Introduction

The central aim of this Field Statement is to survey the principal political economy perspectives on the state and development in Latin America. My engagement with this literature will be guided by the fundamental premise that economics and politics cannot be understood as separate or “autonomous” spheres. As I will demonstrate in the body of this paper, systems of power/domination and production/exploitation are connected apriori and have been intimately intertwined throughout all of history, especially in Latin America.

This interpenetration of spheres is at the heart of “political economy” as an academic subfield and is a theoretical position that I will endorse throughout this statement. As James M. Cypher points out in his analysis of development policy in Mexico, “much more than economics (narrowly defined), political economy is concerned with ‘why’ social forces function in a particular way and with ‘who gets what’- that is to say, power” (Cypher, 1997: 5). Another valuable definition has been developed by Charles Lindblom. “Both political science and economics have been to a degree impoverished by pressing the study of [political-economic] questions on each other, consequently leaving the questions to fall between two stools. Thus, when political science turns to institutions like legislatures, civil service, parties, and interest groups, it has been left with secondary questions” (Lindblom, 1977: ix). My goal is to vindicate the subfield of political economy by constantly tracing the fundamental linkages between what are often mistakenly seen to be purely “political” or “economic” phenomena.

For the sake of clarity of exposition, in this Field Statement I will explore each side of the political-economic equation separately. In the first section, I will examine the many debates concerning the nature of the state in capitalist society in general and, in particular, demonstrate the cogency as well as the great variety of “structuralist” (Lichbach & Zuckerman, 1997) political-economic perspectives on the state in Latin America. I will start off with a brief engagement with the Marxist and state autonomy schools of thought and then quickly shift into a discussion of a group of authors (Weber, Schurmann, Hall, Brown, Hall, Gourevitch, and Jessop) whom I consider to be positive examples of what I will call a “dynamic political economy” perspective on the state. As
we will see, this approach neither subsumes the state to socio-economic forces nor isolates it artificially, but instead engages with the complexities of the relationship between economic and political actors and processes. Following this general discussion, I will then look to the literature on the Latin American state for texts that fulfill the promise of the above-mentioned “dynamic political economy” approach. Here I will discuss texts by Shapiro, O’Donnell, Schmitter, and Hamilton, among others.

In general, instead of discussing what Lichbach and Zuckerman (1997) refer to as “rational choice” and “culturalist” approaches to the state, my emphasis in this section will be on those authors that fit into their third category of “structural” analyses. According to Lichbach, “structural” theorists are those that “focus on the political, social, and economic connections among people. Historically rooted and materially based processes of distribution, conflict, power, and domination, thought to drive social order and social change, are their particular concern” (Lichbach, 1997: 247-8). All of the authors discussed in this section share this common agenda. This will be my focus because the “structural” approach is the one that is most helpful for better understanding my principal topical interest: strategies of economic development in the Third World in general and in Latin America in particular.

In the second part, I will shift from the above discussion of the state to an engagement with the topic of development. Here I will start off by analyzing the two classic schools of thought that dominated the debates on development up through the 1970s: modernization theory and dependency theory. After revealing the common economistic and eurocentric bias of both of these frameworks, I will discuss how the work of “critical development” theorists like Escobar and “dynamic political-economists” like Gerschenkron, Cardoso & Faletto and Peter Evans can help us escape from the false dichotomies that have been propagated by these classic perspectives. Then, in the second half of this section, I will once again turn to the literature on Latin America, this time in search of examples of texts that fully integrate politics and economics in their analysis of development (and underdevelopment) in the region. Here I will review texts by authors such as Sikkink, Haggard, Sharpe & Bennett, and McMichael, among others. Finally, I will include a brief conclusion that summarizes my arguments and reflects on the future of development in Latin America.
I. Theories of the State: Towards a Dynamic Political-Economy of the Latin American State

A close examination of the internal dynamics of the state is important for students of development because, as Helen Shapiro has pointed out, development theorists have traditionally “focused on whether [the state should] intervene, but [have] stopped short of explicitly considering the state’s political and institutional capacity to meet its prescribed role. In so doing, much of development economics [has] reproduced the neoclassical separation of the economic and the political sphere, neglecting to incorporate a theory of the state” (Shapiro, P.10). Ira Katznelson agrees that a detailed exploration of theories of the state is crucial. For him, after the development of capitalist relations of production, “the creation and development of the sovereign state and the post-Westphalian system of sovereign states” is nothing less than “the second great macroprocess of modernity” (Katznelson, 1997: 90). Economic development and new political structures go hand in hand.

I will begin with a brief discussion and critique of the Marxist “instrumentalism” and “functionalism” of the 1960s and 1970s as well as of the “state autonomy” and “new institutionalism” literatures that arose during the 1980s in large part as responses to these Marxist frameworks. I will then move on to discuss texts by Weber, Schurmann, Hall, Brown, Jessop and Gourevitch as examples of the proposed “dynamic political economy” approach. Finally, I will turn to an analysis of texts by Hamilton, Shapiro, Schmitter, Cardoso and O’Donnell as examples of how such an approach can be applied to the study of the Latin American state.

A) Marxist, Institutionalist and Political-Economy Perspectives on the State

The Marxist theories of the state that predominated during the 1960s and 1970s refused to consider the state as an independent entity or even as an independent parallel “macroprocess” to capitalism itself. Although there were many differences between individual Marxists theorists during this time, most of them ascribed to either an “instrumentalist” or a “functionalist” perspective of the capitalist state. On the one hand, according to the instrumentalist perspective widely popularized through the writings of
Ralph Miliband, (1969) the state and its institutions are understood simply as “agents” (or, using Marx’s own metaphor, the “executive committee”) of the dominant classes in capitalist society. Here the state is understood to be immediately responsive to the desires of the bourgeoisie. Although the state may at times hide behind an ideological veil that makes one think that it might have its own specific interests or intentions, in the end it will always act in order to increase surplus-value extraction, put down social protest and favor the interests of capital over labor.

On the other hand, “functionalist” Marxist authors clearly distinguish their analysis from such “instrumentalist” perspectives, calling these “simplistic and vulgarized conceptions which see in the state the tool or instrument of the dominant class” (Poulantzas, 1973: 256). According to Nicos Poulantzas, the central function of the state is to maintain the class structure of society that is necessary for the continued existence of capitalism.

The state is related to a “society divided into classes” and to political class domination, precisely in so far as it maintains, in the ensemble of structures, that place and role which have the effect (in their unity) of dividing a formation into classes and producing political class domination” (Poulantzas, 1975: 51-emphasis in original).

Poulantzas sees this function of the state as being permanently ingrained in the structure of capitalism itself, independently of which individuals might hold government power at any particular moment.

The relation between the bourgeois class and the state is an objective relation. This means that if the function of the state in a determinant social formation and the interests of the dominant class coincide, it is by reason of the system itself: the direct participation of members of the ruling class in the State apparatus is not the cause but the effect and moreover a chance and contingent one, of this objective coincidence (Poulantzas, 1972: 245-emphasis in original).

Here the subordination of politics to the socio-economic structure goes beyond even the most extreme fears of the instrumentalists. While Miliband documents how the members of government are systematically imposed and co-opted by capitalists, for Poulantzas it is the state itself that is enveloped and determined by its functional position within the “objective” system of capitalist production. Unfortunately, although Poulantzas’s analysis is definitely more theoretically developed and sophisticated than Miliband’s, in the end it leads us to an even more disadvantageous position from which to construct a dynamic political-economy perspective on the state. While Miliband’s analysis leaves
open a certain possibility for exploring the interaction between states and markets, Poulantzas’s total absorption of the state by the socio-economic structure shuts off all possibility of exploring the intertwining nature of politics and economics.

In response to such “instrumentalist” and “functionalist” Marxist views of the state, authors like Theda Skocpol have defended the “autonomy” of the state from economic processes. For example, in her text on *Protecting Soldiers and Mothers* Skocpol contests what she defines as “progressivist” views of the Welfare State which depict it as the inherent outgrowth of economic development.

‘The modern welfare state’ has been seen by scholars in all camps as unified and inherently progressive, growing in recognizable stages in all industrializing and urbanizing nations. ... Most scholars presume that some approximation to the welfare state necessarily, progressively and irreversibly develops in every country that undergoes industrialization or capitalist development. Applied to the American case, such conceptions have been especially harmful. They have ruled Civil War pensions and maternalist policies out of the analysis altogether, and they have distracted attention from the disjunctures between major phases and configurations of national social provision. (Skocpol, 1992: P.39)

She is particularly concerned with the fact that such an economistic teleology of industrialism portrays political action as simply a “response” to underlying economic forces. This is dangerous for Skocpol because it “de-emphasizes political conflicts” (P.12) as central catalysts of political change.

An incomplete conception of long-run social change underpins progressivist visions of the welfare state. Social policies have been seen as “responses” to long-term change conceived in socioeconomic terms. The motors that transform societies are thought to be industrialization and urbanization—or if one has Marxist proclivities, capitalist development, which also involves changing class (and perhaps gendered) relations of production. (Skocpol, 1992: P.45)

Finally, according to Skocpol such perspectives are also harmful because they cover over important historical differences between countries and regions of the world. This is because “ideal-typical conceptions of the welfare state have been abstracted from certain understandings of a few national histories, and then turned into general explanatory variables” (P.39). Skocpol prefers to explore the detailed contours of each specific case of historical development of social policies with close attention to the dynamics of political negotiation.

For Skocpol, the remedy against such economism is to be found in what she calls a “structured polity-centered” approach. She explains:
A structured polity perspective holds that politicians and administrators must be taken seriously. Not merely agents of other social interests, they are actors in their own right, enabled and constrained by the political organizations within which they operate. Political officials can therefore make independent contributions to the development of a nation’s social policies. (Skocpol, 1992: P.41, My emphasis)

Because states are authoritative and resourceful organizations—collectors of revenue, centers of cultural authority, and hoarders of means of coercion—they are sites of *autonomous action*, not reducible to demands or preferences of any social group. Both appointed and elected officials have ideas and organizational and career *interests of their own*, and they devise and work for policies that will further those ideas and interests, or at least not harm them. (Skocpol, 1992: P.42, My emphasis)

For Skocpol, state actions are best understood as arising out of the interests of state officials rather than those of different classes or groups in society. This approach has the virtue of giving the state clear agency and allowing us to explore the internal workings of state power. It permits us to open up the “black box” of the state that, as Shapiro pointed out above, is so often closed in analyses of development.

This perspective also leads Skocpol to a very particular definition of the “state” itself.

A state is any set of relatively differentiated *organizations* that claims sovereignty and coercive control over a territory and its population, defending and perhaps extending that claim in competition with other states. The core *organizations* that make up a state include the administrative, judicial, and policing organizations that collect revenues, enforce the constitutive rules of the state and society, and maintain some modicum of domestic order, especially to protect the state’s own claims and activities. (Skocpol, 1992: P.43, My emphasis)

Here we can see that Skocpol clearly affirms an *organizational* view of the state. States are “organizations claiming control over territories and people”, not “institutions”, legal “frameworks” or “systems” of domination or exploitation. Indeed, one might argue, this concept of the state is perhaps necessitated by Skocpol’s desire to withdraw her state from society and declare its full “autonomy”. Although *organizations* do interact with their surroundings they are also by their very nature, and unlike “institutions”, “frameworks” or “systems”,1 self-referential, self-contained and therefore fundamentally “autonomous” entities.

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1 Although “systems” are often also understood to be self-referential as well (as in “systems theory”) they are almost always also much larger and all-encompassing than “organizations”. Unlike organizations, systems almost by definition include more than one sphere of life (one speaks of “social” or “political” *organizations*, but of “socio-economic” or “political-economic” *systems*).
In addition, we should also notice that in the above definition of the state outright “coercive control” replaces Weberian “legitimacy” as the measure of authority. Once again, the social aspect of the state drops out of Skocpol’s definition. While legitimacy necessarily requires an intimate relationship between state and society, since it requires the state to somehow convince a particular populous of its right to power, coercive control only requires the imposition of a state over a particular population by brute force.

This change of terminology from “macrostructures” to “organizations” and from “legitimacy” to “control” had a crucial impact on state theory and signaled the inauguration of a new and different school of thought: the “new institutionalism”. A classic version of this perspective is the one proposed by James March and John Olsen in their seminal article entitled “The New Institutionalism: Organizational Factors in Political Life”. The authors write,

> Political democracy depends not only on economic and social conditions but also on the design of political institutions. The bureaucratic agency, the legislative committee, and the appellate court are arenas for contending social forces, but they are also collections of standard operating procedures and structures that define and defend interests. They are political actors in their own right (March & Olsen, 1984: 738, My emphasis)

Here the authors’ definition of political institutions as “collections of standard operating procedures” is centrally important. As with Skocpol, this thin understanding of political institutions reveals the authors’ central interest in studying state agencies as organizations with their own internal logics instead of as broader macrostructures that include and intimately interact with social forces.

