ON THE NON-INSTITUTIONAL ORIGINS
OF THE INSTITUTIONAL FOUNDATIONS OF CAPITALISM

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To an academic world suspicious, for numerous reasons, of grand theorizing, the “new institutionalism” in its various guises has earned something akin to paradigmatic status, both for its fecund capacity to inspire research projects and synthesize their results within and across academic disciplines, and for its numerous instances of successful empirical problem solving. One wing of this literature registers the institutional heterogeneity of advanced capitalist economies and provides sophisticated theoretical accounts linking “varieties of capitalism” to variations in economic policy making, economic performance, and levels of well-being.\(^1\) The counterpart of this literature records variations in types of states in the developing world and considers how states of these types induce or retard rapid economic development and structural transformation. Institutionalists thus pose significant challenges to prevailing theoretical accounts of social change. To the claims of ultimate convergence made by past and present modernization theorists, institutionalists depict a rich empirical record of enduring variation.\(^2\) To the standard economic account of market-based growth, institutional analyses demonstrate the failure of neoliberal descriptions and prescriptions to appreciate fully the role played by institutions in shaping economic performance and economic change.\(^3\) And to the radical critics of both of these approaches, represented by various forms of dependency theory, institutionalists compellingly identify domestic structures and processes as the sources of growth or stagnation; variations at the domestic level, moreover, produce a diverse array of outcomes not easily subsumed into broad categories of core and periphery.\(^4\) Studies documenting the institutional foundations of economic performance would thus seem to justly deserve their reputation as a foundation of contemporary social-scientific inquiry.

But one need not subscribe to anti-foundationalist philosophies to wonder whether this foundational enterprise rests on firm foundations. This essay voices some concerns about the adequacy

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\(^1\)A new and exciting entry into this literature is Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

\(^2\)Ken Jowitt identifies two types of contemporary modernization theorists: Marxists, such as Francis Fukuyama, who see history tending towards the production of global liberal capitalists societies; and Leninists, such as Paul Wolfowitz, who believe that a “vanguard party” must act to reproduce that outcome.


\(^4\)Stephan Haggard was I believe the first to observe that the uniform causal effects imputed to the system level by dependency theorists could not account for the rich diversity of observed outcomes at the unit level. See his “The Newly Industrializing Countries in the International System,” *World Politics* 38 (January 1986): 343-70.
of some institutionalist accounts. Let me stress here that my main criticisms are directed towards a particular brand of institutionalism, popular among political scientists but perhaps less well-known to other disciplines, called historical institutionalism. Where relevant, I will address these criticisms to rational-choice institutionalism (also called the ‘new economics of organization’); while I am interested in discerning how far these criticisms will travel, I am equally eager to demarcate their proper boundaries.

The foundation of my critique is captured in the distinction between two objects of inquiry: analysis can look at the origins of particular types of political-economic units, or they can look at the implications of variations within each typological category. Over the past quarter century, there has been a profound shift in analytic orientations, a shift in perspective from the former (origins of types) to the latter (implications of intra-type variation). The vitality of the institutionalist project, I will argue, stems largely from this shift in contrast space. One unambiguous result of this change in intellectual orientation is a narrowing of the field’s intellectual ambitions, a charge recently levied by Ira Katznelson.\(^5\) Concurring with this position, I wish to probe further by arguing that the shift in contrast space just identified carries with it some other unfortunate consequences. Specifically, I argue that the shift in analytic focus from the origins of types to intra-type variation is associated with four potential and as yet untreated problems: 1) it leaves the field exposed to the problem of unmeasured selectivity which, left unresolved, threatens inferential errors; 2) it encourages conceptual/ontological ambiguity which, left unresolved, threatens propositional vagueness; 3) it justifies explanatory inadequacy which, left unresolved, impairs empirical testability; and 4) it militates against the imperative of explanatory unification which, left unresolved, threatens us with parcelized intellectual sovereignty. This relationship between contrast space and potential analytic defects is, I think, a powerful affinity and not ironclad law in the sociology of knowledge. Scholars who embrace the shift in contrast space tend to pay insufficient attention to these four items of concern. I am not, however, claiming that each and every work composing the new institutionalism exhibits each and every weakness. Indeed, my own

\(^5\)See his contribution to the volume *Comparative Politics: Rationality, Structure, Culture*, ed. Mark Lichbach and Alan Zuckerman.
engagement with the field revolves around more historically inclined institutionalist analyses of late development, and I cannot claim to have surveyed the entire corpus of works composing the literature. At minimum, I think we can say that major efforts to survey the literature and assess its strengths have not themselves attended to each of these four issues with much sustained energy, and so I will focus attention on these agenda-defining surveys, particularly those surveys of historical institutionalism.

