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The long evolution of state structures across the globe has involved both great variability and also surprising convergence. From the early formation of states in prehistory, state structures evolved in interaction with the diverse environments and geographical contexts of human societies. Early state structures had roots in primate social behavior and the long evolution of human societies from small foraging bands of hunter-gatherers to sedentary tribal societies. As tribal societies competed for resources and territorial dominance, the organization of warfare spurred the emergence and expansion of centralized state structures. Geographical conditions favoring an early shift to agriculture and domestication of animals in the Middle East and across the vast Eurasia landmass, and successive institutional and technological innovations contributed to the rise of civilizational states from the Mediterranean Rim to China. Despite the enormous variability of early states, the coevolution of political structures in response to inter-state competition, conflict, cooperation and strategic alliances motivated their institutionalization. In the 20th century, expansion of global commerce and the enhanced stature of international organizations accelerated the pace of exchange between states, contributing to isomorphic change and increasing homogeneity of political institutions.

Marxists claim that capitalists capture the state to impose class power and enforce the exploitation of workers; but as Max Weber (1978) emphasized, centralized states, staffed by modern bureaucrats, have the potential to maintain autonomous organizational power in relationship with capitalists. For Weber, the definitive feature of the state is its monopoly over the legitimate use of violence in its territorial boundaries. Despite different emphases of researchers, a broad consensus highlights the link between state building and near continuous warfare. States that triumphed in warfare developed the capacity to amass and concentrate state power and wealth, enabling their expansion and domination over rivals. Such polities, Weber observed, evolved rational-legal forms of governance limiting the influence of particularistic ties in favor of general rules and procedures. In *The Origins of Political Order*, Francis Fukuyama (2011) emphasizes that the first modern state according to Weber's specification was established in China, when Qin Shi Huangdi succeeded in subduing rival states and consolidating national power by means of a centralized bureaucratic administration capable of systematically governing a large population. The Qin state developed over successive dynasties as the forerunner of Chinese civilizational states staffed by scholar-officials recruited and promoted through formal civil service examinations.

Although China's centralized state power was in this sense a forerunner of the modern state, it was the West that established state structures that evolved a stable balance between concentrated state power, the rule of law and government accountable to the will of the people. It was Europe's disunity and fierce inter-state competition that spurred the coevolution of political institutions of liberal

democratic government, the form of state structure that enabled and motivated modern social and economic development in the Western world. By contrast, the centralization of the Chinese state's power in the institution of imperial rule allowed one decision by the Ming emperor in the fifteenth century to shut down all external maritime explorations and commerce. In the early Ming dynasty, China's science and technology were more advanced than that of the West, and her per capita income was among the highest in the world; but China fell into a long decline in relative wealth and power, while the West grew richer as the Industrial Revolution and the rise of modern capitalism fueled a rapid expansion of state power. In other words, the consequence of the Ming emperor's isolationist policy was technological stagnation and eventual decline in productivity.

That institutions matter is the underlying assumption of a lively and growing cross-disciplinary research in the social sciences examining the role of the state across the long expanse of social and economic development of human societies, from prehistory to the modern era. In the sections below, this essay will focus on how the institutionalization of state structures has influenced a wide array of economic and social outcomes. The first section focuses on some of the fundamental concepts of state institutions such as property rights and the relation between state authorities and their subjects. The next section describes the rise and fall of socialist institutions while the third contrasts extractive and inclusionary states. The fourth section describes the effects of the broadening of state responsibilities in advanced capitalist nations to include welfare provision. The final section concludes with thoughts on globalization and convergence among state structures.