Although they serve as much needed antidotes to Marxist “instrumentalism” and “functionalism”, “state autonomy” and “new institutionalist” perspectives are not very helpful for the construction of a vibrant political-economy approach to the state. This is because, as Adam Przeworski has pointed out, they implicitly accept functionalism itself as their starting point. For Przeworski, theories of state autonomy are problematic because they “necessarily entail the counterfactual claim that the state could be an instrument of some specific outsider” (P.35). He writes:

> Assertions that the state is autonomous with regard to a particular group are of interest only when a plausible presumption is established that this group could, under specifiable conditions, control the state. (Przeworski, 1990: P.35)
In other words, arguments like Skocpol’s and March & Olsen’s are essentially reactive or “negative” in nature. Instead of charting out new ground and affirming a new “positive” theory of the state, such authors base their whole theoretical edifice on the idea that the state is not how the functionalists make it out to be. As a result, such theories do not constitute a real threat to functionalist theories. By simply isolating the state in an organizational shell they do not engage with the larger questions concerning the dynamic relationships that do indeed exist between states and societies. Or, even worse, they implicitly affirm a positive concept of the power of the state as resting in pure, naked force.

[T]he state-centric approach is not coherent unless the power of the state is derived from physical force. By a state-centric or ‘statist’ approach, I mean more than calls for taking state institutions into account in political analyses and more than denials of the sort “political outcomes cannot be adequately understood as simply reflection” of this or that. When based on the assumption of the primacy of force, the statist approach constitutes a true paradigm: it has the effect of making other factors irrelevant, of making the relative autonomy approach redundant if not useless. When the power of the state rests on force, the state itself is a cohesive institution, capable of performing as an actor not only against external enemies but vis-à-vis the society. But if the cohesion and effectiveness of the state are even in part contingent on conditions located within the society, then the state-centric approach cannot be sustained as a distinct paradigm. (Przeworski, 1990: P.50)

It is therefore important to go beyond a simple one-sided antithesis to Poulantzas’s functionalist thesis. It is necessary to overcome the autonomous/functionalist false dichotomy in order to construct a fresh synthesis between the political and the economic spheres.

Max Weber serves as a crucial guide for this task. He starts out by distinguishing between economic and political power.

We must not overlook the clear-cut antithesis between factual power which arises completely out of possession and by way of interest compromises in the market, and, on the other hand, the authoritarian power of a patriarch or monarch with its appeal to the duty of obedience simply as such (Weber, 1978: P. 945).

Domination in the quite general sense of power, i.e., of the possibility of imposing one’s own will upon the behavior of other persons, can emerge in the most diverse forms...Not every position of economic power, however, represents domination in our sense of the word. Nor does domination utilize in every case economic power for its foundation and maintenance (Weber, 1978: P. 942).
Like Skocpol, Weber here clearly distances himself from Marxist perspectives which, from Weber’s point of view, try to automatically derive the *form* of the state from the *form* of production. For him, the state is a “macrostructure” or “macroprocess” of its own and should therefore be analyzed on its own terms. Indeed, for Weber the development of the modern state is entirely parallel to the process of the foundation of capitalism.

Everywhere the development of the modern state is initiated through the action of the prince. He paves the way for the expropriation of the autonomous and “private” bearers of executive power that stands beside him, of those who in their own right possess the means of administration, welfare and financial organization, as well as politically usable goods of all sorts. The whole process is *a complete parallel* to the development of the capitalist enterprise through gradual expropriation of the independent producers. In the end, the modern state controls the total means of political organization, which actually come together under a single head (Weber, 1946: P. 82, My emphasis).

In the Weberian account, just as capitalism is inaugurated when capitalists expropriate peasant farmers of their land and livelihood and thereby force them to work at their service in urban factories, the modern state begins when princes successfully centralize “executive power”, thus forcing autonomous communities and individuals to serve the interests of a larger state. Both are processes of *centralization* and, in Weber’s terminology, “rationalization”. Both therefore simultaneously imply progress and retrogression. Specifically, freedom is sacrificed in the name of efficiency and effectiveness.²

By analyzing the specific nature of the modern bureaucratic state Weber carried out a truly important task and inaugurated a century rich with comparative studies of state forms, policies and logics. Skocpol’s work is one example of such work. So is the work of Frantz Schurmann:

Most leftists consider American imperialism the instrument of its international capitalist master. Actually, it is the growing rift between them that more than anything else is threatening the world’s international systems. Ironically, this contradiction, on both sides of which America stands, has also become the greatest threat to the American Empire. The chief thrust of American imperialism, as this book argues, is *control*. The chief thrust of international capitalism is and has to be *profit*...If a popular leftist notion of America as a

² Therefore, while Marx writes of the slavery of the proletariat under the reign of the capitalists, Weber writes of the slavery of the “iron cage” of bureaucracy and of the “dictatorship resting on the exploitation of the mass emotionally” (Weber, 1946: 107) that arises with the foundation of the modern state. In the end, for Weber “things in a private economic enterprise are quite similar” to how they are within the modern state. This is the case because the “real ‘sovereign’, the assembled shareholders, is just as little influential in the business management as is a ‘people’ ruled by expert officials” (Weber, 1946: 91).
gigantic corporation with the president meekly taking orders from a supreme board of directors were true, the American Empire, world capitalism, and, ironically, the socialist countries as well would be safer and more secure (Schurmann, 1974: P. xxvi-xxvii, My emphasis).

Although Schurmann recognizes the fundamental power and influence of economic factors or “profit” he, like Skocpol, is principally interested in discussing “control” and the “autonomous, innovative, and powerful role of the state” (Schurmann, 1974: P. 8).

Nevertheless, and this is the central point here, unlike Skocpol and March & Olsen, authors like Weber and Schurmann by no means see the state as somehow a priori, separate or “autonomous” from society in general. For instance, as we saw above, Weber’s definition of the state as a “human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (Weber, 1946: 78) clearly incorporates social elements into the very core of the state. “Legitimacy”, like Gramsci’s concept of “hegemony”, is not something that can be simply imposed from above or self-generated by state leaders. It is something that can only arise out of the intimate interaction between state and society.

Following in this Weberian tradition, Schurmann also links up state and society in a much more creative way than the “state autonomy” or “new institutionalist” theorists. For Schurmann, although the state has an independent existence and an operating structure of its own; it is also intimately intertwined with the various “currents” of society.

The great leader, then, is the person who knows how to become the political vehicle for certain currents of thought, feeling, and aspiration widely held by the constituencies he leads (Schurmann, 1974: P. 32, My emphasis).

A powerful corporate or bureaucratic organization may embody currents no longer widespread in society, but their source can always be found in the society past or present. I propose that the politically significant currents in society relate to three basic matters: the material interests of people (particularly work and jobs); their sense of order, security and justice; and the social and physical quality of their life and that of the people with and among whom they live (Schurmann, 1974: P. 33, My emphasis).

It is important to observe that in this conception the state and its leaders are by no means separate from society: “the source” of power “can always be found in the [past or
present] society”. Therefore Schurmann reminds us that the act of government requires and is grounded in the constant interpenetration between the different spheres of society.

From a slightly different angle, Peter Hall in *Governing the Economy* also goes beyond a simple “organizational” perspective on the state and political institutions. This may seem surprising at first since, in his introduction, he explicitly reduces political institutions precisely to their *organizational* structure.

The concept of institutions is used here to refer to the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy….In this sense it is the organizational qualities of institutions that are being emphasized; and the term “organization” will be used here as a virtual synonym for “institution” (Hall, 1986: P. 19).

Hall argues that organization is the central factor in determining political outcomes. The principal elements of his model are a) the *organization* of structures, b) the *organization* of markets, c) an “*organizational* intelligence” and d) the access to *organizational* resources.

The structure of these organizations has an immense impact on the nature of the policies produced. It is an ‘organizational intelligence’ rather than the intelligence of the individuals that ultimately determines such factors as the capacity of the state for strategic thinking or the quality of policies (Hall, 1986: P. 233)

But the truly innovative aspect of Hall’s account, and what separates it from authors like Skocpol and March & Olsen, is his wide ranging application of “organizational” analysis beyond only explicitly formal political institutions. For Hall, organizations exist both *inside* and *outside* of the state as well as operate as crucial links *between* states and societies. In addition, for Hall the policy process remains open-ended and he stresses the critical role played by organizations at all levels: in the definition and articulation of interests, the construction of social behaviors and finally in the determination of policies. In the end, the crucial factor for Hall is to be found in the changing relations of power between the key social groups that are affected by any specific economic policy. Hall therefore explicitly distances himself from previous institutionalist texts.

Although we can still learn from earlier forms of institutionalism, the approach being suggested here is fundamentally different….Earlier works concentrated on the institutions associated with a country’s constitution and formal political practices. By contrast, the approach proposed here ranges more widely to
consider the role of institutions located within society and the economy, as well as less formal organizational networks, in the determination of policy (Hall, 1986: P. 20).

With Hall the “new institutionalism” starts to get pushed back towards the original agenda of Weber, who as we have just seen, looked to take states seriously but not to isolate them from the broader context of society.

Like Schurmann and Hall, Michael K. Brown (1995) has also put forth an innovative way of bringing together a solid concern for states with a serious engagement with the fundamental interrelations between politics and society. In his exchange with Ira Katznelson and Bruce Pietykowski, Brown discusses the development of the American welfare state and criticizes these authors’ organizational perspective on the state. According to Brown, for Katznelson and Pietykowski (1991) the content of governance can be analyzed by looking at the organizational structure of institutions. This is why these authors try to explain the evolution of state-economy relations in the 1940s through a discussion of the succession of two apparently divergent bureaucratic agencies, the National Resources Planning Board (NRPB) and the Bureau of the Budget (BOB), each representing in turn the *developmentalist* and the *fiscalist* options in public policy. In Brown’s view this focus on mere agency missions leads the authors to a static “bureaucratically driven model of state capacity”.

Changes in the institutional structure of the state of the sort described by Katznelson and Pietykowski, I have argued, tell us very little about the choices of the 1940s and the outcome … Why should we assume that changes in institutional structure and the power of bureaucratic agencies mirror changes in the content of governance (or orientation of state capacity)? Katznelson and Pietykowski assume the content of governance is defined by organizational routines, but there is good reason to question it. (Brown, 1995: P.203)

In the approach of Katznelson and Pietykowski, Brown observes a basic conflation of processes of political choice with institutional capacity, an important neglect of the political context in which agencies and institutions operate and change, and a static approach that “obscures rather than illuminates” state-economy relationships.

State-economy relationships, which are better understood in terms of *constitutive tension between state and market*, are oversimplified in this approach. Katznelson and Pietykowski make unwarranted assumptions about the connection between the institutional structure of the state and the orientation of state capacity, and as consequence, they end up describing what the state does, rather than analyzing the relationship between the development of state capacity and the process of political choice. (Brown, 1995: P.205, My emphasis)
As an alternative, Brown implicitly advocates for a revival of the original Weberian understanding of politics as a sphere highly permeable and in permanent interaction with society, and explicitly suggests an alternative approach that draws on the Schumpeterian “fiscal sociology” of the state. For him, in analyzing state building processes it is much more fruitful to focus on the real fiscal capacity than on the formal institutional one. Nevertheless, although Brown vindicates Schumpeter’s fiscal sociology he disagrees with Schumpeter’s portrayal of “a voracious state [devouring] an economy based on self-interest”, which for him is really only the opposite side of the Marxist argument that portrays the economy as devouring the state. Instead, Brown prefers to speak of the constitutive tension between state and market which involves a “continuing struggle over conflicting demands for economic stabilization and growth (capital accumulation) and for the extension of social rights and security” (P.207). This argument clearly differs from a mere description of what the state does and gets away from the sort of static “organizational” approach that centers its attention on the rise and fall of bureaucratic agencies. Brown is more interested in questions of specific policy choices which, in his view, are always framed with regard to questions of fiscal capacity and social conflict.

Like Brown, but this time from an explicit neo-Marxist perspective, Bob Jessop has also proposed a creative bridging of the political and economic spheres. Jessop proposes a “strategic-relational” approach as a solution to the “problem of how [these] two institutionally separate and self-referential systems can be articulated” (Jessop, 1990: 358). Specifically,

In this context I propose that we focus less on the difficult concept of “relative autonomy” than on two others: those of “structural coupling” and “strategic interaction”. Both notions start out from the autonomy of different systems, their co-existence, and their interdependence and each points to a key mechanism whereby they come to be coupled (Jessop, 1990: P. 358).

Jessop’s concept of “structural coupling” is particularly interesting in so far as it suggests a mutually dependent existence of both economic and political structures, where each structure represents “sources of perturbation” for the other and each reacts to these perturbations in terms of its own specific sensitivities and logics. He writes:

In this sense the development of one structure affects the evolution of the other: but it neither controls it in a hierarchical relation of command nor subordinates it
through a functionalist logic which requires one system to act for and on behalf of the other system (Jessop, 1990: P. 359).

Instead of trying to artificially extricate the state from an all-powerful sea of economic relations, Jessop’s approach begins with a healthy interaction between two “self-referential” but also intimately intertwined systems of social relations. A crucial added advantage of this way of conceptualizing the relationship between the state and the economy is that it allows us to affirm a much more robust understanding of the state itself. Specifically, instead of simply seeing the state as an “organization” that stands apart from the flux of society we can see it as a realm of dynamic social and political negotiation.

Jessop condemns those Marxist views which argue that the structure of the state is irrelevant and always manipulated by capital. For him, “these approaches ignore the view that the state is a system of political domination whose forms may be more or less adequate to securing the various requirements of capital accumulation in different situations (Jessop, 1990: 34 My emphasis). Nevertheless, he also acknowledges that the virtue of Marxist perspectives, which are obviously diverse and heterogeneous, resides in their attack on the orthodox approaches that portray the state as a thing or a subject that is external to the capitalist mode of production. Instead, Marxism has centered in the social nature of capitalism and “its complex economic, political and ideological preconditions” (P.45). It is precisely this social and political awareness that leads him to, in the end, considers himself a Marxist.