The next five sections of the essay address each of these points. The sixth section provides a concrete illustration with an examination of one of the seminal works in the field, Peter Evans’s *Embedded Autonomy*, a work widely considered to define the state of the art in the analysis of late development. The seventh and eighth sections briefly summarize my own account of the origins of state types: while section seven considers a general format for studying state formation, section eight presents some auxiliary hypotheses designed to explain a particular type of state which I call a precocious Keynesian state. A concluding section assesses the gains in explanatory adequacy and unification made possible by a shift in contrast space back to the origins of types.

1. Shifts in Contrast Space

An old joke tells us that when asked the question “Why do you rob banks,” Willie Sutton is said to have responded “Because that’s where the money is.” The joke contains a philosophical insight: propositions of identical form can have widely divergent meaning based on which part of the sentence is distinguished from its contrast space. For the questioner, the contrast space is composed of the paired alternatives (rob banks/steal legitimate employment); for Sutton, the contrast space is composed of the paired alternatives (rob banks/rob some other commercial enterprise). Other questions imply an even larger range of potential contrast spaces. If we ask, “Why did the New York Mets lose to the New York Yankees in the 2000 World Series,” we might in fact be asking the following questions:

--Why did the Yankee victory occur in 2000, as opposed to some other year?
--Why was it the Yankees who defeated the Mets, as opposed to some other American League team?
--Why was it the Mets who lost, as opposed to some other National League team.
--Given that the Mets faced the Yankees in the 2000 World Series, why did the Yankees emerge victorious?

To be sure, most of us would recognize the final version of the question as the one that was initially
intended. But note how the inclusion of the clause “given that the Mets faced the Yankees in the 2000 World Series” removes ambiguity by identifying precisely which contrast space is the focus of inquiry—here, the contrast space is composed of the paired alternatives (Yankees win/Mets win).

Consider next the question, “Why does Germany have comparative advantage in the production of goods of type X.” One interpretation posits a contrast space (goods of type X/goods of type Y), a contrast space compatible with the question “Why does Germany have comparative advantage in the production of goods of type X while France has comparative advantage in the production of goods of type Y.” But an alternative interpretation posits a contrast space (Germany/some other country); here the question is not why Germany has this comparative advantage, but rather why it is Germany that has this comparative advantage. From an institutionalist perspective, the first version of the contrast space inquires into the implications of the institutional foundations of the German political economy. The second question—the one containing the contrast space (Germany/Some other country)—inquires into why Germany has the institutional configuration that we observe as opposed to a political economy with a very different institutional foundation. The first question explores the implications of intra-type variations: how do differences in the internal organization of capitalist economies affect their economic performance? The second question explores the origins of types: why is Germany capitalist and why does it express its capitalism through these institutions?

To be sure, in this example, my point can be boiled down to the obvious statement that the independent variable of one analysis can become the dependent variable of another analysis. But this is not always the case (revisit the earlier examples above). Moreover, the more commonplace version of the issue slights the sociological aspect of the question, for the field of institutional analysis rests on endorsing one version of the contrast space and rejecting as quasi-illegitimate its alternative. The shift was from the origins of types to the implications of intra-type variation, a shift in contrast space which signals a major restatement of the goals of the social-scientific enterprise. Major works of scholarship in the first half of the 1970s, the last gasp of the old project, looked at why particular social, economic, and political structures existed. Landmark books included Perry Anderson’s excavations of the origins of the early modern state; Immanuel Wallerstein’s delineation of a new, truly international division of labor.
dividing the globe into core and periphery; and rival arguments about the origins of capitalism in western Europe courtesy of Robert Brenner and Douglass North and Robert Paul Thomas.\(^6\)

