen. The meetings between these groups were influential both in the formulation of public policy and the cultivation of trust on both sides that each would work to grow the country's industrial capabilities. In contrast, such relationships were absent in Kenya as state resources were used for patrimonial corruption and in India until the 1980s when a state-business consensus yielded liberal economic reforms.

The following section is an overview of the findings in each variable studied. While bureaucratic coherence and corporatism emerged as the most important variables to explain the varied economic performance, each characteristic revealed more information about the nature of dominant party states including how parties consolidate their hold on power to remain dominant and what conditions contribute to their eventual decline. In addition, while these countries share some political characteristics, this study indicates that they should not be treated as monolithic. Indeed, the dominant party system that emerged in India, with a federalized state in which the Congress Party did not control all areas, is quite distinct from Mexico where the PRI consolidated support from the country's many regions as a coalition of revolutionary leaders. Therefore, students of dominant party states should note the manner in which the variations on this paradigm affect the content of policymaking even if the economic outcomes are similar. To wit, India's attempt at state-led industrialization failed because of insufficient bureaucratic cohesion or corporatism. However, that country was able to accelerate its growth significantly beginning in the 1980s and continuing into the 21st century through a more liberal model of economic development. While the economic growth of Mexico in the 1960s and India in the 1980s may appear similar, in fact these two dominant parties enacted very different economic policies to spark these economic takeoffs even though both states fit the dominant party paradigm.

EXAMINATION OF VARIABLES

The cooptation of popular sector movements: a necessary characteristic of dominant party rule

Although this study examines the cooptation of potential opponents within a population, and labor movements in particular, the findings indicate that such cooptation is a necessary structure of all dominant party states. While the mechanisms of cooptation varied across the regimes studied, each party exhibited an ability to de-mobilize sources of potential opposition in order to perpetuate their political dominance. Therefore, the ability of a party to coopt or pacify elements within the population amounts to a prerequisite for the emergence of dominant party rule. However, the presence of cooptive measures is not a variable that explains the variation in outcomes across these regimes but rather might explain the emergence or decline of a dominant party.

In order to coopt the popular sector, dominant parties tend to employ a group of strategies intent on breaking up traditional power bases to build up support in the rural periphery. In Japan land reform removed large landowners who had dominated politics in previous era and the party's politicians could step in as . Mexico also implemented land distribution through the creation of communal *ejidos* which granted new agricultural land to peasants while large landholders held onto their estates. In addition to the rural support bought from the economic benefits of land redistribution for poor citizens, the PRI in Mexico appointed local union bosses—*charros*—to coopt local power brokers into the party apparatus. After gaining independence from Britain, Kenya employed a similar strategy to distribute land vacated by European colonists to local elites and bureaucrats. While that approach established a base of support for the KANU regime initially, the absence of widely-felt land reform that increased economic opportunities for more Kenyans dictated that KANU support was shallow. Indeed, the population turned against the regime when development outcomes soured and rural poverty persisted.

In addition to land reform and a reformation of local power structures, dominant party regimes ensured their support from the broad population through significant social welfare spending.

For example, Japan made significant investments in education in the 1960s and Indira Gandhi initiated programs to address rural poverty in India in the 1970s. Expansion of government spending staved off some opposition from the popular sector; however, the results in India demonstrate such programs fall short of the cooptive capacities observed with land reform and installation of local leaders. The fragmented state apparatus in India, which grants significant power to local and regional authorities, stalled land reform efforts. As a result, the INC took an aggressive stance against labor unions while other dominant parties such as the PRI and LDP controlled these organizations from within through partnerships with their leaders. Due to these limitations, the Congress Party failed to dominate the political system as well as its counterparts in Mexico, Japan, and Kenya. Indeed, the INC faced substantial political opposition at times and lost elections during its period of dominant party rule due to allegations of corruption. Other dominant parties, especially KANU, also empowered corrupt leaders who abused their office; however, the political systems in Kenya and other countries allowed those dominant parties to sideline possible voices of opposition that remained relevant in India in spite of INC's hold on political power.

The experiences observed across these cases indicate that each party took substantial initiative to coopt and demobilize segments of society that might pose a threat to its political dominance. In particular, the effectiveness of Japan's strategy of cooptation which instituted land reform and controlled union activities may explain the ability of the LDP to remain in power even as its own efforts for economic development modernized that country's political landscape. The PRI in Mexico also entrenched its position as a dominant force through rural land reform and control of labor unions. However, that regime eventually fell out of favor when it failed to adapt to demographic changes in the country that empowered an educated urban electorate. India's case is more difficult to explain as the party retained a much weaker hold on electoral dominance and relied on some populist programs to retain support. However, the institution of economic reforms in the 1980s which led to India's impressive growth seem, at least in part, a response to grievances within the population over the failure of statism and not simply a developmental vision imposed from above.