Political Institutions and Economic Development

It is a near truism that violence, corruption and predatory extraction by political actors backed by armed forces are commonplace in poor societies. The inescapable vulnerability to violent predation by the grabbing hands of state actors not only underscores weak property rights, but the attendant uncertainty undermines incentives for economic actors. Because rulers are in a structural position to use the state's monopoly over legitimate use of coercive forces to grab resources from producers, a central problem is what constrains them from predatory extraction? Competing hypotheses addressing this question highlight why the theory of the state matters. The state evolved over the course of history as an institutional structure that trades protection and justice for revenue (North 1981). In the exchange model of the state, rulers leverage their monopoly of legitimate use of violence to devise and enforce property rights and negotiate the terms of exchange with economic actors with an eye towards maximizing state revenues, while keeping political rivals at bay. The greater the political threat to the ruler posed by domestic or foreign competitors, the better the terms of exchange the ruler settles on with economic actors. In making a credible commitment to constrain predatory extraction and enforce property rights, the ruler establishes positive incentives for gains in productivity and economic growth. In a world of competing states and domestic rivals, even a predatory ruler has an interest in limiting the extent of extraction of private wealth to remain in power (Levi 1988).

Whether specified as “open access” or “inclusive” political orders, the theory of the state asserts that developed economies in the West are rich because they have evolved political institutions that combine four essential features: accountable government, the rule of law, secure property rights, and competitive markets. States that organize military and police forces under the control of centralized bureaucracies, which limit the illegitimate use of force and require the political elite to secure the support of broad economic and social interests to stay in power have the capacity to guide modern social and economic development.

Where did political institutions enabling and motivating the acquisition of power and prosperity in the developed economies come from? The rise of liberal democratic governments in western Europe is a story that cannot be detached from an earlier narrative involving a great variety of state structures, from “petty despotisms operated by military specialists” to city-states whose economies specialized on trade and rents from agriculture; and empires backed by military power, extended through regional administration, trade and tribute from subordinate local elites. However, these earlier state structures did not anticipate the rise in the 19th century of centralized bureaucratic administrations with the coercive means to maintain a monopoly of legitimate violence and fiscal mechanisms to raise large amounts of capital. In the early modern period, fierce inter-state competition and constant warfare fueled modern state building, and the militarization and imperialist expansion of European states. In the rise of liberal democratic governments in the West, politicians and capitalists collaborated to use the state to secure global markets and imperialist control over far-flung territories.

The simple claim that democratic governance serves as an institutional prerequisite for modern economic development does not take into account the proposition that state structure and economic development are analytically distinct, and not necessarily closely coupled. As the economic miracles guided by East Asian developmental states demonstrate, the necessary elements of political governance enabling economic development can be found in authoritarian governments. Taiwan, South Korea, Singapore and now China underscore that authoritarian political orders have the capability to launch and sustain economic development. Moreover, as Samuel Huntington argued in *Political Order in Changing Societies* (1968), the stability of authoritarian political orders provides a distinct advantage over fragile democracies in developing societies, which he maintained are vulnerable to destabilization when rapid economic growth and social mobility outstrip the capacity of weak political institutions to adapt. By contrast, in both Taiwan and South Korea economic development guided by authoritarian rulers created conditions that later proved to be favorable for a gradual transition from authoritarian to democratic government. If this East Asian pattern gives weight to a viable causal sequence that conforms to the institutional legacy of a neo-Confucian political order, then continuing success in capitalist economic development in China can create conditions favorable to democratic reforms. Because China's ruling elite appears to be determined to secure legitimacy and status in a world political order dominated by liberal democratic states, political reforms can be expected in time to move to the center stage of elite interest (Zhao 2009).

Convergence in the world system often works this way. As a strategy to acquire prosperity and power, political elites of rising states often mimic the institutional forms and practices of the advanced nations. The Meiji Restoration of 1868 and ensuing state formation in Japan initiated an ambitious program of Western learning to acquire the technical and institutional forms that the Meiji elite used to guide transformative political and social change. Although modern Japanese society has retained a core cultural and ethical identity, the Meiji state adopted wholesale its legal rules, institutional practices and organizational forms from the West.