Also, in the same way that in the fiscal approach of Brown there is a “constitutive dependence of state on the imperative of capital accumulation” (P.207) in Jessop’s strategic-relational approach, as we have stated above, state power is also a necessary element for the capital accumulation “in the overall reproduction of the capital relation in different societies and situations” (P.45).

For Jessop the state cannot be considered as a neutral arena, since social forces and political projects matter. Yet any bias in it “is always tendential and can be undermined or reinforced by appropriate [political] strategies” (Jessop, 1990: 353). As a result, for
Jessop and along the lines of Brown’s analysis, in order to understand processes of state formation it is not enough to focus on static institutions. We must also examine social dynamics, class alliances, “states projects” and the development of struggles within the overall political system.

To understand the never-ending and ever-renewed process of state formation it is not enough to examine its institutional building blocks. We must also consider the “state projects” which bond these blocks together with the result that the state gains a certain organizational unity and cohesiveness of purpose. A state without these properties is a state only in name. It does not exist (Jessop, 190: P. 353).

In sum, Jessop’s conclusion is radical: the state does not exist outside of the realm of the continuous tension between politics and economics. He argues that state apparatuses and their means of intervention are not neutral, but always “integrated into the movement of capital and constitute a field of conflict between different interests”.

Peter Gourevitch (1986) also looks both at the intimate connections between the political and the economic spheres and notes an environment of political autonomy that has permitted states to escape “from the economic orthodoxies of left and right”. Nevertheless, like Weber, Schurmann, Hall, Brown and Jessop and unlike Skocpol and March & Olsen, for this author this political autonomy is not self-generated out of the state as an autonomous entity but more accurately out of the social coalition of actors that shape the state. Gourevitch identifies actors by economic sector: agriculture, industry and labor with domestically and internationally oriented variants. Gourevitch is concerned with the different patterns of social support that five industrialized countries (U.S, Sweden, France, Britain and Germany) developed during three important capitalist crises: 1873 to 1896, 1929 to 1949, and from 1971 to the eighties. His approach differs from the neo-Marxism of Jessop and is more heterodox with regard to what influences the situation of a specific sector, --he doesn’t really uses the concept of class--, but his work ultimately acknowledges the analytical weight of a different category of neo-Marxist pedigree: “division of labor”. A sector’s policy preference and therefore its political behavior are determined by its “situation” which in turn is the product of various elements. In defining the concept of situation, Gourevitch emphasizes the location of “societal actors” in the international division of labor.
Gourevitch’s principal interest is in analyzing how capitalist countries respond to changes in the economy. He examines the policy sequences in each country focusing on the policy demands expressed by various “societal actors” and the role of institutional arrangements in shaping the domestic distribution of power of each case. When he analyses the various ways in which these countries broke with economic orthodoxy in the 30s he underlines the construction of an accommodation or partial consensus among societal actors.

What the combination of businessmen, framers, and workers produced, then, was a political autonomy that permitted escape from the economic orthodoxies of left and right. Each member of the new coalition got something but it also made concessions. Crisis induced societal actors to bargain, to make trades that in ‘normal’ times they might have found unacceptable. It created a political capacity to take actions that hitherto had seemed politically impossible. (Gourevitch, 1986: P.162, My emphasis)

Gourevitch examines the policy demands expressed by these different societal actors, the role of institutional arrangements in shaping the distribution of power, the linkage between state and society provided by intermediate associations and the influence of economic ideology. His basic interest is to consider the ways that these variables shaped the environment in which politicians operated.

B) Dynamic Political-Economy Perspectives on the Latin American State

Turning to Latin America, Nora Hamilton’s analysis of the Mexican state takes a somehow similar approach to political autonomy as Gourevitch does in his analysis of the European cases. Hamilton writes about a “relative structural autonomy” which was achieved by the Mexican State during the latter half of the 1930’s due to Lazaro Cardenas’s commitment to the construction of a new state apparatus whose autonomous nature was based in popular mobilization. Cardenas’s personal style of government was also a crucial factor here, in particular his “attempt to make himself accessible to the people and to directly intervene in important programs and reforms” (1982: 134).

For Hamilton, structural state autonomy consists of actions against the real interests of the dominant class. In her words:

Autonomy is defined as the ability of those who control the state apparatus to use it for ends other than and particularly contrary to, those of the dominant
class, since it is this class which benefits from the reproduction of the existing mode of production by the state (Hamilton, 1982: P. 23).

Hamilton’s analysis of the variegated nature of Mexico’s various class fractions and ideologies and their contradictory relationship to both the state apparatus and international forces places her firmly within the above “dynamic political-economy” approach. She does not reduce state behavior to the action of rational individuals, impersonal economic forces or the movement of ideological abstractions. Her analysis is based on a detailed and rigorous analysis of different structures and their development through history and she also gives an active role to the individuals and institutions of the state apparatus.

Also, in the tradition of the Weberian approach, Hamilton underlines the role played by the construction of a rationalized bureaucracy. “Cardenas recognized from the beginning that the state bureaucracy at all levels of government constituted a weak instrument for the social and economic reforms he envisioned for Mexico” (1982: 131). According to Hamilton, President Cardenas pushed through administrative reforms as well as formalized and improved working conditions for the civil service. These actions greatly helped him carry out his double agenda of “humanizing” capitalist accumulation and “helping” the “weaker” classes in their conflicts with rural and urban capital.

Hamilton’s research also sheds light on the similarities between the Mexican and the bureaucratic-authoritarian states of the Southern cone. She points out that just as in Argentina, Chile and Brazil, in Mexico powerful foreign groups in alliance with dominant national ones have used all of the means at their disposal to prevent the state from taking steps that threaten their interests. Nevertheless, she simultaneously acknowledges that the Mexican State has distinguished itself from the bureaucratic-authoritarian model by its ability to maintain the desired social and political stability for private accumulation without recourse to a military dictatorship.

The continuity of Mexico’s civilian government has been attributed in part to its “prior exclusion” of the masses of workers and peasants through their “pre-emptive” incorporation into state-controlled structures. Ironically, this structure as well as the “legitimacy” of the Mexican state relative to other bureaucratic authoritarian states in Latin America is a legacy of the revolution and of the Cardenas administration of the 1930’s, the most progressive period of post-revolutionary Mexico (Hamilton, 1982: P. 35).
In Hamilton’s study of the Mexican state, Cardenas is depicted as a reformist with respect to labor and revolutionary with respect to peasants. Hamilton therefore contends that, in contrast to classic “populist” regimes in Brazil and Argentina, peasants became an essential part of the “populist” coalition in Mexico. This is why widespread, although by no means complete, land reform was able to be successfully implemented in Mexico (1982:139). Hamilton summarizes Cardenas’ government performance in the following manner:

The Cardenas government envisioned and in conjunction with mobilized workers and peasants implemented, a much more radical restructuring of society than its predecessors or populist regimes in other Latin American countries. The failure of Cardenas’ policies to have the effects intended can be explained by the failure of the government to fully understand the limits of state autonomy in the context of a capitalist society, even one which the state has had an important role in shaping (Hamilton, 1982: P. 141).

She therefore concludes that although alliances between progressive state factions and subordinate sectors of society may constitute the basis for reform, the effectiveness of the state itself in assuring such reforms is limited. For her, the impetus for lasting structural change must come from outside the state. Therefore against the “new institutionalism” of March and Olsen, Skocpol’s structured polity perspective (or state-centered analyses) and the institutional-organizational approach of Katznelson and Pietykowski, Hamilton reasons: “it is not through an autonomous state, but only through the autonomous organization of subordinate groups and classes that a social transformation benefiting these sectors can be brought about” (Hamilton, 1982: P. 286, emphasis in the original).

Now, branching out from Mexico to other regions of Latin America, we can find other valuable examples of what we are here calling a “dynamic political-economy” approach to the state. In Engines of Growth, Helen Shapiro defends the application of a “bargaining framework” to understand the complex pattern of negotiation, cooperation and compromise that took place between political and economic actors in the process of industrialization in Brazil. Along the same lines as Brown’s “constitutive tension between state and market” (Brown, 1995: P. 205), Shapiro both questions those who would radically separate states and markets and defends the importance of examining the internal dynamics of the state in its own right.

Shapiro looks to go beyond the totalizing and ultimately sterile conflicts that tend to arise between neo-classical and state-centered development theorists.
Currently, two contending paradigms dominate the social sciences, one that ultimately argues for removing the state from the development process, and another that argues for putting it “back in”. Although each offers important insights, the debate over state intervention and industrial policy remains polarized between “all of nothing” theories and caricaturized portrayals of both states and markets (Shapiro, 1994: P.4).

From the author’s perspective, neoclassical purists are problematic because they uncritically demonize the government. For them, “even if markets are imperfect, state intervention—due to its market-distorting, growth-inhibiting character—only makes things worse. As Deepak Lal contends, ‘bureaucratic failure’ may be worse than ‘market failure’” (P.8). This perspective needs to be questioned because it flies in the face of history. As Shapiro astutely points out, “although failures abound, there are no ‘invisible hand’ success stories. Virtually all cases of successful industrial development, including the United States, have involved state intervention” (P.13).

Also, as we have already seen above, Shapiro criticizes statist theorists for leaving the state closed up in a black box. “The omission of the state as an explicit actor was a fundamental flaw in the development theorists’ argument, because they relied on it as an agent of change and presumed that it had the requisite political autonomy and administrative tools to carry out the task” (P.10). This is a problem in the case of Brazil in particular, and of Latin America more generally, because of the chronic lack of autonomy of the state in the region. Specifically, how do we explain the success of some elements of Brazil’s import substitution industrialization policy if the Brazilian state never had the requisite full autonomy from social forces?

Shapiro’s answer is that in the Brazilian case one crucial part of the government achieved sufficient “capacity” to impose ISI strategies on the private sector. “The Brazilian state as a whole was not the ‘hard state’ of South Korea. The Kubitschek government was nevertheless successful in creating parts of an administrative apparatus that could effectively wield carrot-and-stick mechanisms to shape private-sector behavior” (P.22). But, importantly, this alone was not enough to lead to success. This partial state capacity was only successful because of facilitating conditions that existed in the world market.

[The Brazilian case] demonstrates that, while the institutional actors and the environment are critical to success, strongly compatible underlying economic conditions provide crucial leeway for policy manipulation. It also suggests that effectiveness of state policy can vary greatly across sectors and over time depending on demand conditions, the nature of technological change, transnational firm strategy, and the domestic and international macroeconomic environment. (Shapiro, 1994: P.4)

For Shapiro it is crucial to take into account national and international economic structural constraints on development policies. Therefore, in addition to focusing on institutional factors, she emphasizes the central importance of the size of the Brazilian market, the repressed demand for automobiles from the postwar years, the price inelasticity of automobiles as luxury goods, and the fact that Brazil cut off auto imports precisely at the moment when competition for foreign markets was radically increasing between the large automakers (pp.21-22). This is where she parts company once again with the state-centered literature which, “in its focus on institutions…downplays the degree to which international and domestic economic circumstances impose boundary conditions on state intervention” (P.19).

Shapiro claims that successful industrialization in Brazil was the outcome of a favorable combination of market and institutional variables. It is “the literature that portrays the terms of foreign investment as being determined through a bargaining process between the state and transnational corporations [that] overcomes the limitations of the extreme versions” (p.19) of the neoclassical and statist theorists. This leads us to the important lesson that “efficiency and efficacy are not dichotomous but complementary objectives” (P. 23) in the process of development. Shapiro’s analysis reveals the type of rich and informative empirical work that can arise from the application of a dynamic political-economy framework to the Latin American state.

Another crucial issue in the present section is the one of political change. In the following section I will fill out the economic story by exploring various other dynamic political-economy studies of the process of economic development in Latin America. For the rest of this section, I will turn to the literature on the rise of authoritarianism in Latin America for inspiration. Here the work of Phillippe Schmitter and Guillermo O’Donnell are particularly good examples of how both political and economic variables can be combined to explain the political development of the Latin American state.
It is important to start off by mentioning that the classic analysis of “authoritarianism” as a specific form of repressive regime distinct from “totalitarianism” was originally initiated by Juan Linz (1973). This scholar was not particularly concerned with the underlying causes that brought “authoritarian” regimes to power. His basic concern was to set up a formal typology of the essential features that define an “authoritarian” regime: limited plurality, the predominance of “mentality” over ideology (presumably as in “conservative mentality”) and a preference for political apathy over mobilization. Although in the end his study is an exercise in “comparative statics” rather than an historical search to understand the dynamics underlying state transformation, without a doubt Linz’s contribution constituted an important theoretical influence on the analysts authoritarianism in Latin America.

Phillippe Schmitter’s original work on authoritarianism looked to reconceptualize the concept of “corporatism” as a political-economic category, thereby subverting the transhistorical essentializing implications the term had come to have. The original “corporatist” school of thought, led by theorists like Howard Wiarda (1980), had pointed to the *corporatist and anti-democratic legacy* of late medieval Spain as the principal cause of the political dynamics of the Latin American region. According to this model, the hierarchical and authoritarian nature of Hispanic Catholic political culture is what really explains the existence of the “new authoritarianism”. To the contrary, in his piece “The Portugalization of Brazil”, Schmitter defines corporatism as a system of interest intermediation, “a particular modal or ideal-typical arrangement for linking the associationally organized interest of civil society with the decisional structures of the state”.

