

The Politics of Developmental State Persistence: Institutional Origins, Industrialization and Agrarian Challenge

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Abstract: This article argues that the politics of developmental state *persistence* are analytically distinct from the origins of developmental states—but are crucial for translating developmental state institutions into high value-added industrial production. Although the industry-promoting state institutions of postwar Pakistan and Turkey clearly resemble classic developmental states, only the Korean and Taiwanese developmental states managed to persist through the worldwide ‘politics of hard times’ in the 1970s and early 1980s. Building upon recent contributions that emphasize the social coalitions that underpin development states, we demonstrate that in Pakistan and Turkey, the quiescence of agrarian actors in the first decades after the postwar period allowed industrialization to progress, yet the reassertion of their political power in the 1970s fundamentally threatened developmental state institutions. We thus develop a more dynamic understanding of the developmental state that focuses not on institutional origins but rather on the politics behind institutional persistence.

From Chalmers Johnson onward, 'the developmental state' has effectively become a singular lens through which we understand the politics of economic development. The key insight of the developmental state framework is that powerful, autonomous and yet socially embedded state institutions were necessary and sufficient for rapid economic growth. The framework has yielded both analytical insights for explaining why some states, particularly in East Asia, have been more successful than others, and the policy recommendation that state capacity is crucial for economic development.¹

Recent research has focused on the sources of developmental state frameworks: why are powerful, autonomous state institutions present in some countries and not others? Despite important contributions in this area, this research question has suffered from a critical shortcoming: the only cases universally classified as developmental states are the three non-communist countries in Northeast Asia: Japan, Taiwan and South Korea (hereafter, Korea).² Thus any explanation of the rise of the developmental state can be confounded by an alternative – though analytically less satisfying – suggestion that the developmental state is simply the consequence of exceptional geography.³ In this article, we aim to resolve this question by comparing the accepted developmental state cases with two countries that, at first blush, would seem an unlikely basis for comparison: Pakistan and Turkey.

Richard Doner, Bryan Ritchie and Dan Slater (hereafter DRS) have distilled the universe of non-regional explanations for the rise of the developmental state into a clear and efficient model. In their reading, developmental state institutions are to be "located in conditions of 'systemic vulnerability,' or the simultaneous interplay of three separate constraints: 1) broad coalitional commitments, 2) scarce resource endowments, and 3) severe security threats."⁴ DRS argue that these factors are individually necessary and jointly sufficient for the birth of the developmental state, and use their framework to explain the success of economic development in Northeast Asia and the relative failure of Southeast Asian countries.

Yet, by this measure, both Pakistan and Turkey experienced levels of systemic vulnerability at least equal to Taiwan and Korea. Both countries lacked *rentier* resources and were not as well compensated through foreign aid, each suffered intense geopolitical competition as American allies sharing land borders with the Soviet Union as well as from (at times active) conflict with regional powers, and both were forced to maintain extremely

¹ Stephan Haggard, *Pathways from the Periphery* (Ithaca: Cornell University Press, 1990); Peter Evans, *Embedded Autonomy* (Princeton: Princeton University Press, 1995); Atul Kohli, *State-Directed Development* (New York: Cambridge University Press, 2004); *World Development Report–The State in a Changing World* (Washington, DC: the World Bank, 1997).

² Two other cases, Hong Kong and Singapore, are city-state entrepôts that, while successful industrializers, differ in crucial ways from states with significant land area and thus cannot be the basis for a comparison. We also follow standard practice of excluding Japan, an already industrialized nation at the beginning of the postwar period, from our analysis.

³ Two of the most prominent explanations that overlap with regional histories include the legacies of Japanese colonization and the flying geese paradigm, which holds that proximity to Japan is a critical factor in industrial growth. Kohli, *State Directed Development*; Kaname Akamatsu, "A Historical Pattern of Economic Growth in Developing Countries," *Journal of Developing Economies* 1 (March–August 1962), 3-25.

⁴ Richard Doner, Bryan Ritchie and Dan Slater, "Systematic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective," *International Organization* 59 (April 2005), p. 329.

broad coalitions as a consequence of the particular nature of state formation in the two countries. Further, the industry-promoting state institutions of Pakistan and Turkey in the 1950s and 1960s clearly resemble classic developmental states. However, by the 1980s and 1990s neither Pakistan nor Turkey share the same industrial successes as Korea and Taiwan. How could such similar origins lead to dramatically different outcomes?

In this article, we argue that the politics of developmental state *persistence* are analytically different from the origins of developmental states, but are crucial for translating developmental state institutions into high value-added industrial production. While all four cases built the developmental state in the 1950s and 1960s, only the Korean and Taiwanese developmental states managed to persist through the worldwide ‘politics of hard times’ in the 1970s and early 1980s, in order to successfully upgrade in the late 1980s.

In Pakistan and Turkey, however, the developmental state faced a fundamental challenge from ascendant political groups displeased with the distributional consequences of rapid industrialization. We trace the success of social contestation over the two states’ developmental endeavors to differences in the social structures of a crucial coalitional partner: the agrarian sector. The quiescence of traditional agrarian elites in Pakistan and Turkey in the first decades after the postwar period allowed industrialization to progress, yet the reassertion of their political power in the 1970s fundamentally threatened developmental state institutions. In Korea and Taiwan, however, the institutional cooptation or demobilization of traditional agrarian structures in the 1950s resulted in a rural society fundamentally tied to industrial progress and thus incapable of independent political assertion.

This study has a number of implications for the study of economic development and comparative political analysis. First, it follows a number of scholars in bringing society – and particular, the social coalitions that buttress the developmental state – back into discussions of the developmental state.⁵ We add to this tradition by emphasizing the nature and interests of coalition partners, rather than simply the size and contents of the coalition. Second, it attempts to integrate the concept of the developmental state with an analysis of the timing of worldwide industrial and technological progression. In this, we emphasize that it is crucial for the developmental state to persist until technological shifts offer opportunities for new forms of technological diffusion that support high-tech industrial upgrading in the 1980s. Third, we aim to develop a more dynamic understanding of the developmental state—grounded less in critical junctures caused by colonialism or institutional origin—and more focused on the political circumstances that might either sustain developmental states or work against such institutions after that have been forged.⁶ In this piece, we offer an alternative perspective that focuses not on origins but rather on the politics behind institutional persistence.

⁵ Kohli, *State Directed Development*, David Waldner, *State Building and Late Development*, (Ithaca: Cornell University Press, 1999); Vivek Chibber, *Locked in Place* (Princeton, NJ: Princeton University Press, 2003); Diane E. Davis, *Discipline and Development* (Cambridge: Cambridge University Press, 2004); Tuong Vu, *Paths to Development in Asia* (Cambridge: Cambridge University Press, 2010).

⁶ For classic treatments of critical junctures, see David Collier and Ruth Collier, *Shaping the Political Arena* (Princeton: Princeton University Press, 1991), 27-39; Paul Pierson, *Politics in Time* (Princeton: Princeton University Press, 2004).

We proceed as follows. First, we establish a case for the comparability of Korea, Taiwan, Pakistan and Turkey for examining the origins of developmental states by considering the levels of systematic vulnerability – international competition, absence of *rentier* resources, and broad coalitions – across these cases. Second, we assess the extent to which Pakistan and Turkey were able to establish developmental state institutions in response to such systemic vulnerability. Third, we examine the differences in the eventual developmental outcomes between Korea and Taiwan, on the one hand, and Pakistan and Turkey on the other, by examining the different politics behind the persistence or failure of developmental state institutions in the hard decade of the 1970s. Fourth, we describe the process by which industrial upgrading in the 1980s led to the emergence of Korea and Taiwan as fully industrialized countries, whereas Pakistan and Turkey were excluded from such upgrading. We conclude with some broader implications of our work for the future of the developmental state concept.