National Developmentalism

While existing literature on late-industrializing states emphasizes the power of a regime with an ideological commitment to state-directed development, the cases of dominant party rule suggest this connection is more nuanced. Among the countries studied, Japan best embodies such a commitment to national developmentalism. Its first postwar prime minister, Yoshida, crafted an economic policy doctrine followed diligently by his successors as well as elite bureaucrats who crafted policy. However, although this ideological commitment was an important part of Japan's growth program, its goals were only realized because of those efforts to elevate political allies and develop a loyal following in the bureaucracy, his so-called "Yoshida School", which implemented the strategy during his term and after he left office. Indeed, later Japanese leaders such as Ikeda adhered to this developmentalist mode and advocated for significant state intervention to push the competitiveness of Japanese firms.

In contrast, a lack of commitment at all levels undermined Kenya and India's attempts to form a coherent development plan .While the Kenyan state published manifestos including *African Socialism and its Application to Planning in Kenya*, in many instances the policies outlined at the time of independence in Kenya did not come to fruition. Once Jomo Kenyatta took power, he strived to accumulate power and wealth for himself and political allies—primarily ethnic Kikuyu—rather than promote the growth of competitive domestic industries. Instead of a new economic strategy, the KANU-dominated state continued the import-substitution policies initiated in the colonial era. As a result, economic performance waned once agricultural production reached a plateau since other sectors failed to grow sufficiently under the new regime. The poor outcome observed in Kenya indicates the primacy of institutions that implement a developmental vision and a lasting commitment to developmentalism among state officials.

In India, the planning commissions appointed by Nehru and other Indian produced comprehensive plans to increase the country's economic output and place it on a growth path. However, the federalized state failed to implement these policies because of resistance at lower levels of the bureaucracy. As a result of the inability of the planning bodies to take this limited state capacity into consideration, Chakravarty notes Indian policymakers gained a reputation for impressive statements on paper but little practice of developmentalism in the implementation of government policy. Once again, a commitment to developmentalism proved insufficient for economic takeoff because important actors resisted the state's measures. India did initiate a surge in performance in the 1980s after the policy leadership came to a new consensus that the state-led growth model observed in Japan and other East Asian countries would not be successful in the country because of insufficient central control over local policy enforcement. Rather, Rajiv Gandhi and others worked to reduce the complex system of licenses and controls which the state had built up since independence in order to allow the private sector to grow and push the Indian economy to a higher growth rate. Therefore, India's experience highlights the necessity for development planners to not only agree on a plan that promotes economic growth but also formulate one which reflects the structural realities of that particular dominant party state.

In the same vein, the varied experiences in these case studies indicate that a specific economic policy prescription cannot be devised for dominant party states. While Japan cultivated a national project of development for its citizens to take part in, growth initiatives in Mexico and India were elite-driven among technocrats and industrial leaders. Therefore, although the formulation of a consensus on a development strategy is an important aspect of any regime's attempt for industrialization, the notion of an ideological commitment to a specific method of late development may be overstated. The policy record in Kenya suggests that the absence of a coherent development plan yields economic stagnation, yet the three cases that achieved high levels of growth did not coalesce around one ideology but reflected the unique capabilities and limitations of the state that implemented a development agenda.

Bureaucratic Coherence and Cohesion

While scholars such as Chalmers Johnson and Peter Evans may overstate the primacy of bureaucrats in developmental success, the evidence from the four cases examined suggests bureaucrats play an important role in the facilitation of economic growth. Both Mexico and Japan took pains to craft autonomous bureaucratic structures which assumed a key role in these countries' economic miracles. To be sure, Mexico's PRI used a significant portion of its bureaucratic appointments for patronage to extend influence throughout the country and reward loyal supporters such as union bosses. However, many policies of the so-called "Mexican Miracle" were engineered in the 1960s by Antonio Ortiz Mena, the Finance Minister, and Rodrigo Gómez at the Central Bank. The regime allowed these men to construct meritocratic institutions which operated autonomously from the other ministries. Therefore, Mexico's bureaucracy at this time should be treated as two parallel structures: one a part of the party's cooptive apparatus and the other the elite financial bureaucracy which formulated and implemented policy.