In Schmitter’s view *state-imposed* corporatism is a conservative response to the problems of “delayed development”, an attempt to promote economic development while controlling the social consequences.

The military revolutionaries seized power in reaction to the decay (and imminent demise) of that previous authoritarian system and subsequently have sought to purge that system of certain of its contradictory elements, especially its ‘semicompetitiveness’ and its ‘populism’ …. (Schmitter, 1973: P.182)

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The key feature of “state-imposed corporatism” as Schmitter analyses it is not the harmonization of the interests of different classes through their open and equal representation at the political level, but an attempt to undermine the cohesion and capacity to act of both the proletariat and the bourgeoisie by an all-powerful state. Nevertheless, as Schmitter himself points out, “state-imposed” corporatism in Brazil in reality was restricted to workers’ organizations, leaving employers’ “corporations” virtually intact.\(^8\)

For Schmitter, the military rule imposed as of 1964 in Brazil is best described as a *dictablanda* and according to him “must be recognized as basically “restorationist”, not revolutionary or counterrevolutionary” (P.185).

As such [dictablandas] are not intrinsically illegitimate, [they] rely substantially upon established structures of domination and representation and draw upon prevalent “mentalities” and ingrained political cultural norms. (Schmitter, 1973: P.186)

But here one could argue that clear echoes of the old notion of “corporatism” as a peculiar cultural tradition still remain in Schmitter’s account, this time in the form of appeals to Brazil’s history of attempts at a “defensive modernization from above”. Schmitter still argues that the 1964 coup should be seen as a movement of *restoration* looking back to the *Estado Novo*, basically concerned to purge the political system of “certain contradictory practices”. Nonetheless, it is only fair to admit that Schmitter does make a serious effort to link “corporatist” forms of political institutions with their economic roots and therefore his work is definitely an excellent example of the type of dynamic analysis of the relationship between politics and economics that this field statement is in the search of.

This Schmitterian reinterpretation of “corporatism” is intimately linked to the analysis of “bureaucratic-authoritarian” carried out by Guillermo O’Donnell in his well-
known *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (1973). In this text, O’Donnell makes an effort to bring into sharp focus the complexities connecting dependent capitalist industrialization to social structures and political change and therefore to study the impact of economic and social factors on politics. O’Donnell stresses the existence of different “phases of industrialization” which are linked to political change in part because they modify the economic incentives given to different class groups. The transitions from an oligarchic system to populism and from populism to bureaucratic authoritarianism have each involved specific socio-economic arrangements expressed through distinct political coalitions. In particular, he maintains that bureaucratic-authoritarian regimes,

> correspond to a stage of important transformations in the mechanism of capital accumulation in these societies, transformations that are, in turn, part of a process of ‘deepening’ of a form of capitalism which, while peripheral and dependent, is also characterized by extensive industrialization. (O’Donnell, 1978: P.6, my emphasis)

O’Donnell asserts that this process of deepening does not simply involve “any change in a capitalist economy, but instead involves the achievement of a higher degree of vertical integration of the productive structure, in close association with international capital, of capitalist economies which had already been characterized by extensive and diversified industrialization” (P. 48-49).

In short, in O’Donnell’s bureaucratic-authoritarian model, the shift in the regime inaugurated by the 1964 coup in Argentina corresponds to the reorganization of the power bloc under the hegemony of internationalized capital. Authoritarianism therefore represents a response to the need of the new hegemonic fraction to dissolve the working class’s instruments of pressure and defense that had been institutionalized under the old populist regime, in order to pave the way for a lowering of wages and to secure social stability in the long term. Thus, the institutionalization of repression under the new regime –given the populism from which it emerges- is a precondition for the expanded reproduction and rapid growth of industrialization.

In the end, for O’Donnell, the bureaucratic-authoritarian regime is as much an attempt to seek a solution to what he refers as the ‘exhaustion’ old model of Import Substitution Industrialization (with its tendencies to stagnation, inflation, and permanent balance of payments difficulties) as it is a *sine qua non* for the emergence of the new
process of industrialization. This is why O’Donnell, borrowing the famous axiom of Weber, declares that there is an “elective affinity” between advanced industrialization in peripheral countries (deepening of capital) and Bureaucratic-Authoritarianism.

In a response to O’Donnell’s book, Fernando Henrique Cardoso (1979) presented a refinement and critique of the bureaucratic-authoritarian framework. Cardoso begins by making two important distinctions. First, following Linz, he clearly distinguishes between authoritarian and fascist or corporativist types of regimes. In particular, he indicates that Latin American authoritarianism “is different from the typical forms of fascism because it above all produces apathy among the masses”. He explains,

The army, as guarantor of the authoritarian order prefers a “technical”, supportive relationship between the state and social groups, rather than a relationship based on alliances with broad social groups. Thus bureaucratic-authoritarianism diverges not only from the democratic model of bonds between representative and electors, but also from Italian or German fascism, in which the mobilization of the party and the use of its extremist members as repressive force was essential. (Cardoso, 1979: P.36)

Second, Cardoso’s demarcation between state and regime helps him clarify the nature of authoritarian politics. On the one hand, he defines a regime as “the formal rules that link the main political institutions… as well as the issue of the political nature of the ties between citizens and rulers”. On the other hand, in clear neo-Marxist fashion in tune with Jessop’s system of political domination, he defines the state as “the basic pact of domination that exists among social classes or fraction of dominant classes and the norms which guarantee their dominance over the subordinate strata.” (Cardoso, 1979: P.38, emphasis in original) For the purposes of his analysis, Cardoso considers it most useful to couple the concept of bureaucratic-authoritarianism not with the form of the state but with the form of a particular political regime.

As we have already seen, the regime that corresponds to the bureaucratic-authoritarian situation impedes social mobilization and, Cardoso points out, excludes class organizations--but not class interests--from the decision making process, while preserving a rigid hierarchical structure that is bureaucratically controlled by various national security agencies and by the members of the armed forces. Along the lines of Jessop, Brown, Katzenelson, O’Donnell, Hamilton and Shapiro he refutes the concept of state autonomy because this reasoning would imply that the state and its bureaucracy are
the only real historical actors and argues “that even in authoritarian situations the state is linked in various ways to social classes and to their interests.” (Cardoso, 1979: P.51)

Cardoso’s model is consistent with O’Donnell’s argument in so far as Cardoso agrees that “bureaucratic-authoritarian” regimes have come into existence in response to the needs of a new phase of industrialization. This new phase is still basically linked to internal markets, but this time dominated by the foreign direct investment of multinational companies in the manufacturing sector. While O’Donnell refers to the profundización or “deepening” of foreign capital Cardoso calls this process “associated dependent development”.

Nevertheless, despite his obvious sympathies with O’Donnell’s analysis, Cardoso has also sharply criticized the bureaucratic-authoritarian framework for its economism. Cardoso clearly agrees that bureaucratic-authoritarian regimes “enforce rules of political exclusion” for the benefit of the private sector of the economy and that the predominant economic interests that support these regimes favor accelerating capital accumulation through controlling the labor force. Nevertheless, he also affirms that “it is simplistic to imagine that a dependent capitalist process of industrialization can take place only through authoritarianism.” (P.55) In addition, he writes that,

> It is hard to believe that exclusively economics motives were behind the right wing political and military mobilization against the Allende government or the post-Peronist administration. There is therefore a need for more careful analysis and further interpretation in the study of the relationship between a dependent capitalist state and different forms of political regime. (Cardoso, 1979: P.40)

Cardoso criticizes the detrimental effects of deducing the formal character of authoritarian regimes from the “type of economic growth policies they will pursue”. This is because “the acceptance of such an interpretation would involve precisely the opposite error from that which occurs when one ignores the fact that the state is a principal beneficiary of Bureaucratic Authoritarianism”.

Ironically, some of the best critiques of the Bureaucratic Authoritarian model -- and its concomitant economism-- have been put forward not only by political scientists such as Stephan Haggard, but also by economist themselves like Albert Hirschman and José Serra who agree with the critique of O’Donnell’s framework. For Haggard there is no “strong theoretical reason” to connect the Latin American experiences of Import Substitution Industrialization with authoritarian rule. On the contrary, he argues that “ISI
occurred under a variety of different political arrangements and, if anything, mobilized new social groups into political life”. Therefore, he sustains that the link between industrial strategy and authoritarian politics “is more plausible in the East Asian NICs” (Haggard, 1990: P.261). According to Hirschman, the economic policies implemented by the generals were developed after they reached power and, despite their rhetoric, not really in the interests of “deepening” national development.

What we have here, therefore, is not an economic explanation of authoritarianism, but a political explanation of a turn in Brazilian economic development: prior existence of an authoritarian government facilitated the shaping of economic policy strongly oriented toward the expansion of a special category of consumption (Hirschman, 1979: P. 81).

Finally, in the same line as the arguments developed by Haggard and Hirschman, Serra also questions the supposed “elective affinity” between industrialization and authoritarianism in Latin America. First, Serra points out that we need to pay close attention to “economic boundary conditions” (Shapiro, 1990). He writes that “the rapid growth observed between 1968 and 1974 [in Brazil] was not the result of some superior skill of the authoritarian regime at capitalist accumulation, but rather of a particular combination of favorable conditions of the domestic economy and of trade and capital conditions in the world market” (P.162). Second, Serra points out that some of the most important “deepening” in the ISI model in Brazil occurred far before the arrival of the military dictatorship.

The deepening process advanced considerably during the 1950s –especially in the second half of the decade- and at the beginning of the 1960’s. It was actively promoted by the administrations of the pre-Bureaucratic Authoritarian regimes, which would be clearly be considered democratic. (Serra, 1979: P. 117).

As we saw above, Shapiro’s analysis in Engines of Growth clearly corroborates this position as well.

Nevertheless, to be fair, we should point out that although O’Donnell’s framework does emphasize economic factors as causal forces it is by no means deterministic. His use of the term Weberian term “elective affinity” itself is carefully chosen so as to avoid mechanical interpretations of his analysis. To argue that the “deepening” of ISI tends to support authoritarian rule in some countries in the economic periphery is not the same as arguing that all industrializing countries must necessarily pass through a period of authoritarian rule. In the end, O’Donnell gives crucial
importance to political action. This is evident in the essay entitled “Tensions within the Bureaucratic-Authoritarian State” (1997) that O’Donnell himself contributed to the volume that includes the above critiques. As David Collier explains, in this essay O’Donnell shows how,

Groups that initially supported the coup, including national entrepreneurs and elements of the middle class, suffer from the orthodox economic policies and from the preoccupation with orienting industrial expansion around foreign and state investment. This preoccupation leads to a ‘denationalization’ of the coalition that supports the state, in that the principal economic ‘class’ that sustains the state is foreign capital. This denationalization appears difficult to sustain over a long period of time. Strong internal pressure eventually emerges for a transformation from the coalitional ‘duo’, involving the state and foreign capital, to a subsequent ‘trio’ in which national entrepreneurs once again come to play a larger role (Collier, 1979: P.29).

O’Donnell suggests that the aggressive policy of the new regime against the “inefficiencies” and “protected status” of national capital generates tensions within the alliance between national and international interests. Here we can see that for O’Donnell the future of the new order depends on the political behavior of national capitalists. If they struggle for inclusion in the system then they will most likely turn into the third pillar of the authoritarian alliance. But, if they are willing to build alliances with the working classes and other popular sectors to challenge the power of the military, then they would pose a deadly threat to the system. As O’Donnell elaborates in his later work (O’Donnell & Schmitter, 1986), in the end it is political action that will determine how long the authoritarian regime will survive.

In this brief survey of different theories of the state I have tried to show both the cogency and the diversity of “structuralist” perspectives on the state. In addition, I have defended what I have called a “dynamic political-economy” approach and have tried to give some exemplars of how such an approach is useful for the study of the Latin American state. In particular, I have explored “macrostructural” (Weber), “Weberian” (Schurmann), “instrumentalist” (Miliband), “functionalist” (Poulantzas), “state autonomy” (Skocpol), “new institutionalist” (March & Olsen), “organizational” (Hall), “bureaucratically driven” (Katznelson and Pietrykowski), “fiscalist” (Brown), “strategic-relational” (Jessop), “structural-institutionalist” (Gourevitch), neo-Marxist (Hamilton), “developmental” (Shapiro), “corporativist” (Schmitter) and finally “bureaucratic authoritarian” (Cardoso & O’Donnell) perspectives on the state.
All of these theories are linked through their common concern for simultaneously exploring the specificity of the state as a complex institutional system with its own dynamic and logic and understanding its permanent interaction with social, cultural and economic transformations. In the end, all of the authors follow the Weberian commitment of connecting economics and politics while at the same time devoting to the state (and political matters in general) the individual attention it deserves. As Bob Jessop comments at the end of his own survey of theories of the state:

The overall thrust of these studies is to suggest that the analysis of the state is not an activity irrelevant or marginal to economic theory. It is not something that can be consigned safely to another discipline within an intellectual division of labor, or to a future date in the development of economics itself. It is rather an absolute precondition of adequate economic theorizing today. Economics must therefore take up the challenge of the continuing Marxist debate and counterpoise its own solutions, if any, to the problems with which the latter deals. It is high time that orthodox economics renewed its traditional role as the science of political economy. Failure to do so will surely be tantamount to a self-declaration of theoretical poverty in a fundamental area of economic analysis and a primary concern of political practice (P.46).