Explaining the Origins of Developmental States: Systemic Vulnerability

The 1982 call to “bring the state back in” resonated deeply with scholars interested in the political economy of development, particularly among students of northeast Asia.⁷ Although Chalmers Johnson was not aiming to establish causal linkages between the Ministry of International Trade and Industry and Japanese industrial development, his examination of the Japanese developmental state provided the foundations for an institutional analysis of industrialization in late industrializing countries.⁸ Subsequent studies of Korea and Taiwan stressed the role that autonomous state structures played in facilitating state-directed industrialization initiatives, affirming the salience of statist frameworks for understanding even postwar industrializers.⁹ A decade later, Peter Evans argued that the success of developmental states hinged not simply on their autonomy, but depended equally upon their embeddedness with – and ability to connect and channel the interests of – industrial business classes.¹⁰ In so doing, Evans not only redefined the content of developmental states’ activities, but also applied the concept to Brazil and India, extending the potential universe of cases outside of the region of northeast Asia.¹¹

Evans, by pushing the developmental state literature in an explicitly comparative direction, precipitated a new line of research into developmental states, which sought to establish the historical circumstances in which developmental states originate. David Waldner, Atul Kohli and Tuong Vu have brought the international context and social

⁷ Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985).

⁸ Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Belknap Press, 1962); Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford: Stanford University Press, 1982).

⁹ Alice H. Amsden, *Asia’s Next Giant* (New York: Oxford University Press, 1989); Robert H. Wade, *Governing the Market* (Princeton: Princeton University Press, 1990).

¹⁰ Evans, *Embedded Autonomy*.

¹¹ As Meredith Woo-Cumings notes, Johnson’s was an implicitly comparative analysis. See Meredith Woo-Cumings, “Introduction: Chalmers Johnson and the Politics of Nationalism and Development,” *The Developmental State* (Ithaca: Cornell University Press, 1999), 8.

coalitions that permit the emergence of state developmentalism into focus.¹² In a further analysis of the origin of developmental state institutions, Richard Doner, Bryan Ritchie and Dan Slater (hereafter DRS) synthesized the links between domestic social coalitions and systemic international vulnerability, arguing that developmental institutions emerge out of three crucial constraints: “1) broad coalitional commitments, 2) scarce resource endowments, and 3) severe security threats.”¹³ DRS argue that the simultaneous interplay of these three factors provides the necessary and sufficient conditions for the emergence of the developmental state. In so doing, DRS explain the economic development in Northeast Asia as a consequence of the pressures that intense security competition places on states to marshal their limited resources in ways that enhance growth. With this combined emphasis on international pressures and coalitional politics, DRS’ framework represents the latest, most comprehensive synthesis of the different arguments on the origins of the developmental state.

An important task for continuing research on developmental states is to extend these insights about the origin of developmental state institutions to other national and regional contexts. Pakistan and Turkey provide two excellent cases for such an analysis: both faced acute conditions of systemic vulnerability, arising from 1) intense geopolitical and regional competition, 2) lack of any appreciable natural resources with which to fund these demands, and 3) the broad regime coalitions that resulted from exceptional circumstances of state formation. And Pakistan and Turkey both built the institutional edifice of the developmental state. Indeed, Pakistan’s and Turkey’s growth rates in the 1950s and 1960s were at least comparable to those of Korea, if not actually surpassing them. And yet, despite the presence of all the factors that precipitate developmental state structures, neither Pakistan nor Turkey has ever been classified as a developmental state. This is because in Pakistan and Turkey, the developmental state faced a fundamental social challenge in the 1970s and thus it did not survive past the 1970s. Pakistan and Turkey thus provide crucial cases where states successfully promoted industrial development and yet failed to *sustain* the social conditions necessary to permit industrial upgrading in the 1980s and 1990s.

Severe Security Threats: It is difficult to imagine two cases that better fit DRS’ framework than Turkey and Pakistan. Both Turkey and Pakistan confronted the acute security threats that provide the context for the emergence of developmental state institutions as well as the nationalist sentiments that help secure broad social support for such endeavors.¹⁴ For Turkey, the conflicts that began with the Balkan Wars (1912-1913) and continued through the Turkish War of Independence (1919-1923) caused immense population loss and cross-border movements.¹⁵ Between memories of the capitulations and the Ottoman Empire’s

¹² Kohli, *State Directed Development*; Vu, *Paths to Development in Asia*; Waldner, *State Building and Late Development*.

¹³ Doner, Ritchie and Slater, “Systematic Vulnerability and the Origins of Developmental States,” 329.

¹⁴ Meredith Woo-Cumings, “Introduction: Chalmers Johnson and the Politics of Nationalism and Development,” *The Developmental State* (Ithaca: Cornell University Press, 1999), 4-10; Richard Doner, *Politics of Uneven Development* (Cambridge: Cambridge University Press, 2009).

¹⁵ An estimated 2.5 million Muslims perished during the First World War, reducing the Turkish population by 20-25 percent. René Hirschon, “Consequences of the Lausanne Convention: An Overview,” in René Hirschon(ed.), *Crossing the Aegean: An Appraisal of the 1923 Compulsory Population Exchange between Greece and Turkey* (New York: Berghahn Books, 2004), 14.

ascribed status as the “sick man of Europe,” the loss of the Arab provinces after the First World War, and armed conflict with Greece over Turkish territories, early Turkish foreign policy was guided by a fear of dependence on external powers and loss of territorial control.¹⁶ Nor did Turkey’s regional neighbors provide much in the way of added security. Indeed, the Suez crisis, four Arab-Israeli wars, the lack of a resolution to the Palestinian question, the Lebanese civil war, the Iranian revolution, the Iran-Iraq war and Gulf Wars have all taken place within Turkey’s backyard.¹⁷ Until the Second World War, Turkish defense expenditures amounted to 28% of the budget, a number that climbed to 50-60 percent for the course of the war, and held steady at 34% throughout the 1950s.¹⁸

Similarly, Pakistani and Indian Independence (1947) came about within the bloody context of mass violence and forced migration that accompanied partition, in which up to a million were killed and 10-12 million displaced; the violence of Partition, along with the Indian succession of Kashmir, ensured a long-lasting contestation between the two post-partition states.¹⁹ A first war between India and Pakistan in 1948 in Kashmir set the stage for long-lasting military contestation between two countries of very different sizes and thus capacities to recruit and retain military personnel, to purchase or manufacture arms and to extract resources with which an army, a navy and an air force could be maintained.²⁰ Such contestation surely represents the “heightened need for foreign exchange and war materiel induced by national security” that constitutes an essential leg of ‘systemic vulnerability’: Pakistani military expenditures, unsurprisingly, accounted for 51 to 73 percent of total expenditures from 1947-48 until 1957-58, falling to a mere 46 to 63% of total spending the following decade.²¹

Scarce Resource Endowments: The state of the Pakistani and Turkish economies did little to facilitate raising revenues for national defense, due to the countries’ unambiguous lack of rentier resources: Pakistan and Turkey, like Korea and Taiwan, rank at the very bottom of countries in terms of mineral production as a proportion of GDP, averaging 3.6 and .7 percent per year, respectively.²² Nor did foreign assistance fill the gap: neither country received the levels of American foreign assistance provided to Korea or Taiwan during the 1950s-1960s, making easy sources of finance extremely scarce.²³ Given the intensity of

¹⁶ Mustafa Aydin, “Determinants of Turkish Foreign Policy: Historical Framework and Traditional Inputs,” *Middle Eastern Studies*, 35 (October, 1999) 152-86.

¹⁷ Aydin, “Determinants of Turkish Foreign Policy,” 170.

¹⁸ Berch Berberoglu, *Turkey in Crisis* (London: Zed Press, 1982), 65, 73.

¹⁹ For an excellent overview of Partition from the perspective of state formation, particularly of national security apparatuses, see Vazira Zamindar, *The Long Partition and the Making of Modern South Asia: Refugees, Boundaries, Histories* (New York: Columbia University Press, 2007).

²⁰ Doner, Ritchie and Slater, “Systematic Vulnerability and the Origins of Developmental States,” 328.

²¹ Hasan-Aksari Rizvi, *Military, State and Society in Pakistan* (Basingstoke: Macmillan, 2000), 63, 106.