Market Transition and the State

The abandonment of central planning as the coordinating mechanism of the national economies of China, the former Soviet Union, Eastern Europe and Vietnam was accompanied by concomitant changes in state structures. As a political order, state socialism was tightly coupled to the Stalinist growth model, which relied on concentrated state coercive power to mobilize human beings and resources and furnish the massive labor power and capital needed in forced draft heavy industrialization. Although state socialist political institutions varied with local adaptations, the basic design principles reflected a mechanical mimicking of Leninist-Stalinist ideology and organizational rules. Despite diverse historical and cultural contexts, the striking feature of state socialism was the remarkable homogeneity of its political institutions. In all state socialist societies, nearly identical institutional designs provided the blueprints of state building.

First, the state nationalized privately owned industrial and commercial firms and reorganized them as state-owned enterprises under the administrative control of government industrial and commercial bureaus. Small industrial and commercial firms were collectivized and put under local government administration, mimicking the centralized administration of economic activity of the national government. In this way, the means of production and productive forces were in effect structured as an extension of the political order.

Second, markets were closed down and replaced by a command economy in which the allocation of all inputs—labor, capital and raw material—was administratively controlled by central planners, and goods and services in turn were distributed to work units and neighborhoods by administrative quotas and guidelines.

Third, arable land was nationalized and agriculture collectivized into communal farms owned by the state and managed by government cadres. At the grassroots, political cadres organized farmers to provide labor power for collectivized agriculture. Above all, collectivized agriculture gave central planners direct administrative control over agricultural surplus, which the socialist state extracted for primitive capital accumulation to finance heavy industrialization.

Lastly, in all state socialist societies, the communist party constitutionally granted to itself monopoly control rights over the state, which extended from the commanding heights of central government down to the provincial/municipal and local governments. The political control of the economy allowed the Communist party the leeway to direct surplus to build up coercive forces in the military and

internal police, and to invest disproportionately in infrastructures—dams, power plants, and ground transportation—to support massive heavy industrial projects. The outcome throughout the Soviet-bloc was militarized economies at the cost of lower standards of living for the masses.

Under state socialism as politicians secured for themselves quasi- private property rights, bureaucratic allocation of goods and services empowered redistributors to redirect surplus to themselves and their families. Whether as a “new class” or as “redistributors” the underlying narrative is that the Communist party’s ruling elite used state power to secure private wealth and privileges for themselves and their families.

The collapse of the ruling communist parties in Soviet-bloc countries in the late 1980s and a “liberal turn” in China following the Tiananmen square massacre led to an unprecedented reversal of the twentieth century’s largest, most ambitious statist projects. In the former Soviet Union and Eastern Europe, the aim was to replace the institutional scaffolding of the command economy through “big bang” attempts to institute new market economies. Western economists and advisors argued that a radical solution was needed for the exit from command economies, with their complex informal and formal mechanisms of property rights and entitlements embedded in the party apparatchik and state structures. The consensus view of western economic advisors was that only recourse to “shock therapy” would generate the sufficient velocity and momentum to exit the gravitational forces of the command economy. This entailed application of standard neoliberal economic policies and tools to dismantle the political controls of the old

regime state structures. To regain economic growth under normal market conditions, Sachs (1993) convinced the new political elite of Poland to implement in rapid order price liberalization, stabilization, and privatization. Price liberalization was to eliminate price controls, the main mechanism that central planners used to maintain their power over the allocation of resources. The aim of stabilization was to impose a harder budget constraint on government spending. And privatization was designed to dismantle state-ownership of industrial and commercial firms and remove the state from direct control of economic life. In sum, shock therapy was designed to depoliticize the transition economy.

The “big bang” in Poland led to the revival of private enterprise and free markets, which in turn opened the pathway of integration into western European market economies. Overall, market transitions in the Eastern and Central Europe were for the most part successful in reestablishing market economies. In Russia, however, shock therapy was followed by a severe economic depression and a precipitous fall in standard of living. Shock therapy moreover failed to deprive politicians of their informal control over economic life, the political capital used to enrich themselves and their cronies. Shock therapy was less successful in Russia than in Poland because Russia’s political reform was less radical than in Eastern Europe, it has been argued. As a result, key personnel from the old state socialist regime managed to stay in power.