In Japan, the state crafted an elite meritocratic bureaucracy headlined by the Ministry of International Trade and Industry, insulated from political pressure through both meritocratic promotions and a high turnover rate for top-level bureaucrats. As a result, MITI oversaw the complex strategy of industrial promotion and state investment which led to one of the most impressive growth performances in history. Because bureaucrats were independent of the political interference observed in other cases such as Kenya, Japanese policymakers could adhere strictly to the developmentalist philosophy they crafted over time and resisted for populist policies or short-term concessions.

In contrast to Japan or Mexico, the bureaucratic experience in Kenya illustrates the corrosive influence of an overly politicized bureaucracy on a dominant party state. Because KANU controlled the political system, President Kenyatta appointed many loyal local elites and citizens from his own ethnic group to positions in the bureaucracy and provincial administration. While this strategy helped the party in political terms, these appointees abused their positions of influence and engaged in corruption and extortion to supplement their meager public sector incomes. Unlike in Japan where bureaucrats are chosen from among the elite and are well compensated both during their service and with opportunities in the private sector later on, Kenyans desired positions in the bureaucracy in order to enhance their private-sector portfolio which, at the top level, might include financial institutions but at local levels manifested itself in petty corruption.

In India, the bureaucracy avoided rampant politicization but suffered from a lack of coherence within the administrative ranks. The country inherited a bureaucratic tradition from the colonial era; however, as was the case in Kenya, local administrators wielded authority to address popular grievances and deliver services but demonstrated little deference to state policymakers over issues of economic regulation. India lacked a significant link between the central planning authorities and the local bureaucrats who would implement these policies across India's broad geography. The division of authority to regional and local institutions hindered the central government's ability to implement interventionist policies advocated by its planning commissions. As a result, Indian economic growth stagnated as the country became entangled in a mess of irregularly enforced regulations derisively characterized as the "license-permit raj". Therefore, the unimpressive economic performance of as the regime attempted to initiate state-led development underscores the need for dominant party states to develop bureaucracies not only devoid of excessive political interference but also cohesive enough to implement a developmental plan.

The cases examined here reveal that the presence of an autonomous, meritocratic bureaucracy (or, in the case of Mexico, a segment of the bureaucracy) is an important determinant of performance for dominant party states. However, the performance of India indicates that simple autonomy and capability is not sufficient to facilitate accelerated economic growth. Rather, as the Japanese bureaucracy emphasizes, dominant party states require not only structures that insulate policymakers from politics but also the cultivation of a bureaucratic culture that adheres to the strategic vision of top-level policymakers in order to succeed with state-led development. [Additionally, the case of Mexico indicates that some role for politics in bureaucratic appointments does not preclude the development of a powerful and coherent policymaking institution. Antonio Ortiz Mena and Rodrigo Gómez were both appointed by PRI officials and retained because of their success at implementation of the party's developmental goals. However, the eventual collapse of the Mexican Miracle highlights the shortcoming of the politicized appointments process as later presidents could not resist the temptation to appoint ministers who allowed for inflationary populism. Had powerful ministers replaced the outgoing officials in 1970 and continued to operate the main economic institutions as autonomous fiefdoms, Mexico may have been able to weather the economic shocks of the 1970s and continue along the growth path instituted in the 1960s.]

Corporatism

In addition to the bureaucratic conditions explored above, strong corporatist relations emerged as a significant determinant of success for a dominant party regime. Indeed, the corporate relations observed in Japan and Mexico explain a great deal of those states' economic success. The regular meetings between industrial conglomerates and policymakers cultivated a pattern of information-sharing that facilitated protectionism and industrial promotion initiatives in these countries. Kenya, on the other hand, excluded many of its most prominent industrial players from politics due to foreign ownership stemming from the colonial period. As a result, even though the regime attempted to protect and nurture domestic industries, politicians and other elites coopted state policy and exploited their positions for personal economic interests. This pattern of corruption and patrimonialism stems from the absence of a powerful second voice in policymaking. While dominant party states lack a strong political opposition by nature, participation in policy formulation from lead private sector actors in the corporatist regimes of Mexico and Japan provided a check on the regime's power and ensured patrimonial interests did not coopt policy.

To be sure, the presence of a strong autonomous bureaucracy helped to facilitate these corporate ties. As Evans' notion of "embedded autonomy" suggests, effective bureaucracies such as Japan's are both autonomous from the political operations of the state as well as "embedded" in society through interaction and relationships with prominent private sector actors. Indeed, Japan's cultivation of these networks between bureaucrats and corporate agents through *amakudari*—the flow of high-level technocrats to management positions at private companies—facilitated the corporate relations which affected Japanese industrial policy throughout the country's impressive growth. In Mexico, the system of constant rotation among bureaucratic posts inhibited the ability of public servants to develop close relationships within the industries they regulated. Therefore, the corporatist inclinations of that state manifested themselves in the state-controlled chambers of commerce and other business organizations. A cooperative relationship developed between policymakers and industrial leaders as state agencies approached these industrial councils for advice in policy formulation. In turn, party leaders appointed loyal businessmen to positions at the large state-owned enterprises to ensure their cooperation with state initiatives.