Mine, like Jessop’s, is a call to strengthen and defend the field of political-economy.
Part II. Theories of Development: Towards a Dynamic Understanding of Economic Policy in Latin America

In the previous section, I discussed the importance of studying the state from a perspective that stresses the dynamic interaction between politics and economics. In this section, I will carry out a similar exercise with regard to the theory and practice of development in Latin America. I will begin with a brief discussion of a few representative classic theories of development. Here I will particularly focus on “modernization” and “dependency” approaches and demonstrate that both of these schools of thought suffer from the same fundamental flaws, namely ‘eurocentrism’ and ‘economism’. I will then look at some alternative approaches from the area of critical development theory, particularly Escobar’s concept of regimes of representation (1995). Finally, I will examine the work of three authors (Gerschenkron 1962, Cardoso and Faletto 1970, Evans 1995) who from my point of view best lay the ground for the dynamic political-economy approach to development that I wish to support.

In the second half of this section I will move from this general theoretical discussion of development to a more concrete focus on economic policy making in Latin America. Here I will examine political-economy perspectives on both the developmentalist “miracles” of the 1960s and 1970s (Sikkink 1991, Haggard 1990, Bennett & Sharpe 1985, Hirschman 1987) and the process of economic “liberalization” that has occurred over the last two decades in the region (McMichael 1996, Maxfield 1990, Haggard 1995). As in the previous section, the role of the state will once again take center stage in this section. But this time it will be discussed considering the particular forms that it has historically adopted ever since the time of the so-called Latin American ‘economic miracles’ to the shift that occurred from the “development project” of the post WWII era to the “globalization project” of the 1980s and 1990s (McMichael 1996).

A) Modernization, Dependency, Critical Development Studies and Political Economy Approaches to Development

Traditional development theory seeks to account for the uneven pattern of development worldwide and to recommend measures to overcome ‘underdevelopment’. Authors as different as Smith, Ricardo, Marx, Rostow, Prebisch and Gunder Frank have
all generally coincided in this common purpose. But following the Second World War it was the “modernization” perspective that became the dominant development discourse. As I will show in this subsection, the core of the modernization account is that “traditional” countries can best develop by following the same universally valid “stages of growth” that the developed countries passed through in their own histories. Nevertheless, for many what this meant in reality was subordination to US hegemony. In response, the “dependency” approach to underdevelopment emerged in Latin America in the late 1960s committed to a more critical, anti-imperialist vision. But this new school of thought in many ways paralleled the modernization approach. Like the modernizationists, dependency theories remained trapped within a Eurocentric framework, tended to reduce “development” to mere technological expansion and GDP growth without taking into account redistribution or sustainability, and advocated for a nationalist and statist path which would soon prove to be grossly inadequate.

As a response to this resemblance, two different currents of thought have arisen that look to go beyond ‘modernization’ and ‘dependency’ approaches alike. First, there are those who have moved towards an analysis of the roles that identity and discourse have played in the theory and practice of development. For example, authors like Alvarez (1998), Escobar (1995), Esteva (1992) and Fernandez Kelly (2000) have gone far beyond the modernizationist/dependentista false dichotomy to explore the many sites of power that had been left out of this debate. Second, authors like Gerschenkron (1962), Cardoso & Faletto (1970), and Evans (1995) have looked to put together a new political-economy approach that salvages the basic positive findings of both modernizationist and dependency theories while also keeping in check their tendencies toward economism and Eurocentrism. I begin with a discussion of modernization theory.

W.W. Rostow (1960) argued that “all societies, in their economic dimensions” can be identified as “lying within one of five categories” ranging from the “traditional” to those that had reached the status of “high mass consumption”.

It is possible to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the preconditions for the take-off, the take off, the drive to maturity, and the age of the mass-consumption (Rostow, 1960:4).
In other words, developed societies are those that have arrived at the last stop of the linear railroad track of development. The assumption is that those societies that have achieved the stage of “high mass consumption” are rich societies and thus have left the problems of development largely behind them. Such stage theory was widely accepted in the early post-war period.

Rostow, as an American economist of the Cold War times, was very concerned about the spread of communism throughout the developing world, particularly after the triumph of the Cuban Revolution in Latin America. This is the reason why he identifies the American way of life as the pinnacle of progress. Centeno and Lopez-Alvez observe that:

Modernization theory represents perhaps the most explicit attempt to establish a particular historical trajectory as universal standard. Its various manifestations stipulated a need for Latin America to transform either its culture or its history to follow more closely a British or North American model. While it had fewer adherents on the Latin American continent than outside, the theory nevertheless helped shape many of the development and political policies of the 1950s and 1960s. (Centeno & Lopez Alvez, 2001: 6).

Peter Evans concurs:

The modernization approach seemed to project a trajectory for all developing countries that replicated the experience of the advanced capitalist countries. Variations from this track were theorized as aberrations, deviations to be corrected. Here again the approach presented problems for those trying to explicate particular cases. It also created an impression of ethnocentrism. The distinctive cultures of Third World countries seemed only obstacles to be overcome and replaced by the value patterns of the industrial West (Evans, 1988: 742).

Essentially, the theory says that development proceeds through a linear succession of stages copied from the historical experience of existing industrial countries. In addition, modernization theory has at its heart two contrasting models of society: the traditional and the modern. These two ideal types are used by modernization scholars as a means for comprehending the full range of political and economic processes of societies. Assuming that all societies have networks of “connecting systems”, these scholars sought

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9 Rostow’s anticommunist inclinations are very clear with the title of his work along with the fact that he was also active in the political apparatus of the US. He chaired a secret committee formulating anti-communist strategy during the 1950s and later played an important role during the Vietnam War. (Cfr. Robert Biel, The New Imperialism: Crisis and Contradictions in the North/South Relations)

10 See for example: Daniel Lerner, The Passing of Traditional Society: Modernizing the Middle East, The Free Press, 1958; Cyril E. Black, The Dynamics of Modernization: A Study in Comparative History, Harper
the ordering principles or the basic functions that would work as vehicles in the progress of traditional toward modern societies.

For Rostow there are two fundamental moments in this process of modernization. First, the “negative” facet of accumulation resides in the break-up of “steady-state” economics. It is necessary to liberate people from their old “stagnant” lives, where the desire for accumulation is absent. For Rostow, it is not positive when large numbers of people draw high levels of welfare directly from their land and natural resources. A qualitative, *structural change* is needed to break them away from this way of life. This is the “negative” aspect of accumulation, because it is necessary to break with the old situation but there are not yet sufficient conditions for something new. Nevertheless, this difficult time generates the preconditions for *take off*:

The preconditions for the take-off were initially developed, in a clearly marked way, in Western Europe … as the insights of modern science began to be translated into new production functions in both agriculture and industry… Among the Western European states, Britain, favored by geography, natural resources, trading possibilities, social and political structure, was the first to develop fully the preconditions for *take off*. (Rostow, 1960: 6, My emphasis)

The second, “positive” aspect of accumulation is supplied by the idea of *take off* into self-sustained growth, meaning that capital will establish its self-reproducing circuits within the national economy. The concept of take-off assumes that the change is a qualitative one. That is the main reason why the metaphor of an airplane is used: society needs to acquire a critical speed if it is to leave the runaway (traditional life) and fly into the air (the modern world). Large growth rates are required for take-off, and to achieve this large increases in savings are needed.

During his time, Rostow’s stage theory generated a broad consensus. The idea that poverty is a characteristic of an early stage of industrialization appeared plausible. Nevertheless, some authors like Baran & Hobsbawn also criticized Rostow’s schema for its overly abstract account of the process of modernization:

> [This framework] simply fails to specify any mechanism of evolution which links the different stages. There is no particular reason why the “traditional” society should turn into a society breeding the “preconditions” of the “take-off”.


11 Here it should be mentioned that some forms of Marxist developmentalism ascribe to the same idea. As Peter Evans has written “[For modernization theory], as for Marx, the market was the solvent that would break down traditional rigidities and allow development” (Evans, 1988: 749).
Rostow’s account merely summarizes what these preconditions must be, (…) Nor is there any reason within the Rostowian stages why the “preconditions” should lead to the “take off” to maturity, as is indeed evidenced by Rostow’s own difficulty in discovering, except long ex post facto, whether a “take-off” has taken place or not. In fact the Rostowian “take-off” concept has no predictive value. Similarly, when it comes to analyzing the “innerstructure” of the take-off or of any other stage, the Rostowian theory subsides into statements of the type that “things happen in any one of a very large number of different ways”, which can constitute a rather limited contribution to knowledge. (Baran & Hobsbawm, 1961: 397)

Now, in terms of political (rather than economic) “development”, a classic exponent of (Neo) modernization theory is the work of Samuel Huntington.¹² In his work, Huntington looks to theorize about political institution building in developing societies. One of his central theses is that rapid economic growth in poor countries does not produce political development, but political decay. Specifically, Huntington considers political development to be reversible and economic development to be irreversible:

> Urbanization is not likely to give way to ruralization. Increases in literacy are not normally followed by sharp declines. Capital once invested in factories or power plants stays invested. Even increases in per capita gross national product are, more often than not, permanent, except for minor dips or destruction caused by war or natural catastrophe. With varying slopes, with hesitancy in some sectors but with strength and steady progress in others, virtually all the indices of modernization progress steadily upward on the charts. But political changes have no such irreversibility. (Huntington, 1968: 392, My emphasis)

Although this point of view does challenge classic functionalist modernizationist perspectives like those put forth by Rostow and Seymour Martin Lipset, it still does not challenge the central element of the modernizationist story which makes the linear transformation of “traditional” values into “modern” ones the fundamental precondition for successful development.

In order to prevent political decay, Huntington argues for the political institutionalization of developing societies. What this means is that countries should proceed along a succession of ideal types of “organizations and procedures” that function like steps in a common social progress by which “primitive polities” move through successive phases to become modern and “developed civic polities”. Invoking what with sharp irony Sonia Alvarez, describing its acronym, has called the CACA approach¹³ the

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¹³ Sonia Alvarez, *Framing the Study of Latin American Politics* Lecture given at the University of California Santa Cruz, CA, February, 2002.
Huntingtonian phases are characterized by the teleology of complexity, adaptability, coherence and autonomy.

Institutionalization is the process by which organizations and procedures acquire value and stability. The level of institutionalization of any political system can be defined by the adaptability, complexity, autonomy and coherence of its organizations and procedures. (...) If decay of political institutions is a widespread phenomenon in the ‘developing’ countries and if a major cause of this decay is the high rate of social mobilization, it behooves us, as social scientists, (...) to suggest strategies of institutional development. (Huntington, 1968: 417)

Here we can see that for Huntington the central problem for developing societies is their “high rate of social mobilization”. This is the case because such mobilization supposedly leads to “excessive demands” on government which in turn destabilizes political institutions, preventing them from exercising their basic functions of order and control. Huntington therefore comes up with an ingenious solution. In order to slow down popular mobilization developing countries should limit communication networks, minimize political competition, reduce the number of university graduates and limit suffrage as much as possible.

Rapid gains in some of the most desired areas of modernization –such as mass media exposure, literacy, and education—may have to be purchased at the price of severe losses in political stability... Thus governmental policies may be wisely directed to reducing the number of university graduates, particularly those with skills which are not in demand in the society... Much has been made of the problems caused by the extension of the suffrage to large numbers of illiterates. But limited political participation by illiterates may be less dangerous to political institutions than participation by literates. The latter typically have higher aspirations and make more demands on government with potential disastrous effects on political stability. (Huntington, 1968:420)

In the end, Huntington himself is quite clear that for him political democracy has very little importance:

The problem of creating coherent political organizations is more difficult but not fundamentally different from those involved in the creation of coherent military organizations... Discipline and development go hand in hand. (Huntington, 1968: 404)

The phrase “What’s good for General Motors is good for the country” contains at least a partial truth. “What’s good for the Presidency is good for the country”, however, contains more truth. (Huntington, 1965:P.413)

Nevertheless, it is only fair to mention that the strength of modernization and neomodernization theories lies in their commitment to account for the totality of changes
and massive effort involved in the creation of a modern society. For instance, James Cypher and James Dietz have acknowledged Rostow’s legacy by writing that he

forced other economists to review the experiences of the now-developed nations and to demonstrate the tremendous gulf that exists between the historical conditions which gave rise to the developmental success stories of the XVIII, XIX and XX centuries and the experiences with patterns of distorted development, stagnation and economic decay that prevail in the less-developed world today (Cypher and Dietz, 1997: P. 164)

Where liberal social theory and classical economics encouraged scholars to analyze change from the perspective of the isolated individual, the pioneers of modernization theory, notably Rostow, began with society and recognized in the patterned behavior of men and women the presence of structures which, though intangible, were nonetheless objects to be studied systematically or, put it in their words, scientifically.

The emergence of the Dependency Theory in Latin America in the early 1970s represented a clear challenge to the Modernization perspective. Dependency theorists attacked Modernization on many fronts, particularly using Marxists categories to explain imperialism’s role in the distorted dynamics of capitalist development in the societies on the “periphery” of the international economy. The Latin American dependentistas share the view that the power of international capitalism establishes a global division of labor that is the chief force responsible for shaping Latin America and the South in general. As a result, many of them denounced modernization theory as an ideology whose principal purpose had been to obscure the exploitative and subordinate relationship between industrialized and less-developed countries. Reformulating Marxist categories and drawing heavily on Leninist theories of imperialism, the dependency perspective portrayed capitalism as a system that over the last five centuries developed originally under the guise of “mercantilism”, then as “imperialist-free trade”, later as “financial capital”, and subsequently under the auspices of the transnational corporation.