To be sure, each of these works was subject to powerful critiques, most but not all of which centered on the question of state autonomy. But rather than acting as the point of departure for novel studies which retained, as their object of inquiry, the origins of the most fundamental political and economic structures of modernity, these critiques were the incubators where a new object of inquiry was hatched, the implications of intra-type variations. The critical text of this new approach was Peter Katzenstein’s edited volume on the comparative responses of the advanced industrial economies to the oil crisis of the earlier part of the decade.\(^7\) To be sure, this volume retained a commitment to a sweeping historical perspective, as Katzenstein’s conclusion made clear. But just as clear is the new perspective on what constituted a problem worthy of being explained. This new object of explanation was explicitly distinguished from the work of an earlier generation. To quote Katzenstein’s formulation,

> The key problem for a comparative analysis is to understand the differences between the advanced industrial states. In *Social Origins of Dictatorship and Democracy*, Barrington Moore postulated a democratic Liberal, a Fascist, and a Communist road to the present. However, today we find it hard to understand fully the varieties of domestic structures which Moore, emphasizing their similarities instead of their differences, referred to as “democratic.”\(^8\)

It must be said that Katzenstein and his collaborators were focusing on a significant issue and generating valuable insights. But Katzenstein’s formulation quoted above was not just a defense of a particular project, but rather a statement of what he considered to be “the problems…worth explaining.” That programmatic statement ramified widely. As is well-known, comparative political economy from the mid-1970s on increasingly focused on intra-capitalist variations; bold statements of the origins of capitalism or of the causes of the international division of labor under capitalism received far less


attention.\footnote{9} Indeed, even Douglass North’s subsequent work substituted a redeployed institutional framework for sustained analysis of the causal origins of capitalism. His work with Barry Weingast on the evolution of English political institutions, for example, documents that evolution and discusses its implications, but makes only passing reference to the question of why these institutions were created in this specific spatio-temporal context.\footnote{10}

A decade later, the next generation of historical institutionalist scholars were prepared to issue their own programmatic formulation. The seminal survey by Kathleen Thelen and Sven Steinmo also locates the origins of historical institutionalism in the Katzenstein-inspired work of the mid-1970s that analyzed the “persistence of cross-national differences despite common challenges and pressures.” Not only did they distance themselves and their projects from the earlier period of “grand theorizing,” but they charged proponents of the latter with ignoring national diversity in politics and policies of the 1950s and 1960s of obscuring the “intermediate institutions that structure politics in different countries” and thus create that diversity. Indeed, Thelen and Steinmo explicitly advocate the shift from explaining the origins of types to analyzing intra-type variation when they endorse rejecting concepts such as modernity and tradition “that tended to homogenize whole classes of nations” in favor of concepts that “could capture diversity among them.”\footnote{11}

The shift in contrast space and its attendant problems is not confined to historical institutionalism. Prominent contributors to the rational choice school of institutional analysis have on

\footnote{9} Compare the wide readership of the works of Katzenstein, John Zysman, and Peter Gourevitch to the scattered audience for the recent work of Richard Lachmann on the origins of capitalism or Herman Schwartz’s bold reformulation of dependency theory. The members of the former group are sufficiently well known to require no full reference. For the latter, see Lachmann’s \textit{From Manor to Market} or even more recently his \textit{Capitalists in Spite of Themselves; Elite Conflict and Economic Transitions in Early Modern Europe} (New York: Oxford University Press, 2000) and Herman Schwartz, \textit{In the Dominions of Debt: Historical Perspectives on Dependent Development} (Ithaca: Cornell University Press, 1989).

\footnote{10}Douglass C. North and Barry R. Weingast, “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England,” \textit{The Journal of Economic History} 49 (December 1989): 803-32. In their brief reference to historical origins, they write (828) “Had a standing army existed in England, it would have been under the control of the Crown, and the political and economic future of England would very likely have been different, potentially more in keeping with that of France and Spain.” See also North’s \textit{Institutions, Institutional Change and Economic Performance} (Cambridge: Cambridge University Press, 1990) which contains models of institutional change but no analysis of historical institutional origins.

occasion recognized that an exclusive focus on intra-type variations carries with it large and unnecessary costs. Writing about what they call “market-preserving federalism,” Barry Weingast and his collaborators raise this concern when they note