Extractive and Inclusive Political Institutions

In China where there was no shock therapy and no regime change, its rise as a global economic power and capitalism's emergence as a self-reinforcing driver of institutional change raise the question of why China, and not its neighbor North Korea? In *Why Nations Fail*, Daron Acemoglu and James Robinson (2012) point to the evolution of two very different forms of state structures, which they identify as inclusive political institutions and extractive political institutions. Inclusive political institutions foster pluralism and reinforce inclusive economic institutions that enable and motivate economic development. In South Korea and the United States, governments are pluralist and sufficiently centralized and powerful to deliver inclusive political institutions. By contrast, state structures controlled by a narrow elite with few constraints on the exercise of power are extractive political institutions. The economic institutions constructed by elites in this form of state structure, as in the Stalinist growth model, are designed to extract resources from producers. Thus extractive political institutions tend to be closely coupled with extractive economic institutions, which interact to explain why these nations fail to develop and remain poor.

China like North Korea remains an authoritarian regime controlled by a communist party that defends its monopoly on political power. Notwithstanding this, a long list of differences can readily be generated that contrast with the structural similarities of their political institutions. In China, fiscal reforms implemented in the 1980s established a new balance between the powerful central state and local governments (Qian and Weingast 1997). Fiscal decentralization led

to a quasi-federalist political order, which encouraged provincial and local governments to compete for investments and entrepreneurs by building infrastructure and institutional conditions favorable for economic growth. In *Capitalism from Below*, Victor Nee and Sonja Opper (2012) explain the rise and rapid growth of a private enterprise led free market economy. The narrative centers on the self-help norms and networks of private manufacturers in industrial clusters of coastal provinces.

Despite early opposition of the political elite, the state played an essential role in accommodating bottom-up changes in the real economy through *ex post* legal and regulatory changes, which gradually conferred legitimacy and property rights to a rapidly growing private enterprise economy. Why did politicians in the Communist party come to tolerate and then formally endorse capitalist economic development? Through a series of tipping points, swarms of like-minded entrepreneurs in close-knit business networks grew the private enterprise economy by ignoring, undermining and circumventing the state's barriers to entry and legal rules. By building from bottom up the informal and formal economic institutions of capitalism in industrial clusters, private sector entrepreneurs succeeded in developing a parallel economy with its own autonomous network of manufacturers, suppliers and distributors.

The fiercely competitive private economy drove loss-making state-owned enterprises out of business through bankruptcy and privatization. The state consolidated the largest state-owned enterprises by converting them into public corporations, and protected these through loan subsidies and state monopolies.

Nonetheless by the turn of the new century, the private enterprise economy emerged as the fastest growing sector of the Chinese economy, which became a source of rapid wealth accumulation and the largest source of nonfarm employment. Reformers in both the central government and local governments chose to accommodate the entrepreneurs through legal and regulatory reforms because private enterprise had already emerged as an indispensable part of the larger economy. It was in the interest of the political elite to accommodate entrepreneurs with legal rights and legitimacy in exchange for a new and rapidly growing source of taxable revenues.

In sum, despite appearances, China's political elite is far from narrow; it has a broad social basis in society. As a result, post-reform Chinese political institutions are pluralistic and inclusive when compared to the extractive political institutions of North Korea. The accommodative legal and regulatory changes enacted by the Chinese state are consistent with inclusive political institutions. Furthermore, the broad base of participation in domestic private enterprises is evidence of inclusive economic institutions. Driven by the demands arising from the need to sustain rapid economic growth, China's political elite implemented a far-reaching reform of political governance, which Dali Yang shows has improved the quality of administration, pressured the military to divest much of its economic assets, and sought to address corruption in government. However, China political elite has yet to institute the rule of law, which cannot be accomplished without subordinating the Communist party to legal rules. It may be that China's elites can continue to guide economic growth without political reforms; however, the experiences of the

advanced industrial countries raise doubts about whether capitalist economic development can be sustained in the absence of rule of law and government accountable to the will of the people. Notwithstanding, the long duration of the economic downturn following the financial crisis of 2008 focuses attention on the causes of fiscal crisis of welfare states, and the unusual combination of deflation and price inflation in advanced capitalism. Although China's economy has slowed down from its 10% per annum growth rate to around 7.5%, the prognosis is that sometime between 2016-2020 China is likely to bypass the United States as the largest economy in the world. This raises the possibility of a third pathway to a modern state structure, one within the framework of what is commonly identified as authoritarian political governance, which in China's case could entail a reinvention of their legacy of bureaucratic civilizational states.