²² Data are for the period 1970-2010, World Bank Economic Indicators, <http://databank.worldbank.org>, accessed September 15th, 2012. For more on ‘rentier states,’ see Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca: Cornell University Press, 1997); Terry Lynn Karl, *The Paradox of Plenty* (Berkeley: University of California Press, 1997); Michael L. Ross, *The Oil Curse* (Princeton: Princeton University Press, 2012).

²³ From 1946-1961, the US provided \$1.9 and \$3.4 billion for Pakistan and Turkey, as opposed to \$4.4 and \$5 billion for Taiwan and Korea (current US dollars). U.S. Agency for International Development, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations*, July 1, 1945-September 30, 2009 (Washington, D.C.: U.S. AID, 2011), pp. 122, 127, 133, 208.

military competition, combined with the absence of access to ready revenue, Turkey and Pakistan's pursuit of rapid industrialization was almost structurally determined.

Broad Coalitional Commitments: Both Pakistan and Turkey, like Taiwan and Korea, forged institutions that sought to promote industrial development and substantively excluded organized labor from regime coalitions. In so doing, Pakistan and Turkey not only erected the institutional edifices to promote industrial investment, but also constructed the social coalitions that scholars have identified as supportive of states' prioritization of speedy industrialization. Despite some variation in the terminology that scholars employ to characterize developmental coalitions, there is relative consensus regarding the groups whose cooperation and/or acceptance must be secured if a country is to maintain its commitment to rapid industrialization: the bureaucracy and the industrial bourgeoisie must engage in an autonomous-yet-embedded alliance behind industrial policies designed to promote capital accumulation and the profitability of industrial enterprise.²⁴ At the same time, successful developmental coalitions have also secured the acquiescence of the agrarian sector, while excluding organized labor from the political partnership.²⁵ As we see in greater depth below, the Korean, Taiwanese, Pakistani and Turkish state each responded to these political challenges in remarkably parallel ways, so that the four countries exhibit considerable similarity in terms of the groups who participated in the developmental coalitions at the outset of their industrialization initiatives.

Developmental State Institutions and Post-War Industrialization

By the 1960s, Korea, Taiwan, Turkey and Pakistan had all forged developmental state institutions that not only facilitated the accumulation of capital, but also played a crucial coordinating role. Due to linkages between state institutions and the industrial bourgeoisie, state-directed finance flowed to private-sector investments, state agencies adjudicated between a variety of competing industrial objectives, and political leaders organized business into encompassing associations that facilitated dialogue with the state.

As the stories of Korean and Taiwanese industrialization are thoroughly elaborated in the literature, we do not describe their state-directed industrial trajectories.²⁶ By way of brief summary, we note that the scarcity of resources and geopolitical competition that Korea and Taiwan confronted precipitated the rise of developmental states, although the industrial structures of the two countries differed. While Taiwan industrialized through state-owned firms and small and medium-sized enterprises (SMEs) due to mainlanders' distrust of the native Taiwanese entrepreneurial class, the Korean state supported

²⁴ While the significance of the bureaucracy and industrial classes were implicit in the initial conceptual formulation of the developmental state, their role has been further elaborated in recent research. Evans, *Embedded Autonomy*; Chibber, *Locked in Place*; Kohli, *State Directed Development*.

²⁵ Obviously, these dynamics do not necessarily produce democratic regimes. On the significance of the agrarian sector, see Haggard, *Pathways from the Periphery*; Davis, *Discipline and Development*. Organized labour could, at times, be incorporated at the level of the firm, but not politically. On the issue of labor exclusion, see Frederic Deyo, *Beneath the Miracle* (Berkeley: University of California Press, 1989); Bae-Gyoon Park, "Labor Regulation and Economic Change: A View on the Korean Economic Crisis," *Geoforum* 32 (2001), 61-75.

²⁶ Thomas B. Gold, *State and Society in the Taiwan Miracle* (Anronk, NY: ME Sharpe, 1986); Jung-en Woo, *Race to the Swift: State and Finance in Korean Industrialization* (New York: Columbia University Press, 1991).

chaebol—large, multi-industry conglomerates—by channeling finance to firms to invest in targeted industries.²⁷ Despite this divergence in industrial organization, both countries created and relied upon developmental institutions to fulfill two crucial functions: capital accumulation and facilitate a structured relationship with the industrial bourgeoisie.²⁸ Ineffectively in the 1950s, but much more successfully in the 1960s, Korea and Taiwan arranged capital to finance industrial enterprises. In addition, they empowered coordinating agencies—primarily the Korean Economic Planning Board and Taiwanese Industrial Development Bureau—to execute government objectives in coordination with business groups.

Like Taiwan, the Turkish and Pakistani states actually built their own national bourgeoisies, ensuring a dense set of business-government linkages between state institutions and Turkish and Pakistani industrialists. Like Taiwan and Korea, the Turkish elite state worked to ensure the availability of finance for private industry founding the private İş Bankası (1924) and the state Bank for Industry and Mining (1925). The 1927 Law for the Encouragement of Industry provided state-owned lands for industrial units, as well as tax breaks and government subsidies for government-approved industries.²⁹ During the 1930s, the Turkish state prioritized industrialization to promote a mixed economy in which both state and private industries would play significant roles.³⁰ The state established Sümerbank (1933) and Etibank (1935) in order to coordinate industrial financing and planning, replacing previous institutions in which these activities had been separated. With the outbreak of World War II, the Turkish state adopted the National Protection Law of 1940 in order to ensure the availability of labor to meet the military-industrial production targets outlined by the state in its effort to keep the country out of the war.³¹ The resultant consumer shortages permitted significant capital accumulation for the merchant and industrial classes: industrial enterprise in Istanbul and Izmir grew, raising production so that the number of workers and the value of production in private enterprises tripled between 1939 and 1941.³² The expansion of state enterprises provided a further mechanism for nurturing a new Turkish entrepreneurial class, and a number of Anatolian merchants turned from trade to industry after 1945, relocating themselves and

²⁷ Yongping Wu, "Rethinking the Taiwanese Developmental State," *The China Quarterly*, 177 (March 2004), 91-114.

²⁸ Michelle Hsieh, "Similar Opportunities, Different Responses: Explaining the Divergent Patterns of Development between Taiwan and Korea," *International Sociology* 26 (2011), 364-391.

²⁹ This support was all the more important as Turkey had lost 70 percent of the Ottoman-era business classes as a result of the conflicts from 1912-1923. Z. Y. Hershlag, *Turkey: The Challenge of Growth*, (Leiden: Brill, 1968), 54; Cağlar Keyder, *State and Class in Turkey*, (London: Verso, 1987), 71-90.

³⁰ In practice, the principal factions within the political elite both supported active state investment in industry and felt that private industry was similarly essential to Turkish industrialization. Mustafa Türkes, "A Patriotic Leftist Development-Strategy Proposal in Turkey in the 1930s: The Case of the Kadro (Cadre) Movement," *International Journal of Middle East Studies*, 33 (2001), 91-114.

³¹ Selim Deringil, *Turkish Foreign Policy during the Second World War* (Cambridge: Cambridge University Press, 1989).

³² During the war, 1,982 new companies registered with the Istanbul Chamber of Commerce, while in Izmir, the number of large enterprises climbed from 9 to 41. Yaprak Gürsoy, "The Effects of the Population Exchange on the Greek and Turkish Political Regimes in the 1930s," *East European Quarterly*, 42(2), 106-107.

their investments to Istanbul.³³ Thus, Turkey's bureaucratic elite developed an institutional framework to support private sector industry that was both autonomous and embedded: under the one-party regime, the state retained a bureaucratic-authoritarian character, yet remained embedded within the business classes through its role in creating a Turkish industrial bourgeoisie.