In India, the presence of corporate ties is less clear than in Mexico or Japan. Indeed, the rhetoric and actions of the country's post-independence leaders through the 1970s is hostile to business as the state focused on social welfare, poverty eradication, and other populist measures. However, while the institutionalized corporatist relations observed in other cases are not present, the policy shift that facilitated India's economic takeoff was preceded by a shift in state-business relations. Indeed, beginning in the 1980s the policymaking commissions were composed of top-level bureaucrats deemed amenable to the private sector. These ad hoc councils proposed many of the reforms advocated by leading business groups at the same time and reflected a public-private consensus on a new policy direction. While formal relationships between policymakers and business leaders allowed Japan and Mexico to pursue aggressive state-initiated development plans, India's economic success beginning in the 1980s hinged on the removal of complex regulations and licensing systems. Nevertheless, both models of economic growth in dominant party states required the participation of business leaders in the policymaking arena and cooperation between bureaucrats and the private sector. India's economic stagnation prior to the 1980s demonstrates that a state policy hostile the private sector does not yield the desired outcomes and for effective dominant party government these forces need to be attended to in the policymaking process.

CONCLUSION

As indicated above, the results indicate some role for all four variables in the economic growth experiences of each country. Bureaucratic coherence and corporatist networks, however, explain the variation in outcomes observed across cases. The more successful development outcomes observed in Japan and, for a time, in Mexico coincide with powerful and autonomous bureaucratic structures that cultivated relationships with lead private-sector actors. In India, developmentalism failed after independence in the presence of an adversarial bureaucracy and hostile private sector but policymakers initiated an economic takeoff under a different paradigm that reduced the influence of low-level bureaucrats and appeased business interests. Kenya's economic stagnation magnifies India's experience, with rampant corruption in the bureaucracy and an undeveloped private sector.

This variation of governmental structures across countries is also confirmed in the developmental results of each country. Japan experienced a long-term economic miracle which grew its economy to the second largest in the world. Mexico also benefited from accelerated growth for a significant period but development soured as PRI could not adapt to the changing economic climate as well as the LDP and its balance of interest groups crumbled. India before the 1980s and Kenya were economic underperformers as their ineffective growth strategies and local resistance to widespread change stagnated these postcolonial economies. The development outcomes across these cases is highlighted in the chart below:

Country	**Variables present**	**Result**
Japan	Coherent bureaucracy in MOF and MITI; corporatist networks; land reform; national developmentalism (Yoshida doctrine)	Japanese Economic Miracle
Mexico	Autonomous economic bureaucracy under Ortiz Mena and Gómez; corporatism with business associations; limited land reform (*ejidos*); cooptation of local union bosses	Mexican Miracle until the 1970s, then stagnant economy
India	Fractured bureaucracy; hostile relations with private sector; no land reform	"Hindu" slow growth until the 1980s.
Kenya	Patrimonial bureaucracy; limited private sector; cooptation of local elites	Some initial agriculture-led growth then stagnation, increased poverty

Although this study examined the previously unstudied phenomenon of dominant party states, the results appear to be consistent with some of the analysis pertaining to autocratic developmental states. In particular, Peter Evan's notion of "embedded autonomy" encompasses the finding that a coherent bureaucracy with ties to private-sector networks is the main arbiter of economic outcomes. The variable which sets dominant party regimes apart from their autocratic counterparts—the cooptation of the popular sector—is apparent in all four cases and does not adequately explain the success or failure of developmental policy in each. The findings indicate that this cooptation is an important component of dominant party states but can be measured as a binary condition that each must meet in order to establish party dominance. To be sure, the successful cooptation of labor and rural interests by the LDP in Japan enhanced its longevity and allowed the Japanese economic miracle to persist over a long period. However, the different economic outcomes observed between Japan and Kenya cannot be explained by cooptation because KANU also incorporated local elites and controlled labor unions. The ability of the LDP to adapt to changing economic conditions and maintain its cooptive apparatus may deserve further study to explain the longevity of dominant party regimes. However, the varied developmental outcomes observed in this study are a result of the bureaucratic and corporatist structures hypothesized as important components of all developmental states.