One of the original founders of dependency theory was Andre Gunder Frank. In his study Capitalism and Underdevelopment in Latin America (1969) he argued that the imperialist countries have systematically extracted wealth from their satellites, leading to progressively greater social and economic disparities between the north and the south throughout history. The result has been that capitalism on a world scale has produced a forever “developing” metropolis and a periphery in constant process of
underdevelopment ("the development of underdevelopment"), a dynamic that is repeated on the national scale between each local metropolis and its domestic satellite regions and sectors.

To test his hypothesis that the subordination of satellites to the metropolis has been the main cause of underdevelopment, Gunder Frank presents evidence of the cases of “uneven development” which have occurred in Latin America. He particularly notes that spurts of growth have occurred more frequently in the satellite regions that are more weakly tied to the metropolis (e.g. Sao Paulo and Minas Gerais). Also, he argues that it was when the links between satellites and metropolis were weakest (the First and Second World Wars and the depression of the 1930’s) that the greatest development occurred in Latin America. In short, the author’s critique of modernization theory maintains that it is independence from, and not alliance or integration with, the metropolis that facilitates development in the south.

Overall, Dependency Theory made important contributions to the field of development and served as a useful antidote to the naive faith in “replication” models of development that had been held by modernization theorists. It also helped us to understand that the terrible misery of so much of the Third World derives not from a locally generated traditional resistance to modernity –as in Rostow’s theory- but from the operating forces of modernity itself. This perspective emphasizes that the misery of the many and the affluence of the few have their common origin in an international division of labor generated and maintained by the forces of capitalism.

Nevertheless, Dependency theory has been criticized for its overestimation of the power of the international system (structure) and simultaneously their underestimation of the real influence (agency) of the South over its own affairs. For example, Douglas Bennett and Kenneth Sharpe have stated that “there has been a decided tendency in dependencia analyses to depict the state as passive and powerless in the face of the TNCs, not as an actor able or inclined to oppose them in any significant respect” (Bennett

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14 This particular consideration is put in question by analyses like Shapiro’s (1994). In her analysis of Brazilian industrialization, she demonstrates that the successful development of a national auto industry, occurred during the 1950s and 1960s resulted from a close interaction and “bargaining process” between the Brazilian state and the transnational corporations, or what Gunder Frank would call the “agents of the metropolis”. Cfr. Helen Shapiro, Engines of Growth. Cambridge University, 1994.
& Sharpe, 1985: P.8). Although they come from very different schools of thought, Tony Smith and Enrique Semo agree with this evaluation of Dependency Theory.

Too many writers of this school make the mistake of assuming that since the whole (in this case the international system) is greater that the sum of its parts (the constituent states), the parts lead no significant existence separate from the whole, but operate simply in functionally specific manners as a result of their place in the greater system. (Smith, 1979: P. 252)

En los últimos quince años se han manifestado en la historiografía Latinoamericana tendencias marcadas a un determinismo mecanicista. Algunos científicos esquematizan la relación entre países imperialistas y países dependientes,... Para ellos todos los cambios significativos en la sociedad latinoamericana se originan en la estructura de dependencia que liga a las metrópolis imperialistas. ... El efecto principal de una concepción mecanicista de la dependencia es el de ubicar el motor de la historia de América Latina fuera de sus sociedades y condenar a esos países a un papel pasivo, mientras no queden abolidas las relaciones de dependencia. (Semo, 1978: P. 150)

Ironically even though dependency theory emerged as a critique of and reaction to modernization theory, it ended up suffering from some of the same limitations as its supposed enemy. First, both dependence and modernization are homogenizing concepts which do not allow us to explain differences in economic growth and varying standards of living between Latin American countries. Second, both theories are driven by external and all encompassing forces acting upon Third World societies: industrialization and imperialism. Third, both theories tend to portray each Latin American nation itself as if it were a homogenous entity at the mercy of equally monolithic “imperialist countries” and the ineluctable fate of “underdevelopment”. In short, in some respects both theories were caught in overly, functionalist, economistic, deterministic and, finally, also Eurocentric frameworks.

A great place to turn for an antidote to such perspectives is to the writings of authors like Alvarez, Dagnino & Escobar (1998) who have profoundly critiqued mainstream understandings of “development” with a particular focus on the way in which these perspectives engage with the concepts of “culture” and “politics”.

We interpret cultural politics as the process enacted when sets of social actors shaped by, and embodying, different cultural meanings and practices come into conflict with each other. This definition of cultural politics assumes that meanings and practices–particularly those theorized as marginal, oppositional, minority, residual, emergent, alternative, dissident, and the like, all of them conceived in relation to a given dominant cultural order- can be the source of processes that must be accepted as political. (Alvarez, Dagnino and Escobar. 1998: P. 7. (My emphasis)
Arturo Escobar has directly used this analytical framework to analyze the discourse of development. “Development discourses have functioned like powerful instruments for shaping and managing the Third World [by defining] what can be thought and done –or even imagined- when dealing with the economies and societies of Asia, Africa, and Latin America” (Escobar, 1992: P. 65). He has also pointed out that the concept and content of both ‘development’ and ‘development programs’ have been largely external, that is to say “Western” in their origin. Escobar here underlines what he has identified as “regimes of representation”.

Regimes of representation can be analyzed as places of encounter where identities are constructed and also where violence is originated, symbolized and managed. … [This notion] is a final theoretical and methodological principle for examining the mechanism for, and consequences of, the construction of the Third World in/through representation. (Escobar, 1995: P. 10, My emphasis)

Escobar illustrates the importance of having a clear understanding of what is at stake in discourse. According to him, if the discourse of one society in relation to some subject or project (as in this case ‘development’) is imposed on another it immediately becomes a colonizing discourse. The author maintains that if we are not aware of the ‘discursive’ aspect of development:

> We cannot understand the systematic ways in which Western developed countries have been able to manage and control and, in many ways, even create the Third World even politically, economically, sociologically and culturally; and that, although underdevelopment is a very real historic formation, it has given rise to a series of practices (promoted by the discourse of the West) which constitutes one of the most powerful mechanisms for insuring domination over the Third World today…. In this way, development will [also] be seen … as a series of political technologies intended to manage and give shape to the reality of the Third World. (Escobar, 1984: P. 3, My emphasis)

As the above quotation shows, the emphasis that Escobar places on analyzing colonizing discourses of development is closely connected with his concern with the “very real historic formation” of underdevelopment, that is to say the developmentalist practices enacted in the Third World with their related harmful effects in terms of nature, communities and regions and also with regard to the political responses to those practices (social movements). Importantly, he distinguishes his work from Said’s “Orientalism” in the following way:

> One might say [this book] is a study of developmentalism as a discursive field. Unlike Said’s study of Orientalism, however, I pay close attention to the
deployment of discourse through practices. I want to show that this discourse results in concrete practices of thinking and acting through which the Third World is produced. … Another difference in relation to Orientalism [resides] in Said’s suggestions that colonial power is possessed entirely by the colonizer, given its intentionality and unidirectionality. This is a danger I seek to avoid by considering the variety of forms with which Third World people resist development interventions and how they struggle to create alternative ways of being and doing. (Escobar, 1995: P. 11, Emphasis in the original)

For these reasons both Escobar and Esteva (1992) stress the need for ‘another development’ and hence another politics, and envision a ‘post-development’ era. This politics of development, they argue will be local, indigenous, based on grass-roots social movements, democratic and directly reflecting the priorities and purposes of the participants.

This work is so important because it allows us to rethink the terms of “development” independently from the now stale debates between modernizationists and dependentistas. It does this by rethinking the relationship between the various different “spheres” of life (politics, economics, culture, society, etc.). My goal is to follow along this basic agenda but to modify it by incorporating a strong commitment to more traditionally “economic” issues. It is my conviction that access to material resources is crucial for ‘communities’ and ‘economies’ alike and even when we should be very aware of the traditional Eurocentric notions that have surrounded words such as ‘productivity’, ‘innovation’, ‘development’ and so on (astutely revealed by Escobar and Esteva), these concepts indeed have an important place in the creation of new forms of society that can genuinely improve cultural and material living conditions. Therefore, like Escobar, in being critical of both modernization and dependency approaches I should not be read as falling into a plain antidevelopmentalism. Instead, just as Escobar and others bring together the supposedly separate “spheres” of culture and politics, I seek to bring together economics and politics in a new “dynamic political economy” perspective of “development” in the full sense of the world.

Here Alexander Gerschenkron’s analysis in *Economic Backwardness in Historical Perspective* (1962) can be very helpful. Paul Gootenberg (2001) invites us to revisit Gerschenkron’s powerful metaphors and thinking for our study of Latin American development. In particular, Gootenberg points out that Gerschenkron is different from Rostow in so far as he privileged “historical discontinuity” over linear continuities in the
Another important difference between Rostow and Gerschenkron is the latter’s emphasis on the active role of the state in fostering development, “which he judged to be a normal function in history” (Gootenberg, 2001: P. 57). In addition, Gerschenkron paid close attention to the international context, without falling into the determinism typical of dependency theorists. As Shapiro and Taylor write:

Alexander Gerschenkron was among the first to postulate the conditions that lead economies to follow different strategy lines. Based on his study of European industrialization, he argued that a country’s economic position relative to more advanced nations directly influenced the nature of the state’s intervention in its development process. (Shapiro & Taylor, 1990: P.862)

Gerschenkron’s analytical starting point is neither Western Europe nor North America. For him the model for developing countries, or what he calls gifted “latecomers”, are the late nineteenth-century Central and Eastern European economies. The classic “relatively backward” countries that our author analyses are Russia, Germany, Japan, and Italy. In his model, backward countries are forced to make innovative substitutions for missing preconditions in order to accelerate the process of industrialization. Thus, vs. Rostow advice, relatively backward countries can largely avoid the unrewarding “preconditions” stage that the “first-comer” countries experienced in their developmental path. In particular, Gerschenkron views the development of a heavy industry biased industrial structure as one of the important substitutions that relatively backward countries must make in order to generate the sought after spurt of industrial growth.15

Importantly, this structural substitution occurs under the guidance of the state. For Gerschenkron, as for Rostow, one of the most important obstacles delaying industrialization is the fact that in poor countries the majority of the labor force is engaged in agriculture with low agricultural incomes. Aggregate demand therefore is insufficient to support rapid industrial growth, and the low per capita income generates a demand pattern favoring “low-income” elasticity goods (like food, clothing, etc.), instead

15 It is important to note that the Gerschenkronian “great spurt” is quite different from the Rostowian take off. In his writing, Gerschenkron himself asserts that although “both concepts stress the element of discontinuity in economic development; great spurts, are confined to the area of manufacturing and mining, whereas take offs refer to national output.” (Gerschenkron, 1968: P. 354) In addition, as we will see in the following paragraphs, “great spurts” require the aggressive intervention of the state, while “take-offs” are more “natural” occurrences that are brought on by market forces.
of the heavy industry branches that promote industrialization. Therefore, for Gerschenkron “the state itself [has] to substitute for the market and “force” industrialization” (Shapiro & Taylor, 1990: P.862) Or, as Shapiro explains in *Engines of Growth*, Gerschenkron’s “long-forgotten point about backwardness and inertia” is that, More than a market signal is required to displace the previous “equilibrium” in order to make nontraditional export markets and industrial investment projects attractive. In many less-developed countries, the state has been the only entity with pockets deep enough to make beyond-market incentives sufficiently sweet (Shapiro, 1994: 12).

In this manner, the slow and time consuming process of waiting for the industrial structure to evolve towards a heavy industry orientation can be avoided, and the industrialization process sped up. The result of this intense state activity will be an industrial structure biased in favor of heavy industry.

There are at least two important conclusions that we should draw from Gerschenkron’s model. First, contrary to Rostow’s neat recipes of prerequisites and takeoffs, development is an open-ended process whose success or failure depends on a country’s location in the world economy, the capacity of its state apparatus and the character of its domestic resource endowments. Second, contrary to the pessimism of dependency theory, states –even backwards ones—have agency and can take actions to overcome the structural constraints that surround them. Alternative possibilities and scenarios, Gerschenkron sustains, are eminently imaginable in economic development. In the end, when we bring these two conclusions together what we get is a sophisticated point of view that creatively synthesizes political and economic factors, thus taking us a crucial step forward in our search for a more dynamic political-economy perspective on development.

What Gerschenkron does to modernization theory, Cardoso & Faletto (1970) do to dependency theory. Like Gerschenkron, by defending the power of the state and focusing on the role of social structure in the process of development, Cardoso & Faletto dynamize an otherwise functionalist and deterministic economic analysis by adding close attention to political factors. Cardoso & Faletto’s classic analysis of “dependent development” uses an analytical perspective based on class analysis to compare “situations of dependency” across Latin America from the period of decolonization in the
early nineteenth century to the 1970s. Theirs is a very important synthesis of the shifting alliances between classes and interest groups that have been the causes and consequences of nation-building, state formation, and capital accumulation in Latin America. The authors analyze significant differences between types of dependent situations (*i.e.* enclave economies, domestically controlled peripheral economies, dual economies, etc), differences that tended to be minimized in the work of classic *dependentistas* like Gunder Frank. They argue that the growth of the home market and the nature of class relations were very different in countries with foreign-controlled export enclaves when compared to countries in which the export sector was controlled by indigenous classes. Similarly, they contend that the “old dependency” based on the export of raw materials to the core countries, is very different from the new dependent development based on industrial production by multinational corporations for the domestic market. In addition, they make the important point that British hegemony in the world economy was of a very different nature and had different consequences than the later United States hegemony.