Like Turkey, the Pakistani state reacted to economic and security challenges in a manner that paved the way for the developmental state. The gap between defense requirements and the resources available to fill this gap led civilian and military bureaucrats to seek strategic alliances with western powers such as the United States; such alliances, and the requirements to centralize authority and 'depoliticize' the country following early provincial assertion of power, formed the basis for bureaucratic-authoritarian governance by Field Marshal Muhammad Ayub Khan (1958-1969).³⁴ The Ayub Khan regime sought to facilitate rapid industrialization by promoting a capitalist, state-regulated manufacturing sector. The Pakistani state in the 1950s created a network of state-owned enterprises through agencies such as the Pakistan Industrial Development Corporation (PIDC), which were rapidly and deliberately privatized in order to create a national industrial bourgeoisie concentrated around Karachi, the center of political and economic power during this period.³⁵ The recipients of this state 'divestment' mostly included Urdu-speaking *mohajir* (migrant) financiers and merchants who had migrated from northern and western India to Karachi at Partition. Thus state policy created private sector manufacturing capacity, as well as a mohajir industrial oligarchy that dominated private industry, with forty-two families owning 43 percent of all industrial assets in East and West Pakistan in 1968.³⁶

Thus, Pakistan's private-sector industrial economy was enabled, supported and regulated by a state that was both autonomous, because of its bureaucratic-authoritarian character, and embedded, due to its role in creating the national industrial bourgeoisie that was conducting industrial development. These government-business linkages and industrial promotion regime were in turn supported, either voluntarily or under implicit duress, by a much wider social coalition, in exchange for some present returns and supposed future dividends: Punjabi and Sindhi landowners and Bengali peasant-cultivators produced wheat, cotton and jute for foreign exchange and to serve as raw materials for industrial production, and urban consumers tolerated much more expensive imports. Yet, as we shall see, coherent constituent groups of this coalition started rebelling at the sacrifices they are compelled to make for the state's industrialization program, thus endangering the persistence of Pakistan's developmental state institutions.

³³ İlhan Tekeli, *The Development of the Istanbul Metropolitan Area* (Istanbul: International Union of Local Authorities, 1994), 95.

³⁴ Ayesha Jalal, *The State of Martial Rule*, (Cambridge: Cambridge University Press, 1990), 64.

³⁵ Mushtaq Khan, "The Political Economy of Industrial Policy in Pakistan 1947-1971," Working Paper, London: SOAS, University of London, 18; Gustav Papanek, *Pakistan's Development* (Cambridge: Harvard University Press, 1967), 184-225.

³⁶ Lawrence White, "Pakistan's Industrial Families: the Extent, Causes, and Effects of Economic Power", *Journal of Development Studies* 10 (April-July, 1974), 274t.

Explaining Divergence: Developmental Persistence vs. Agrarian Resistance

Looking at the developing world in the early 1960s, one might consider Pakistan and Turkey to be real contenders for successful industrialization.³⁷ As we have seen, the Pakistani and Turkish states had built up the capacity, autonomy and embeddedness thought to be necessary for industrial success. If Pakistan and Turkey, alongside Korea and Taiwan, were able to build developmental state institutions, then how are we to account for the divergence in industrial trajectories, with Taiwan and Korea emerging as successful industrializers by the 1990s, and Pakistan and Turkey stagnating as middle-income countries?

Several possibilities suggest themselves. First, some have noted the dominant Confucian cultural traditions of the East Asian NICs, and how they might promote discipline, hard work and trust among populations.³⁸ Turkey and Pakistan do not have Confucian traditions. Second, Atul Kohli, among others, has remarked upon the unique, if brutal, influence of Japanese colonialism on future industrial development; the Japanese established an industrial base in both Korea and Taiwan, under Japanese imperial control for 35 and 50 years respectively.³⁹ Third, a key difference between East Asian NICs and either Pakistan or Turkey is the former's success in *export-oriented* industrialization. Scholars have argued that export orientation is superior because international prices set an objective benchmark for when a developing industry becomes competitive; import substitution can produce perverse incentives for continued trade protection, coddling of infant industries and clientelism.⁴⁰

Factors that might lead to the long-term success of Taiwan and Korea are well documented; it is tempting to consider their absence as the reason for Turkish and Pakistani failure. The present challenge remains to find an explanation that could account for the similar, high-growth trajectories and developmental state institutions of all four cases until the 1970s *and* the divergence between the economic ascendance of Korea and Taiwan on one hand, and the relative stagnation of Pakistan and Turkey on the other. We argue that for developing countries to be ultimately successful in industrialization, developmental states must survive the contentious 1970s and early 1980s intact. Such survival is dependent on forestalling effective challenges to state institutions.

We contend that the presence of an effective challenge to developmental state institutions can result in an abrupt end to the effectiveness of industrial frameworks. The agrarian sector is best positioned for such a challenge to manifest itself, because farmers and rural capitalists are the only group large enough and disadvantaged enough by

³⁷ In fact, Korea's Second Five Year Plan (1967-1971) was modeled after Pakistan's successfully completed Second Plan. See Irma Adelman, *Practical Approaches to Economic Planning: Korea's Second Five Year Plan* (Baltimore: Johns Hopkins University Press, 1969).

³⁸ Andrew Kim and Gil-sung Park, "Nationalism, Confucianism, Work Ethic and Industrialization in Korea," *Journal of Contemporary Asia* 33 (2003), 37-49.

³⁹ Kohli, *State Directed Development*, 27-61.

⁴⁰ *World Development Report – Industrialization and Foreign Trade* (World Bank, 1987). Export orientation is a more serious alternative explanation as Taiwan and Korea both shifted to export-based manufacturing in the late 1960s. However, while export orientation and the developmental state proved a potent combination for Taiwan and Korea, a continued commitment to manufacturing for the domestic market in Pakistan and Turkey cannot explain the dramatic collapse of the developmental state.

industrialization to successfully challenge the developmental state. Rural challenges in turn depend on whether landed elites, oppressed cultivators or provincial 'country capitalists' are coherent and independent enough to articulate such challenges.

Exactly such a challenge arose in Pakistan and Turkey, albeit in different ways. In Korea and Taiwan, meanwhile, the absence of any challenge from the countryside allowed developmental state institutions and industrial trajectories to persist until high technology upgrading in the 1980s. We argue the internal social structure of the agrarian sector, and the politics internal to countryside far from the coincident formation of the developmental state, has a key influence on whether the developmental state survived.

Industrialization and the Agrarian Order

Social scientists have long studied the link between industrialization and rural social organization. Barrington Moore argued that the political and economic orientation of newly capitalist landowners towards the emerging bourgeoisie in Stuart Britain, particularly through the Enclosures Movement, consolidated a coalition against autocratic rulers and enabled industrialization.⁴¹ This commercialization of agriculture entailed the violent disruption of the rural social order, thus allowing commercial production of agricultural commodities, alienating peasants from their land, and thus providing a footloose workforce for industrial work.⁴² Scholars have thus long noted a long-term tension between the maintenance of traditional agrarian relations and successful industrialization.

In much of the developing world, such a tension is heightened by agrarian sectors empowered by imperial policies that encouraged the export of primary products and the import of manufactured goods.⁴³ Agricultural production played a key role in late industrialization; primary products would provide capital and foreign exchange for industrial investment, and the agrarian sector constituted a 'reserve army' of potential industrial workers.⁴⁴ Yet agrarian actors also constituted a potential threat to nationalist economic projects by reasserting their political power against the redistribution of resources. Such a latent threat was not necessarily evident in the 1950s and 1960s, a time of worldwide prosperity when development could credibly be considered a project that could raise all boats. By the 1970s, however, 'the politics of hard times' led to serious distributional conflicts.⁴⁵ Further, the prosperity of the 1960s had, by the end of the decade, positioned agrarian groups, discontented with their relative disadvantage, to make their objections in obvious and violent ways.

Here, however, the internal social structure of the agrarian sector is important; without the independent organization of agrarian actors, latent grievances cannot turn into a serious and sustained challenge to the developmental state. Pakistan and Turkey clearly differ from Korea and Taiwan in this respect. For the first two cases, the particular nature

⁴¹ Barrington Moore, *The Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966), 3-39.

⁴² Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001 [1944]).

⁴³ Fernando Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979).

⁴⁴ W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," *Manchester School of Economic and Social Studies*, 22 (1954), 139-91.