Welfare States

In both socialist and capitalist states, politicians rely on redistribution as an indispensable mechanism to pursue political and economic interests. The defining feature of redistribution is the use of state power to allocate resources through nonmarket means. Redistribution in market societies historically has provided a ready tool for politicians in their efforts to secure political support through patronage by redistributing income to households and individuals. Whether in Western Europe or the United States, early social welfare programs redistributed resources to favored social groups to realize political interests. Conservative elites in Germany and other continental European states instituted their first welfare

programs with the explicit goal of supporting the existing patriarchal social order (Esping-Anderson 1999). In the United States politicians seeking to expand their patronage networks pushed through Congress funding for veterans benefits to demobilized soldiers after the Civil War (Skocpol 1992).

During the Great Depression, the progressive orientation now associated with the welfare state began to take shape. Responding to the deepening economic crisis, President Franklin D. Roosevelt shifted to the left as he rapidly expanded government redistributive programs to assist the poor and unemployed masses. As politicians across the globe responded to uncertainties of capitalist economic development, they expanded the role of government to include a host of social welfare programs providing citizens with protection from the ravages of market society. These programs eventually culminated in the extensive welfare provision of the post-World War II era. By 1960, the median level of social expenditure in Western nations reached 10 percent of GDP and by 1990 had climbed even higher to 24 percent.

The expansion of the welfare state came with increasing costs, paid for through higher marginal tax rates for the affluent and the growth of government debt. In the 21st century the costliness of the welfare state has emerged as a focal point of debate and of contentious politics between liberals and conservatives. Controversy over the costliness of social welfare programs has motivated greater attention to the issue of the effectiveness of redistribution as a mechanism for realizing more equality. Has the rise of the welfare state led to changes in the underlying patterns of income distribution and inequality in developed industrial

societies? The lack of counterfactual evidence and the considerable diversity of welfare institutions render a clear answer to this question difficult. For example, Anglo-American government sponsored social welfare programs focus on subsidizing private, market-based income and providing payments to households below the poverty line; while, social democracies in Scandinavia provide all citizens with a comparable living standard, regardless of market income through the welfare state's progressive tax policies and social welfare programs for all citizens. A common criticism of government administered social programs is they tend to benefit affluent households more than poor households. Yet Korpi and Palme (1998) point to evidence that excluding affluent households from provisions of welfare benefits not only stigmatizes the households receiving government support, but results in a reduction of the total size of redistributive budgets. In other words, the exclusion of affluent households from participation leads to a narrower base of political and economic support for the welfare state.

Conclusion

In an era of globalization, nation states confront growing competitive pressures in the world economy at the same time that more frequent interactions between states have strengthened isomorphic pressures on politicians. The pressures for conformity to global standards and rules arise from a multiplicity of sources. The mechanisms driving convergence encompass the bottom-up demands of global citizens and professionals armed with greater access to strategic information through the world-wide-web and through the growing use of social

networking websites, and the pressure for conformity to global standards by international agencies and nongovernmental organizations. Concomitantly, the frequency of global summits that gather political elites of powerful states contribute to more rapid diffusion of institutional norms of legitimate political governance, from human rights to fair trade rules required by the WTO. As a result, political elites are pressured to mimic and adopt global standards of political governance in their catch up drives to secure prosperity and power in the world system. Despite the enormous variability of state structures across the globe, a trend towards convergent institutional designs is underway as a byproduct of globalization.

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