Nevertheless, Cardoso and Faletto avoid pure historicism. They are not arguing that every situation is completely unique. On the contrary, there is a good amount of structuralism in their approach, as illustrated by their employment of class analysis, the creation of typologies, and systematic comparison. But this structuralism is not deterministic since they see history as a process in which alternative futures are constrained by structural limitations, but are also determined by the conscious actions of human interests and ‘passions’:

> The course of history depends largely on the daring of those who proposed to act in terms of historically viable goals. We do not try to place theoretical limits on the probable course of future events. These will depend, not on academic predictions, but on a collective action guided by political wills that make work what is structurally possible (Cardoso & Faletto, 1979: P. 176)

Finally, the work of Peter Evans is also extremely helpful here because it brings together both Gerschenkron’s view of state-economy relations and Cardoso & Faletto’s sophisticated understanding of state-society relations. Evans’ work is therefore a particularly good example of the dynamic political-economy approach I am advocating for. Indeed, Evans himself explicitly locates his work within what he calls the “new comparative historical political economy” which “like the classic tradition of political economy...begins with the conviction that economic and political development cannot
fruitfully be examined in isolation from each other” (Evans & Stephens, 1988: P. 740). Like Cardoso & Faletto, for Evans it is important both to absorb the lessons that grew out of dependency perspectives (in particular its sensitivity to international factors) and to reject “the idea that external factors determine the dynamics of domestic development”. In general, for Evans, the classic analyses of development too often seem actorless. “Urbanization, bureaucratization and other components of modernization” he argues, appeared driven by “inexorable impersonal forces” rather than by the interests and actions of states, classes and other social actors.

In his recent book on Embedded Autonomy, Evans profoundly criticizes the “neo-utilitarian” view of the state and tries to complement the liberal theory of comparative advantage with Porter’s “competitive advantage” (Porter, 1990) by advocating for an active construction of comparative advantage instead of simply a passive recognition of it. He explains how the emergence of advantage depends on a complex evolution of competitive and cooperative ties among firms, government policies, and a host of other social and political institutions. For him “comparative advantage” is not just natural but also social. “A simple assessment of natural resource endowments or the relative scarcity of different factors of production cannot tell us who will have a competitive advantage… social and political institutions must be analyzed as well.” (1995: P. 9)

Evans develops his theory of “embedded autonomy” by distinguishing four roles that states can play in industrial transformation: custodian, demiurge, midwife, and husbandry. These roles correspond respectively to regulation, state production in public enterprises, state creation of private firms, and further promotion of these firms. Evans sees the state as an “historically rooted institution” and therefore not only state-business but also state-society relations are central in his approach. In addition, he puts significant emphasis on the need for growing states to develop a strong and healthy bureaucracy. A strong and effective bureaucratic organization of the state is quite important for the fate of Evans’ autonomy.16 Evans maintains that “it is scarcity rather than surfeit of

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16 The autonomy that Evans is talking about here is quite different from the understanding found in Hamilton’s analysis. There are three basic differences between the two conceptions of autonomy. First, while Hamilton defines autonomy as the independence of the state from the ruling class, “Autonomy is the ability of those who control the state apparatus to use it for ends other than and particularly contrary to, those of the dominant class” (Hamilton, 1982: 23), Evans understands it as independence of the state from all class forces. Second, while Hamilton sees the purpose of autonomy to be the facilitation of radical
bureaucracy that impedes development” (1995:40). As we saw in the first section, it is very difficult to find “invisible hand success stories” (Shapiro, 1994). Strong bureaucracies that regulate markets and direct investment are almost always necessary for successful development.

Evans also develops two more general ideal types in his analysis: the predatory and the developmental state. On the one hand, predatory states extract large amounts of surplus from society and provide so little in the way of “collective goods” in return that they impede economic transformation. “These states plunder without any more regard for the welfare of the citizenry than a predator has for the welfare of its prey” (1995: 44). On the other hand, developmental states are also capable of falling into corrupt dynamics and are “not immune to using social surplus for the ends of incumbents and their friends rather than those of the citizenry as a whole...”. Nevertheless, the final goal of these states is to promote long-term entrepreneurial projects, to engage in transformative investments and to reduce risks for businesses.

The state-centered nature of Evans’ work is made even clearer when we look at his recent dialogue with Stephan Haggard, Sylvia Maxfield and Ben Ross Schneider’s work on theories of business-State relations (1997). Like Evans, these authors are interested in exploring the aspects of business-government interaction that facilitate economic growth, but unlike Evans they focus much more on the capital side than on the state side of the equation. Their starting point is therefore not the state but business. Evans responds by writing that,

Formal organization such as firms and business associations institutionalize the normative bases of collective action. Informal ties and networks accomplish the social transformation, for Evans the purpose is the stimulation of more successful capitalist development. Third, the source of the requisite autonomy is radically different for Hamilton and for Evans. For Hamilton autonomy was possible during the Cardenista period in Mexico because of the decay of the previous pact of domination, “The possibility of relative structural state autonomy depends significantly on the extent to which a given mode of production and class structure are established. When the structure is indeterminate, or the dominant class is considerably weakened due to internal or external crises, the possibility for state autonomy is enhanced” (Hamilton, 1982: 11), and as a result of the mobilization of working class and peasant groups, “Given pressures from dominant groups and their allies within the state, progressive factions within the state will be unwilling to implement goals which will threaten their position or perhaps the state itself. Only an effective counter-pressure by the subordinate groups allied to these factions will enable and in fact force the state to maintain and perhaps expand its progressive orientation...It is not through an autonomous state, but only through the autonomous organization of subordinate groups and classes that a social transformation can be brought about” (Hamilton, 1982: 286, emphasis in the original). In contrast, for Evans autonomy arises out of the action of enlightened state reformers and strong bureaucracies.
same thing in different ways. [Nevertheless] my own way of cutting into these complex interdependencies is to start with the state and work from there to business. (Evans, 1997: P. 65, My emphasis)

In analyzing the possibilities to promote transformation, Evans concedes that starting with the structure of business community “may be equally fruitful”, nevertheless he observes that “we live in an ideological climate that systematically attempts to obscure the state’s possible contribution to economic transformation” and hence his vindication of the role of the state in neoliberal times is not only methodological but also political.

Nevertheless, it is very important to point out that Evans makes a clear differentiation between “starting points” and “causal claims”. “It would be a terrible error to turn the state into dues ex machina that determines all outcomes” (Evans, 1997: P. 75). Instead, Evans asserts that it is important to achieve a balanced understanding of how business and the state interact:

Successful collaboration is not a question of choice between either having cohesive, insulated bureaucracies or having close connections with the private sector. The former is the foundation that makes the latter work. Without a sufficiently cohesive administrative structure, connectedness turns the bureaucracy into an instrument for private gain; but given a sufficiently coherent, cohesive state apparatus, connectedness ceases to be synonymous with capture. (…) In short, either autonomy without embeddedness or embeddedness without autonomy are likely to produce perverse results. Without autonomy, embeddedness becomes capture. Without embeddedness, joint projects that engage the energy and intelligence of business cannot be constructed. (Evans, 1997: P.74.)

Although Evans may at times appear to reify the state in a manner similar to Theda Skocpol, in the end his subtle balance between institutional and social factors and his close focus on the relationship between them makes his work an excellent model for the dynamic political-economy perspective that we are here trying to construct.

B) Development and Economic Policy in Latin America

Political economy is a truly vibrant area of research within the field of Latin American Studies. In particular, over the last two decades a great diversity of authors have proposed a variety of political economic frameworks to analyze the phenomenon of development (and underdevelopment) in Latin America. In this final subsection I will briefly review the central arguments of a sample of texts that I find to be particularly
relevant. I will begin with an examination of a few authors (Sikkink 1991, Haggard 1990, Bennett & Sharpe 1985, Hirschman 1987) who have focused most of their attention on understanding the dynamics of Import Substitution Industrialization (ISI) in the region. Then I will turn to an analysis of a group of texts (Krueger 1993, Haggard 1995, Pastor 2000, Maxfield 1990, McMichael 1996) that use what I have been calling a “dynamic political economy” perspective to analyze the process of economic “liberalization” that has occurred in the region since the early 1980s.

Kathryn Sikkink (1991) begins her analysis of ISI policies in Brazil and Argentina by pointing out that analysts of development have traditionally made an artificial split between the domestic and the international spheres. “Those who study international institutions have not paid sufficient attention to domestic politics, and those who study domestic institutions have not always made clear the linkages between domestic and international institutions” (Sikkink, 1991: P.23). Like Gerschenkron, Cardoso & Faletto and Evans, she looks to strike a careful balance between internal and external factors and between structure and agency:

There is no doubt that developmentalists were heavily influenced by the examples of the developed world. They saw in the developed countries many of the characteristics they aspired to for their countries: industry, autonomy, technical progress, and modernity. To say that developmentalists were thus influenced, however, is quite different from suggesting that developmentalism was imposed on the Third World, or that Western countries managed or controlled their development. Intellectuals and political leaders consciously chose politics that both attempted to imitate some of the development patterns of the West and at the same time challenged many of the orthodoxies of international financial institutions. (Sikkink, 1991: P.13).

Sikkink puts particular emphasis on the role of ideas in the development process. She argues that developmentalist policies were adopted in Brazil and Argentina in response to “new ideas” held by top policy makers such as Frondizi in Argentina and Kubitschek in Brazil. In addition, for Sikkink, in order for ideas to have power and influence they must find “institutional homes”.

The strength, continuity, and success of new ideas once implemented depend on the degree to which they become embodied within Institutions, especially state institutions. (Sikkink, 1991: P. 255)

This is why Sikkink’s comparison between Brazil and Argentina concentrates on the different institutional frameworks that existed in both countries. She argues that a
stronger administrative framework in Brazil than in Argentina facilitated the acceptance and implementation of developmentalist ideas. She writes:

The key difference between the two states was the existence in Brazil of a small “insulated” sector of the bureaucracy. This insulated sector, governed by merit hiring and efficiency criteria, was used and modified by Kubitschek to formulate and implement the main lines of his economic policy. ... The historical development of the Brazilian and Argentine states differed significantly. Of interest here are the developments in state structure involving the expansion of state capacity to intervene in the economy, the creation of institutions to supervise state involvement in the economy and the enactment of procedures governing the bureaucracy which facilitated the development of public servants capable of managing new economic tasks. In Argentina and Brazil state functions were expanded, but Brazil placed greater emphasis on administrative reforms, leading to greater administrative capacity. (Sikkink, 1991: P.173).

Nevertheless, in this quotation we can clearly see that Sikkink is fatally committed to an essentially *organizational* view of the state that isolates it from society. By emphasizing “insulation” and “administrative capacity” as the keys to successful development policies she avoids engaging with the dynamics of state-society relations. This is also clear from her statement that what made the difference in Brazil was “the nature of the *organizational structures*, … the norms and procedures that govern the bureaucracy, and the technical capabilities of state officials” (Sikkink, 1991: P.172). Also, when she has a chance to expand on her meaning by explaining what she calls her “interpretive institutional” approach she unfortunately ends up falling prey to an obvious tautology. “I think [of my approach] as *institutional* because of the focus on *institutions* of the state and outside the state, [and] *interpretative* because of the concern with the process of how certain *meanings* emerge around certain policies, ideas, and institutions” (Sikkink, 1991: P.23). In the end, her analysis is quite similar to Katznelson and Pietrykowski’s bureaucratically driven approach which Michael Brown criticized so clearly in the previous section for isolating the state from society.

Finally, her description of the relationship between ideas and interests also reveals her commitment to a fundamentally isolated and falsely “autonomous” view of the state.

Ideas *transform perceptions* of interests. Ideas about economics and about politics are presented from the beginning in the very process of formulating interests, *shaping* not only actors’ perceptions of possibilities but also their *understanding* of their own interests (Sikkink, 1991: P. 243, My emphasis).

Here ideas are portrayed as existing *prior to and independently* of social relations or social forces. They are “lenses” through which people “interpret” their own interests and...
have little or nothing to do with the social, cultural, economic or political situation of the individuals or institutions that ascribe to them. In the end, Sikkink’s framework begins and ends with institutions and disembodied ideas, failing to fully explore the relationship between states and societies.

In *Pathways from the Periphery* Stephan Haggard develops a much more comprehensive explanation than Sikkink’s of the different models of development in the newly industrializing countries. He compares the East Asian NICs (Newly Industrialized Countries) with what he describes as the Latin American NICs. Haggard’s work has the admirable merit of taking into account the political dimension of the development processes, thereby incorporating historical, political, international and structural variables that are not emphasized enough in Sikkink’s work.

In analyzing the different arguments about the sources of policy change in the NIC’s economies, Haggard applies various different levels of analysis. While he pays a good deal of attention to the international dimension he doesn’t get lost in a deterministic structural analysis, for he also studies the agency of domestic coalitions, political institutions and even “new ideas”. In coherence with the comparative historical approach that he applies, he argues that international pressures and the consequent domestic economic crises are “the most powerful stimuli for changes of policy”.