⁴⁵ Peter Gourevitch, *Politics in Hard Times* (Ithaca: Cornell University Press, 1986); Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984).

of state formation meant that the power of traditional agrarian elites and related country capitalists was largely left intact, despite token efforts at land reform. As a result, three different sets of agrarian actors in East Pakistan, West Pakistan and Turkey challenged the developmental state and its industrialization projects. In Korea and Taiwan, however, a combination of Japanese colonial legacies, postwar land reforms and authoritarian repression demobilized and/or co-opted traditional agrarian elites by the 1960s, and made the remaining cultivators largely dependent on the industrial sector for their wealth and welfare.

As a result, by the mid-1970s, challenged Pakistani and Turkish developmental institutions had lost much of their power and legitimacy, and the economies were already experiencing the negative effects of assaults on industrial commitments. In Taiwan and Korea, however, the absence of an effective challenge to the developmental state meant that industrial trajectories were left largely intact. We take these cases in turn.

[Table 1 about here]

Taiwan and Korea

Between 1949 and 1987, Taiwan managed ethnic discontent through largely authoritarian politics, with significant implications for the existence of groups with independent power, particularly in the agrarian sector. The immigration of the Chinese Republican (Kuomintang or KMT) government and their allies from the Chinese mainland to Taiwan in 1949 led to the establishment of martial law, in effect until the late 1980s. The KMT was faced with a serious problem of managing the relationships between mainland Chinese immigrants, numbering two million, and the ethnic Taiwanese inhabitants of the island, numbering six million.⁴⁶

As a result, the KMT needed to co-opt and neutralize ethnic Taiwanese opposition while also maintaining the strength of the KMT's 'garrison state.' It is in this context that the KMT pushed through three comprehensive land reform policies between 1949 and 1954, with "the expressed purpose to contain and to manipulate affairs in the interests of the survival of the State short of structural change."⁴⁷ Japanese colonization made this agrarian reform feasible, as Japan turned the island into a source of major cane sugar production and export for its empire; between 1895 and 1945, over 20 percent of the farmland on the island was former Japanese plantation land under lease by tenant farmers, and the Japanese eliminated absentee landlords and fostered the rise of high-productivity entrepreneurial agrarian smallholders.⁴⁸

The KMT reforms were explicitly political in nature, aimed at quelling the social and political unrest that had been fomenting since mainland immigration, policies were thus geared toward eliminating a coherent class of large and middle landowners while appeasing a former tenant population. Such policies had three important consequences. First, they prevented the Farmers' Associations, originally set up by the Japanese in

⁴⁶ Tensions between the two groups were already high due to the '228 incident' in which an anti-Kuomintang uprising in 1947 was brutally repressed by the Republican army.

⁴⁷ Raymond Apthorpe, "The Burden of Land Reform in Taiwan: An Asian Model Land Reform Reanalyzed," *World Development* 7 (April-May 1979), 520.

⁴⁸ Bruce Cumings, "The Origins of Northeast Asian Political Economy," *International Organization* 38 (December 1984), 11-12.

classical corporatist fashion, from becoming a voice of collective interest articulation by large landholders, and instead became parastatal bodies concerned with the distribution of inputs and implementing government directives.⁴⁹ Second, the agrarian sector was increasingly implicated in funding and supplying labor for *small-scale* provincial industrial development, following the KMT policy of ethnic Taiwanese industrial concentration.⁵⁰ Third, KMT authoritarian repression vigorously prevented independent political articulation of any kind. Opposition activists, many of whom were of the pre-reform Taiwanese agrarian elite, were regularly arrested – as in the ‘Formosa incident’ of 1979 – until democratic transition in the late 1980s.⁵¹

Unlike Taiwan, Japanese colonization of Korea in 1910 had *strengthened* an already entrenched landlord class to further discipline the peasantry and squeeze more productivity out of rice cultivation and export. Such production came at the cost of frequent peasant revolts, guerilla movements and the widespread migration out of the countryside, all disrupting agrarian relations.⁵² In 1946, occupation authorities in South Korea executed limited land reform as a means of distributing land that the Japanese expropriated to cultivators.⁵³ The Korean War, and particularly the Communists’ three-month occupation of much of the south, also severely disrupted agrarian structures.⁵⁴ Ultimately, however, the 1961 coup fully co-opted the last representatives of the erstwhile landlord class, in effect compelling them to destroy their last roots to rural domination and to establish industrial enterprises with their remaining assets.⁵⁵ The consequence of occupation, land reform, war, and political upheaval had meant that the South Korean agrarian economy had been neglected; Korean industrial growth in the 1960s then provided resources for agricultural inputs and purchasing for commodities, thus reviving agrarian production while simultaneously tying the agrarian sector to Korean industrial development.⁵⁶ Korea has seen its fair share of contention, including epochal conflicts between capital and labor, yet the cooptation of traditional social elites has meant that such contention has been confined within the existing industrial promotion regime.

Patterns of industrialization in Taiwan and Korea reflect particular outcomes of agrarian reform. The KMT’s mistrust of economic concentration among the ethnic Taiwanese, as well as a relatively egalitarian social structures, led to industrial development through small and medium enterprises. In Korea, multi-industry conglomerates, or *chaebols*, reflect the lingering influences of a once-rural elite. Yet a combination of legacies of Japanese rule, land reform measures and authoritarian politics nevertheless preempted any particular challenge to the developmental state in the 1970s.

⁴⁹ Apthorpe, 528.

⁵⁰ Tchin-ching Lin, “The Process of Industrialization in Taiwan,” *Developing Economies* 7 (March 1969), 63-80.

⁵¹ Bruce Jacobs, “Political Opposition and Taiwan’s Political Future,” *Australian Journal of Chinese Affairs* 6 (July 1981), 21-44.

⁵² Cumings, 11-12.

⁵³ Clyde Mitchell, “Land Reform in Korea,” *Pacific Affairs*, 22 (Jun., 1949), 144-154.

⁵⁴ Cumings, “The Origins of Northeast Asian Political Economy,” 23.

⁵⁵ Carter Eckert, *Offspring of Empire* (Seattle: University of Washington Press, 1991); Robert Feenstra and Gary Hamilton, *Emergent Economies, Divergent Paths* (Cambridge: Cambridge University Press, 2006).

⁵⁶ Eddy Lee, “Egalitarian Peasant Framing and Rural Development: the Case of Korea,” *World Development* 7 (April-May, 1979), 493-517.

In Pakistan and Turkey, by contrast, similar developmental state institutions came under threat from agrarian actors. Turkey's developmental state was challenged not by farmers but rather by an increasingly powerful group of country capitalists, growing out of agricultural capital but increasingly resentful of the dominance of an Istanbul-based industrial bourgeoisie. Pakistan's developmental state was challenged first by the ethnic assertion of East Pakistani peasant-cultivators resentful of discrimination against the Bengali province in a united Pakistan and then by Punjabi and Sindhi agrarian elites calling for resources to be diverted away from industrial promotion.

Pakistan

Pakistan emerged from Partition with a specific set of adverse conditions that had a defining impact on social structures. The territories that became East and West Pakistan were primarily agricultural, specializing in wheat, cotton, jute and rice. For rapid industrialization to proceed, the Pakistani state – increasingly staffed by bureaucrats and military officers⁵⁷ – needed to manage the populous agrarian provinces of Punjab, Sindh, and Bengal (East Pakistan, and after 1971, the independent state of Bangladesh). Different styles of governance in the populous provinces both reflected different agrarian social structures and represented radically different challenges to industrialization after the 1960s.

In Punjab since the early 20th century, large landowners and quasi-feudal landlords – *zamindars* and *jagirdars* respectively – had dominated agrarian society.⁵⁸ Such domination was the result of a highly unequal ownership of highly productive agricultural land.⁵⁹ Punjabi social structures and provincial politics have long rested on an elite coalition between landed elites, the Punjabi-dominated military and civilian bureaucrats known as 'the Punjab Tradition' that continued long into post-Partition politics.⁶⁰ Land relations and elite consensus in Sindh were very similar, with a small fraction of the population owning an even greater proportion of the farmland than in Punjab.⁶¹ In East Pakistan, by contrast, Muslims were part of a much poorer cultivator (*jotedar*) class under upper caste Hindu, or *bhadralok*, ruling elite.⁶² At Partition, most of this landed elite migrated to India, leaving a more equitable distribution of land but also a large population with little institutional power in the new country.

⁵⁷ The dominance of the 'bureaucratic-military oligarchy' in the governance of Pakistan prompted Hamza Alavi's famous characterization of Pakistan's 'overdeveloped state.' See Hamza Alavi, "The State in Post-Colonial Societies," *New Left Review* 74 (July-August 1972), 59-81.

⁵⁸ Stern, *Democracy and Dictatorship in South Asia* (Wesport, CT: Prager, 2004), 49-61.

⁵⁹ Even as late as the mid-1960s, "70 percent of the farm area was owned by non-cultivating landowners and owner-cultivators of large farms." See Hamza Alavi, "The Rural Elite and Agricultural Development," in Stevens, Alavi and Bertocci, eds., *Rural Development in Bangladesh and Pakistan* (Honolulu: the University Press of Hawaii, 1976), 336.

⁶⁰ Stern, 124-128. See also Tan Tai Yong, *the Garrison State* (New Delhi: Sage, 2005).

⁶¹ It was reported in the 1950s that 1.5 million acres of the total cultivated area of 8.6 million in Sindh were in the hands of smallholders, whereas large landowners ("big zamindars") hold more than 6 million acres, and 124 *jagirdars*, or feudal estate-holders, held 1.1 million acres. Lee R. Martin, "Report of the Land Tenure Situation in India and Pakistan," *Journal of Farm Economics* 38 (May 1956), 439t.

⁶² Stern, *Democracy and Dictatorship in South Asia*, 61-71; Ratna Ray and Rajat Ray, "Zamindars and Jotedars: A Study of Rural Politics in Bengal," *Modern Asian Studies* 9 (1975), 82-101.

The different agrarian structures in East and West Pakistan led to serious differences in governance between the two regions. In West Pakistan, elite bureaucrats, military officers and their client capitalists entered into what was, in effect, a marriage of iron and rye with Sindhi and Punjabi zamindars, as well as Pakhtun and Balochi tribal leaders.⁶³ Agrarian elites would maintain social order, suppress popular discontent and provide political support to the efforts of the central government to promote industrial development, as long as the state would not significantly tax agriculture or intervene in the social domination of the countryside; agricultural tax revenues were less than a third that of either customs or excise in 1964-5.⁶⁴ In East Pakistan, by contrast, the population was de facto excluded from the fruits of development; jute production and export were taxed significantly and provided an important source of foreign exchange, even while investments for industrial development were directed almost exclusively to West Pakistan.⁶⁵ East Pakistani efforts to redress this balance through parliamentary means in the early 1950s led to increasingly authoritarian concentrations of power, culminating in military rule under Ayub Khan in 1958.⁶⁶

These extreme responses to agrarian society prompted, by the end of the 1960s, the beginnings of resistance to the state, and perforce, to the industrial promotion regime. Such resistance came in two stages. First, East Pakistanis, feeling increasingly exploited by the regime, began mobilizing against industrial concentration and for greater representation, within a context of increasing displeasure at the popular exclusion from the fruits of development. By 1969, a rising tide of protest in both East and West Pakistan forced Ayub Khan from power. When the East Pakistan-based Awami League led by Sheikh Mujib ur-Rahman secured an absolute majority of the seats in the National Assembly elections of 1970 with a platform explicitly based on Bengali nationalism, the Pakistani military refused to let the party form the government.⁶⁷ This escalated demands for Bengali autonomy, which were brutally suppressed by the army. The ensuing conflict and pogrom against Bengali activists and intellectuals, eventually led – after Indian intervention in the conflict – to the independence of Bangladesh in December 1971.

Second, Pakistani politics after the independence of Bangladesh represented a resurgence of provincial power against the central state. Zulfikar Ali Bhutto, Pakistan's president from 1971 and prime minister between 1973 and 1977, led the populist Pakistan People's Party (PPP) government in an attack, through a series of nationalization measures, against the erstwhile industrial bourgeoisie in Karachi even while simultaneously bolstering the interests of most landed elites.⁶⁸ Further, the Green Revolution in the late 1960s and 1970s further concentrated wealth and power in the hands of commercially-

⁶³ Stern, *Democracy and Dictatorship in South Asia*, 128.

⁶⁴ Papanek, *Pakistan's Development*, 191t.

⁶⁵ Foreign inflows directed toward West Pakistan as a percentage of provincial GDP were twice that of East Pakistan in 1965, and five times that of East Pakistan in 1960. Khan, "The Political Economy of Industrial Policy in Pakistan 1947-1971," 16t.

⁶⁶ Khan, 13.

⁶⁷ Asaf Hussein, "Ethnicity, National Identity and Praetorianism: The Case of Pakistan," *Asian Survey* 16 (Oct., 1976), 918-930.

⁶⁸ Ronald Herring, "Zulfikar Ali Bhutto and 'the Eradication of Feudalism' in Pakistan," *Comparative Studies of Society and History* 21 (October 1979), 519-557; Shahid Javed Burki, "Politics of Economic Decision-Making During the Bhutto Period," *Asian Survey* 14 (December 1974), 1126-1140.

oriented rural elites, and thus increased the capacity of political parties to effectively capture the state.⁶⁹ General Zia ul Haq's martial law regime deposed and executed Bhutto in 1977, and derived much of its support from a coalition of religious conservatives, landed elites and an emergent rival bourgeoisie in Punjab.⁷⁰ The military government under Zia oversaw the first dismantling of the institutions of industrial promotion, and subsequent democratic governments in the 1990s liberalized the economy. That decade also established the present-day political rivalry between the PPP, with support from proletarian groups and agrarian Sindh, and the Nawaz Sharif faction of the PML, with roots in Punjabi landowners and industrialists. What has been absent since Ayub Khan's 'development decade' of the 1960s is any elite consensus on promoting industrialization.

Turkey

As in the case of Pakistan, the social coalitions undergirding the Turkish single-party regime rested upon a fundamental compromise: the Turkish state could adopt modernizing social and economic reforms, so long as the proposed changes did not disturb the agrarian provincial social order. Just as Mustafa Kemal joined military officials and bureaucrats with local notables to mobilize popular resistance during the War of Independence, his Republican People's Party (RPP) drew upon a military-bureaucratic coalition at the center, allying local provincial notables with state military and bureaucratic elites under a single-party regime (1923-1950).⁷¹ During the 1930s, the single-party regime was able to contain resentments from the agrarian sector, through strong economic growth (7.4 percent, per year, on average).⁷²

The RPP's efforts to safeguard Turkish national security, through widespread mobilization of resources for the military during the Second World War, concentrated the benefits of industrialization in the hands of the military and the industrial classes. This challenged the tacit compromise it had brokered to ensure support for the single-party regime. The newly-founded Democratic Party (DP) mobilized an increasingly politically assertive bourgeoisie and popular resentment against the regime by attacking the state's prioritization of the military-industrial complex and calling for the dispersion of economic gains to the agrarian sector.⁷³ The Turkish state's economic policies of the 1950s and 1960s thus forged new agricultural-industrial linkages, promoting industrialization and economic growth to include the agricultural sector. This uneasy coalition worked during the 1950s and 1960s when growth held steady, but came to a halt during the 1970s as the tensions between two rival Turkish business classes became increasingly apparent and as social and political crisis swept through Turkish cities.

⁶⁹ Stern, *Democracy and Dictatorship in South Asia*, 132-133; Alavi, "The Rural Elite and Agricultural Development," 343-347.

⁷⁰ Hasan Haqqani, *Pakistan: Between Mosque and Military* (Washington, DC: Carnegie Endowment, 2005); Anita Weiss, *Culture, Class and Development in Pakistan* (Lahore: Vanguard Books, 1991).