In his attempt to capture the role of domestic political forces and the way in which they trigger or constrain the responses to the international scene, he proceeds to analyze the diverse state strategies pursued in the different cases of his study. He concludes that,

> There are political prerequisites for the pursuit of a particular growth strategy. Political elites and their coalition partners are aware of these institutional requirements and restructure or maintain the political system to attain their economic policy goals. (1990: 254)

For example, the export-led growth strategy implemented in the East Asian NICs had very high social and political costs. Haggard comments that: “The ‘successful’ strategy of the East Asian NICs cannot be separated from labor regimes that systematically reduced

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17 Unlike Sikkink, for Haggard the Latin American intellectual movement of Dependency Theory constituted “a radical challenge” to traditional views. “Criticizing dependency theory has become an academic industry of the worst sort. The crudest formulations are attacked with vehemence, the overall contribution and the more sophisticated variants ignored” (Haggard, 1990: 19).
labor’s political voice. This crucial irony –equity without democracy- must be faced by both critics and defenders of the East Asian models” (Haggard, 1990: 253)

Haggard’s work is an insightful piece insofar as it recovers the political considerations of development theory and the continuous importance of states and institutions as central actors in shaping the international political economy. He ends his work with the following words: “The challenge for the developing world now is to find modes of integration with the world economy that exploit the gains from interdependence but do not violate the domestic quest for political freedom and equity.”

Along the same lines as Haggard’s analysis, Kenneth Sharpe & Douglas Bennett (1985) also critique both the voluntaristic and deterministic tendencies present in the “conventional approaches in American social science” (Bennett and Sharpe, 1985: P.248)

Assuming the State to be an “independent” variable creates the risk of falling into a kind of voluntarism which fails to understand the real limits placed on the ability and will of the State to act. Assuming the state to be a “dependent” variable risks a determinism which is both blind to historical possibilities and provides only a mechanistic explanation of state action. The state must be conceived of as both a historical product and as a creator of history (Bennett and Sharpe, 1985: P. 205)

Bennett and Sharpe’s analysis is quite similar to Shapiro’s work in Engines of Growth (1994). Just as Shapiro analyzes the patterns of bargaining and compromise between the state and TNCS in the development of the Brazilian auto industry, Bennett and Sharpe examine the political economy of the Mexican auto industry by understanding the “bargaining” and “dependency” relations between TNCs and the Mexican state.

In this work, we proceed from a different assumption [from that of dependency theory]: that in certain circumstances, the state in developing countries can and will attempt to alter the behavior of transnational and the consequences of that behavior. It may even seek to alter some of the structural aspects of dependency in which TNCs have a substantial stake. Exploring this assumption requires attention to bargaining between the state and TNCs (Bennett and Sharpe, 1982: P.8, My emphasis)

Therefore, in Transnational Corporations versus the State, the authors seek to analyze not only the constraints imposed by situations of dependency –as in traditional dependency approaches—but also the alternative actions and diverse public policies that attempted to transform these constraints. Bennett and Sharpe are quite aware that the Mexican state was not able, by any means, “to establish by fiat” whatever policy it chose.
The principal source of conflict between TNCs and the state arose out of the state’s interest in promoting and protecting domestic capital. Bennett and Sharpe note:

The TNCs did not share the state’s interest in furthering import substitution by replacing the assembly of imported parts with the domestic manufacture of these parts; nor did the TNCs have an interest in exporting from Mexico in the late 1960s and early 1970s (though this began to change in the mid-1970s) The state’s efforts to Mexicanize the terminal firms were opposed by the TNCs and they also resisted the efforts to limit the number of firms and to regulate firm conduct. (Bennett and Sharpe, 1985: P. 259)

Therefore, under ‘certain circumstances’ Mexican state power was indeed able “to compel the TNCs to act in ways perceived to be more beneficial for Mexico”.

But it is also important to mention that in some policy areas there were important coincidences between the Mexican state and the TNCs. For instance, the state’s sponsorship of an industrializing strategy whose primary reliance was on the private sectors and that used financial incentives (soft loans), non inflationary fiscal and monetary policies, low taxes, and repressive labor policies were obviously all in the interests of TNCs. All of these were basic ingredients of the Import Substitution Industrialization (ISI) strategy pursued between 1940 and 1980 in Mexico. Another interesting convergence was that “both the state and the TNCS favored the development of an auto industry, as opposed to, for example, an emphasis on public transportation”.

Another important debate concerns the sources of the “class-skewed pattern of inequality” present throughout the period of ISI. According to Bennett & Sharpe, it would be “historically shortsighted and an unduly narrow allocation of responsibility” to blame these inequalities on transnational corporations or on ISI policies (Bennett and Sharpe, 1985: P.272). The international structures of dependency have had just as much to do with the creation of such uneven development as any particular economic actor or policy, as evidenced by the fact that “liberalization” has only made inequality even worse.

In sum, to assess the role of the state in relation to the model of the ISI is a quite complex task. Although it is important to acknowledge the state’s critical participation in encouraging industrialization through protection, subsidies, financial controls, and even government ownership of basic industries as electricity, petroleum, and steel, it is equally essential to take a look at the social and political contradictions (repressive labor regimes,
corrupt bureaucratic practices, exploitation of peasants, and dependency on foreign technologies) that it engendered.

Now, Albert O. Hirschman has told us how industrialization in Latin America was supposed to follow the path of “progressive” import-substitution industrialization. Impelled forward by the backward and forward linkages of each successive stage of ISI, the last stage of the process was to be the substitution of domestic production for imports in the field of intermediate inputs and capital goods. This goal was almost universal. “The urge to industrialize, rooted in the depression and war experiences of the thirties and forties, seized all but the smallest and poorest Latin American countries during the fifties and sixties” (Hirschman, 1987: 14).

Hirschman recognizes how through the investment of national and foreign capital, entrepreneurship, and an activist state, Latin American countries accomplished substantial gains in terms of industrialization during the 40s, 50s and 60s. But he also points out that during the late 1960s the problems with ISI strategies became increasingly apparent. Sharp criticisms arose from both the left and the right sides of the political spectrum.

I have written about the dual attack that was mounted against the industrialization drive, starting in the sixties. From the Latin American left, industrialization was variously criticized for being “unintegrated” or “truncated” for increasing “dependency or for catering (through its products) primarily to the upper and middle classes. At the opposite end of the spectrum, the international neoclassical establishment castigated “inward-oriented” industrial development for causing misallocation of resources, balance of payments problems, and “rent seeking” (Hirschman, 1987: P.14).

The important point here is that although both sides greatly exaggerated their cases “neither criticism entirely lacked foundations”. No matter which perspective one took, the model appeared to be in crisis. Domestic difficulties (i.e. misallocation of resources, balance of payments problems, etc) and international circumstances (dependency, lack of access to technology, world economic downturn, etc) all came together in a negative version of the “multidimensional conspiracy”.

Eliana Cardoso and Ann Helwege (1992) have noted that although ISI strategy generated high rates of economic growth, --the average rate of growth in the region was more than 4.5 percent between 1940 and 1968-- it also downplayed “market forces” and confronted three major limitations: first, overvalued exchange rates which hence slowed
export growth; second, sectoral disequilibrium through a disproportionate growing of the industry at the expense of agriculture; and third, a persistent deficit with high inflation.

Philip McMichael (1996) has also analyzed the way in which the “development project” of the 1950s and 1960s gave way to a new “globalization project” which prevails to this day. He attributes the failure of the development project to a combination of, one, a blind faith in the market on the part of the modernizationists and, two, an equally blind belief in the capacity of the state to bring about industrialization and development on the part of the CEPAListas.\textsuperscript{18} He also argues that the shift from the “development project” to the “globalization project” has led to the great limitation in the capacity of action of third world countries. Now, instead of participating in the world economy as nations struggling for their way to modernity, they are now only pragmatic and strategic actors in a much more restricted game that is directed by TNCs that monopolize international markets.

In her study of international finance and Mexican politics, Silvia Maxfield (1990) also criticizes neoliberal policies. Through her analysis of the Mexican case, she illustrates the way in which international financial integration has tended to divert national financial resources away from long term industrial investment. Therefore, instead of orthodox de-regulatory policies she vindicates diverse types of capital controls through “heterodox” macroeconomic policies able to mitigate the negative impacts of international financial integration. Hence, in clear coherence with a dynamic political economy perspective she emphasizes the need to “govern capital”:

An economic policy pattern of flexible exchange rates with controlled convertibility and state intervention in domestic financial markets to help create and guide credit allocation can increase a nation’s success in managing international financial integration. Such policies allow governments to influence the allocative decisions of national capitalists in favor of long term industrial investment. This government capacity is crucial for managing capital accumulation in the context of increasingly internationalized capital markets. (Maxfield, 1990: P. 8)

Maxfield also successfully integrates a close attention to the state--through an analysis of macroeconomic policies—with a sophisticated exploration of the diverse

\textsuperscript{18} As Shapiro has also argued, the CEPAL theorists “tacitly assumed that the state had unlimited capacity to intervene in the economic system” (Shapiro & Taylor, 1990: P.863).
social actors that are involved in the construction of alliances to bring about such policies.

The argument about the politics of economic policy making outlined here stresses policy “currents” or “networks” in which state and social actors with similar interests form implicit and explicit alliances to press for desired policies. This approach differs significantly from state- or society-centered approaches of economic policy in Latin America and from explanations based purely on ideology and international factors. (Maxfield, 1990: P. 18)

This is very reminiscent of Schurmann’s perspective on policy making, where social “currents” intertwine with an independent and powerful state to bring about specific political outcomes. This also clearly sets Maxfield apart from analyses like Sikkink’s that overemphasize isolated bureaucracies, organizational procedures and mere ideas.

Another critical analysis of economic “liberalization” strategies is the one developed by Stephan Haggard in Developing Nations and the Politics of Global Integration (1995). Here he argues that although the discourse of globalization highlights integration, unity and cooperation, it is more useful to analyze these processes by distinguishing between what he calls “shallow integration” and “deep integration”. According to Haggard, shallow integration refers to the “relaxation of border restrictions on trade and investment [but] the granting of national treatment for products and firms”. Deep integration occurs, he writes, when “numerous ‘behind the border’ policies –once deemed wholly domestic- become the subject of international negotiation” (P.2).

This latter kind of integration, the author contends, is mutually beneficial when negotiated among economies of similar levels of technological skills, and political-economic bargaining power. This is because integration is often likely to be based on compromises over rules and enforcement mechanisms that accommodate equitably the different national interests of the negotiating countries. Between developed and less-developed economies, however, the power relations are asymmetrical, and in Haggard’s opinion:

There are both economic and political reasons to think that the deep integration agenda would be neither germane nor agreeable to developing countries... In areas such as intellectual property, the environment, and labor standards, developing countries could suffer if harmonization occurred around the norms of developed countries, particularly if the convergence is enforced through sanctions (Haggard, 1995: 4)
Haggard contends that the “deep integration agenda” being pushed on developing countries is an extension of power that reflects,

> growing corporate interest in exports and investment opportunities in the developing countries has resulted in US trade policy shifting toward an emphasis on opening foreign markets. The threat of barriers but also for forcing broader regulatory changes favorable to American firms… The willingness of developing countries to entertain the deep integration agenda can only be understood in light of powerful external economic and political constraints that operated on them during the 1980s (Haggard, 1995:7).

Haggard uses the case of NAFTA to exemplify his basic thesis:

> The lessons to be drawn from NAFTA about the political economy of deep regional integration schemes are sobering… The concessions made by Mexico to American demands were sweeping and revised upward at the last minute in order to secure support from opportunistic American legislators. NAFTA makes clear that … the weaker party to the regional agreement will also make the greater concessions and adjustments (Haggard, 1995: 113).

This of course does not mean that Latin American countries such as Mexico are destined to forever be undeveloped by the process of development. But it does mean that states in the developing world need to continue to be very aware of their disadvantaged position in the global economy. As I argue in my other field statement on globalization, the “new global economy” is by no means a smooth space of equality and justice.
Conclusion

In this Field Statement I have argued for the need to apply what I have been calling a “dynamic political-economy approach” to our analyses of the state and development in Latin America. Only by applying such an approach will we be able to escape from the many false dichotomies (e.g. States v. Markets, Functionalism v. Autonomy, Structure v. Agency, Culture v. Politics, etc.) that threaten to enclose us in an analytical box. I have tried to show that the most fruitful way to analyze Latin American states is by constantly incorporating the interconnections between each one of these elements.

I have also tried to demonstrate that economic policy must be understood as a complex process of intersecting dynamics that involves national needs, international circumstances, domestic social and political forces, bureaucracies, ideas, and institutions. My aim has been to think through seriously this intensely political process. As I mentioned in the introduction, the primacy of politics in economic development is one of the central underlying premises in this entire Field Statement.

This Field Statement has also been an attempt to argue for the inclusion of Latin American Studies within the mainstream of Political Science. As we have seen throughout this essay, the processes of development (and underdevelopment) in Latin America provide some of the best illustrations of fundamental and universal concerns (both normative and analytical) of the discipline of Political Science in general. The discipline would be profoundly enriched if it were to more fully engage with the central debates and findings concerning economic policy, development and the state in Latin America.

In recent years, thinkers like Joseph E. Stiglitz, ex-Vice President of the World Bank, and the international financier George Soros have proposed moving beyond the “Washington Consensus” and towards a new development paradigm. For instance, Stiglitz (2002) has proposed eliminating “conditionality” and transforming the World Bank into a “knowledge bank”. Such proposals are very welcome and the best way to fulfill their promise is to back them up with serious social research. In particular, by applying the sort of dynamic political-economy analyses that I have defended throughout
this Statement we can start to unravel the characteristics of the existing paradigm and develop a feasible strategy for moving towards another development path which is more productive and just for all.
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