⁷¹ Joseph Szyliowicz, "Political Participation and Modernization in Turkey," *Western Political Quarterly*, 19:2 (June 1966), 266-284; Waldner, *State Building and Late Development*, 54-55.

⁷² Periods of growth were of course punctuated by moments of economic difficulty, such as the foreign exchange crisis of the mid-1950s and the ensuing stabilization package of 1958.

⁷³ The DP fielded 250 candidates in 1946, including 39 businessmen and 41 landowners. Kemal Karpat, *Turkey's Politics: The Transition to a Multi-Party System* (Princeton, NJ: Princeton University Press, 1959), 163.

Despite the DP's criticisms of the first-generation industrialization policies, the period of ostensibly 'liberal' economic policy in Turkey maintained the state's constant emphasis on industrial development. Just as during the 1930s and 40s, private industrialists benefited from postwar economic policies, as Turkish private enterprises coexisted with the state sector. The 1950s-1970s witnessed significant growth in the number of industrial establishments, as domestic demand grew prodigiously: a survey in the mid-1970s found that 65.2 percent of entrepreneurs had entered industry after 1950.⁷⁴

The success of this industrial push, however, relied upon securing benefits for large landholders, as well as mercantile and agricultural classes who had resented concentrated gains from industrialization for the Istanbul-based industrial elite. High returns in agriculture prompted additional capital accumulation in the rural sector, promoting the rise of a small-scale agricultural bourgeoisie that began investing in food processing and light consumer goods industries.⁷⁵ Agrarian capital promoted the rise of a new Anatolian industrial class, which also benefited from credits from the Turkish Industrial Development Bank and state contracts, transforming a number of merchants into a new group of provincial industrialists.⁷⁶ This, however, helped to fragment the industrial bourgeoisie along lines of region and industrial organization. In contrast to the Korean experience, where the interests of the agrarian elite were yoked to the fortunes of the *chaebol* driving Korean industrialization, in Turkey, support for industrial development diffused through the agrarian sector, prompting a split within the industrial bourgeoisie among large, Istanbul-based holding companies, an emerging class of larger industrialists located outside Istanbul, and a rising groups of small- and medium-sized enterprises (SMEs) in Anatolia.

Regional divisions within the industrial classes simmered beneath the rapid industrial expansion of the 1950s-early 1970s, as regional divides intensified. As with Pakistan's Karachi, the majority of industrial enterprises clustered in Istanbul: as of 1960, 86 percent of Turkish leather factories, 88 percent of those in paper, 78 percent of electrical equipment firms, and 70 percent of metal-based industries were located in Istanbul.⁷⁷ Provincial entrepreneurs with small amounts of capital increasingly complained about the greater advantages, particularly access to finance, accorded to large Istanbul-based business houses.⁷⁸ These divisions in the industrial classes undermined the coherence of traditional institutional mechanisms for business-government coordination and for planning. Tensions emerged within Union of Chambers of Commerce and Industry and Commodities Exchanges (TOBB), a group which, until the early 1970s, was responsible

⁷⁴ Atila Eralp, "The Politics of Turkish Development Strategies," in Andrew Finkel and Nükhet Sirman, *Turkish State, Turkish Society* (New York: Routledge, 1990), 226.

⁷⁵ Alec P. Alexander, "Industrial Entrepreneurship in Turkey: Origins and Growth," *Economic Development and Cultural Change*, 8:4, (July 1960).

⁷⁶ Eralp, "The Politics of Turkish Development Strategies," 226; Keyder, *State and Class in Turkey*, (London: Verso, 1987), 137-140; Buğra, *State and Business in Modern Turkey*.

⁷⁷ Erol Tümertekin, 'L'Activité Industrielle à Istanbul', *Review of the Geographical Institute of the University of Istanbul*, No. 7, (1961), 52.

⁷⁸ Eralp, "The Politics of Turkish Development Strategies," 230; Ayşe Buğra, "Class, Culture, and State: An Analysis of Interest Representation by Two Turkish Business Associations," *International Journal of Middle East Studies* 30:4 (November, 1998), 525.

for the crucial political function of allocating valuable import quotas.⁷⁹ The business community splintered: the provincial bourgeoisie was more numerous, the large industrialists had more capital and political clout. 90 of the country's largest industrialists formed the Turkish Industrialists' and Businessmen's Association (TÜSIAD) in 1971, in an effort to dissociate themselves from the TOBB, traders and provincial industrialists.⁸⁰ This division further compromised the ability of the State Planning Organization (SPO) to coordinate planning across all economic sectors. The SPO, founded in 1960 in order to manage multisectoral, rather than the industrial plans of the 1930s-50s, increasingly confronted the political elite and the TOBB, as small merchants established their political voice.⁸¹

The efforts of the Turkish developmental state were ultimately derailed by the splintering of the social compact that supported industrialization, due to the political assertion of groups with roots in the Anatolian hinterland. Unable to satisfy the demands of an increasingly divided industrial bourgeoisie, or to meet the political demands of the rapidly rising number of rural migrants to the large urban centers, inflation and public debt skyrocketed; the military coup of 1980, which ostensibly aimed to quell the wave of political violence, paved the way for Turkey's shift towards an export-led strategy [or liberalization.] In the following decades, the tensions within the industrial bourgeoisies that took form during the 1970s took on even greater importance, as evidenced in business association dynamics in the 1980s and 1990s. Turkey's large industrialists, 76.2 percent of which were incorporated before 1979, 68.3 percent of which were Istanbul-based, and 68 percent of which employed more than 100 workers, remained partial to TÜSIAD.⁸² These large holding companies pushed for trade liberalization, export-orientation, and customs union with the European Economic Community. The emerging Anatolian bourgeoisie, 91.1 percent of which were incorporated after 1970, 71.6 percent of which are located outside of Istanbul, and 82.3 percent of which employ fewer than 49 workers, sought to consolidate their position through the Association of Independent Industrialists and Businessmen (MÜSIAD), which they founded in 1990.⁸³ MÜSIAD charged that the "Anatolian Tigers" represent the dynamic sector of the economy. While TÜSIAD had been a major supporter of Turkey's global integration, Istanbul-based industrialists found themselves confronting an increasingly assertive—and economically successful—provincial bourgeoisie, who forged an alliance with the emergent Islamist political movements.

The provincial Turkish and Pakistani challenges to statist industrialization differed in character but ultimately arose out of discontent from agrarian actors with the states' economic priorities. The industrialization promoted by the developmental state ultimately relied on channeling a significant portion of a country's investible capital to a combination

⁷⁹ Buğra, *State and Business in Modern Turkey*, 241-242, Robert Bianchi, *Interest Groups and Political Development in Turkey* (Princeton: Princeton University Press, 1984), 252-59.

⁸⁰ Bianchi, *Interest Groups and Political Development in Turkey*, 259-74.

⁸¹ Waldner, *State Building and Late Development*, 71-73, Vedat Milor, "The Genesis of Planning in Turkey," *New Perspectives on Turkey* 4 (Fall 1990), 1-30.

⁸² Calculated from Buğra, "Class, Culture, and State," 525-527.

⁸³ In ways that foreshadowed the support that provincial businessmen would provide Islamist parties beginning in the 1990s, Necmeddin Erbakan, who founded the Islamist Welfare (1987) and Felicity (2001) parties, mobilized SME support to secure his 1969 election to the TOBB. Calculated from Buğra, "Class, Culture, and State," 525, 530.

of state-owned enterprises and relatively narrow industrial bourgeoisies. Groups such as agrarian elites or smaller industrialists excluded from this largesse can deal a fatal blow to the developmental state when they are organized enough to challenge the regime. In contrast to Taiwan and Korea, where the state successfully demobilized or co-opted groups that could feel excluded from industrialization, in Turkey and Pakistan, social actors were able to mobilize successfully against industrial promotion. Ultimately, then, the politics of developmental persistence were contingent on the absence of groups like agrarian elites—even in agrarian-industrial form—to challenge the state.

The Fruits of Persistence: The Product Cycle and Industrial Upgrading

While Turkey and Pakistan faced challenges to the developmental state in the early 1970s, Korea's and Taiwan's developmental state structures were able to persist well into the mid-1980s. As we argue below, this was a critical period for industrial upgrading, in which countries that maintained state capacity were able to take advantage of shifts in global production patterns to achieve prominence in higher value-added production, particularly in electronics and information technology. It is this industrial upgrading, rather than simply the state capacity that enabled it, that made East Asia exceptional in achieving *and maintaining* high growth rates in the 1990s.

Up through the end of the 1960s, the product categories available for industrial production in developing countries were light consumer goods, such as textiles, or consumer durables, such as automobiles and refrigerators, the latter largely possible through investments from multinational corporations.⁸⁴ Yet by the end of the 1970s, the lower value components of new technology-intensive products such as computers were being outsourced from original innovators such as the US and Japan to lower-cost manufacturing locations. Taiwan, along with other NICs such as Hong Kong and Singapore, presented attractive locations for FDI, joint ventures and technological cooperation for American and Japanese multinationals, in large part due to their state capacity and political stability. Korean economic nationalism prevented such cooperation, but high-capacity, deep-pocketed Korean conglomerates were keen to diversify into such areas as well. Thus the persistence of developmental state institutions allowed Taiwan and Korea to access opportunities that enabled increasingly value-added production.

In the early 1970s, both Taiwan and Korea signaled commitments to channel the goods of development of the last decade into security-driven import-substituting investment in *heavy* industry: steel, automobiles and shipbuilding.⁸⁵ Yet at the same time on the edges of national industrial policy, both agencies of the Taiwanese state and Korean *chaebols* actively sought to foster high-technology production. In Taiwan, the Industrial Technology Research Institute (ITRI), founded in 1973, and the foreign Science and Technology Advisory Group (STAG) under the Premier's Office, founded in 1978, sought to foster Taiwanese development in high technology sectors by acquiring technology through different channels and dispersing it through Taiwanese SMEs or sponsored enterprises such as TSMC. Technology policymakers accomplished this with limited capital, through

⁸⁴ Peter Evans, *Dependent Development* (Princeton: Princeton University Press, 1979).

⁸⁵ Park Chung Hee declared in 1972 that "steel=national power." Cumings, "The Origins of Northeast Asian Political Economy," 32-33.

licensing technology from abroad, encouraging foreign-educated scientists and engineers to participate in development, and facilitating joint ventures with American MNCs such as Philips; Taiwanese high-tech industry was largely successful because it was able to occupy a process-based niche between chip designers and end-use customers.⁸⁶

In Korea, meanwhile, technological upgrading was accomplished largely internally through the *chaebol* structure, financed indirectly by the state through long-term patient capital. Policies promoting a rapid increase in the supply of science and engineering graduates in the 1980s ran alongside a strategy among chaebols of diversifying away from heavy industry while keeping some of the scale benefits of production in cars and semiconductors.⁸⁷ Ultimately, however, successes in high-tech fields were achieved through a massive transfer of capital from the state to the private sector, and ultimately state bailouts before and after the 1997 crisis, as chaebol were too big to fail.⁸⁸

Though in remarkably different ways, the persistence of developmental state capacity enabled Korea and Taiwan to gain access to high technology sectors and establish themselves as important links in global value chains. Contemporary Turkish and Pakistani industrialists, by contrast, have responded to the absence of state-institutional support by focusing on comparative advantage sectors, particularly textiles. Textile production and export in both countries has been marginally successful – due in large part to the presence of raw cotton cultivation and relatively cheap labor – but are facing growing competition from Egypt, Vietnam, Bangladesh, India and of course China. By experiencing developmental state collapse in the early 1970s, Pakistan and Turkey missed the window for industrial upgrading into high technology industries that represent the modern-day divide between high-growth and –income countries and those with middling industrial fortune.

Conclusions – Beyond the Origin of the Developmental State

In this article, we have argued that the endurance of state capacity, rather than simply its establishment, is necessary for successful industrialization. Like Taiwan and Korea, Pakistan and Turkey started a journey to industrial success through the construction developmental state institutions. Unlike Taiwan and Korea, Pakistan and Turkey experienced a coherent and serious challenge to the developmental state arising out of the agrarian sector that resulted in the decline of developmental state institutions and the end to the industrial promotion regime.

We believe this research has several important implications. First, we suggest it is time to recognize the developmental state as a category that, while analytically powerful, is

⁸⁶ Douglas Fuller, “Globalization for Nation-Building: Taiwan’s Industrial and Technology Policies for the High-Technology Sectors,” *Journal of Interdisciplinary Economics* 18 (2007), 203-224; Doug Fuller, Akintunde Akinwande and Charles Sodini, “Leading, Following or Cooked Goose? Innovation Successes and Failures in Taiwan’s Electronics Industry,” *Industry and Innovation* 10 (June 2003), 179-176.

⁸⁷ Youngil Lim, *Technology and Productivity: the Korean Way of Learning and Catching-Up* (Cambridge, MA: MIT Press, 1999).

⁸⁸ Woo, *Race to the Swift*; John Mathews and Dong-Sung Cho, *Tiger Technology: the Creation of a Semiconductor Industry in East Asia* (Cambridge: Cambridge University Press, 2000); “Introduction” in Stephan Haggard, Wonhyuk Lim and Euysung Kim, eds., *Economic Crisis and Corporate Restructuring in Korea* (Cambridge: Cambridge University Press, 2003).

also specific to a particular historical context, namely the four postwar decades. Industrial development and competition for leading industries is now quite different from during that time, with the importance of firm-firm collaboration and innovation being supported at the periphery of state structures, while the state's core mission has been reoriented in the direction of regulation and welfare provision.⁸⁹ The politics of the developmental state are very particular politics, grounded in particular state interests, social coalitions and structures of industrial production. It is therefore an important but not a universal category or enduring model for successful growth.

Second, it is important to keep developmental state institutions analytically separate from the social coalitions that underpin them, because the interests of groups that participate in the coalition shift over time. National consensus on, or at least acquiescence to, overriding industrial promotion priorities might have been evident in all four cases in the early 1960s, not all could maintain those priorities in the face of the 'hard times' of the 1970s and 1980s. Here, the politics of developmental state persistence are crucially important as to whether challenges to the industrial promotion regime are present and successful. These politics are fundamentally different from the systemic vulnerability that is thought to cause the initial establishment of developmental state institutions.

Third, we believe that this study sheds some light on the overemphasis in contemporary social science on origins, and thus the assumptions inherent in path dependence, to the exclusion of studying the politics of whether institutions persist and how. The developmental state is a popular concept that relies exclusively on institutional origins. Yet, identifying sources of institutions must be only half the task. Rather, we must also focus on the ways in which pressures and challenges that exist endogenous to a regime rise up and are managed. The structured comparative study of Turkey, Pakistan, Korea and Taiwan – cases with common origins but different outcomes – have provided an excellent lens through which these dynamics can be studied.

⁸⁹ Joseph Wong, *Betting on Biotech: Innovation and the Limits of Asia's Developmental State* (Ithaca: Cornell University Press, 2011); Dan Breznitz and Darius Ornston, "Scaling and Sustaining Innovation Policies: Lessons from Schumpeterian Development Agencies in Finland and Israel," Presented at the APSA Annual Conference, Seattle, September 2011. The importance of interfirm linkages is not limited to high-tech sectors. Gary Gereffi, John Humphrey and Timothy Sturgeon, "The Governance of Global Value Chains," *Review of International Political Economy*, 12:1 (February 2005), 78-104.

Table 1: Variables for Developmental State Persistence

	Bureaucratic Capacity	Public / Private Linkages	Traditional Agrarian Elites	Effective resistance to Industrial regime in the 1970s	Nature of Production and export in the 1980s
Korea	Strong	Embedded / Encompassing	Weak	Absent	Capital- intensive / high value added
Taiwan	Strong	Embedded / Encompassing	Weak	Absent	Capital- intensive / high value added
Pakistan	Strong	Embedded / Encompassing	Strong	Present	Labor- intensive
Turkey	Strong	Embedded / Encompassing	Strong	Present	Labor- intensive