Most studies simply take federalism as an exogenously specified system, focusing on its effects. For the purposes of studying the consequences of federalism in the developed West (for example, in Switzerland or the United States), this often involves no great loss. For the purposes of implementing and perfecting a new system of federalism, however, an appreciation of its political foundations proves essential.\(^\text{12}\)

The authors correctly argue that moving from type-inspired consequences to policy intervention requires an analytic shift to focus on origins. Let us add two comments to this much-needed appraisal. First, to speak of successful policy intervention is to speak, in different language, of the proper distinction between accidental conjunctions and causal relations. As David Freedman, among others, has argued, the hallmark of a true causal relationship is that active intervention to manipulate an independent variable generates a corresponding change in the dependent variable.\(^\text{13}\) To the extent that a contrast space of intra-type variations will not assist policy implementation, then, it will also not yield valid causal inferences. Second, in casting their analytic net more broadly to capture the political foundations of market-preserving federalism, the authors depict in detail those of its features that shape the distribution of authority across different levels of government. They do not inquire into what many of us would consider to be the more relevant political foundations of federalism: the decision by a political class to devolve its centralized authority to lower levels of government. Their argument thus remains pitched to the same contrast space of intra-type variation. “Market-preserving federalism” is an answer to the question “Why did China’s economic reforms foster impressive economic growth” where the contrast space is interpreted as (foster impressive economic growth/not foster impressive economic growth). But when we interpret the contrast space as “Why did (China/Some other country) experience impressive economic growth,” then we are asking for the origins of China’s growth-inducing


\(^{\text{13}}\)In contrast, manipulating symptoms will not produce this affect: artificially causing a barometer to register falling pressure will not induce a storm. See Freedman’s excellent analysis in the volume *Causality in Crisis.*
mechanisms, an inquiry which cannot be satisfied by pointing to relevant features of those mechanisms.

Indeed, there was a time when this basic point was widely recognized by scholars who are today seminal contributors to the rational choice institutionalist approach. Writing of the causes of the rapid economic growth and structural transformation signifying the “rise of the West,” Douglass North and Robert Paul Thomas properly observe

The factors we have listed (innovations economies of scale, education, capital accumulation, etc.) are not causes of growth; they are growth...Growth will simply not occur unless the existing economic organization is efficient. 14

Following several historical illustrations of processes that aligned private and social rates of return, the authors begin to move back up the causal chain, noting “These illustrations probably will have raised more questions than solutions for the curious reader.” 15 Why, in other words, has the appropriate system of property rights been so elusive throughout history? To this question, they list the costs of establishing economic organizations and respond, “In view of such real costs, new institutional arrangements will not be set up unless the private benefits of their creation promise to exceed the costs.” 16 Still not satisfied, however, by this abstract and definitional formulation, they take one more heroic step back up the causal chain to conclude that “Therefore, an analysis of the parameters which influence the relationships between benefits and costs becomes critical to our study.” 17 Let us note, finally, that the remainder of their book includes two types of case studies: those in which population growth altered costs and benefits to stimulate the establishment of efficient economic institutions, and those in which it did not. North and Thomas’ analysis, in other words, is a genuine inquiry into the origins of types. 18

From its own origins, historical institutionalist scholarship closely aligned its ontological presuppositions with a particular contrast space, that of intra-type variations; rational-choice

18 Compare this sustained inquiry into historical origins with North’s more recent abstract formulation that “The agent of [institutional] change is the individual entrepreneur, responding to the incentives embodied in the institutional framework. the sources of change are changing relative prices or preferences.” (*Institutions, Institutional Change, and Economic Performance*, 83). My argument is not that this more recent model is theoretically deficient; rather my argument is that it palpably fails the test of explanatory adequacy, a test that North himself, anticipating the response of “curious readers,” helped to compose in his earlier work.
institutionalism quickly followed suit. The defense of the turn to institutions was made precisely in the terms of the compatibility of an institutional approach with an overall orientation towards capturing diversity and avoiding artificial homogenization. As Thelen and Steinmo described this partnership, “The focus on intermediate-level institutions that mediate the effects of macro-level socioeconomic structures (like class) also provides greater analytic leverage to confront variation among capitalist countries.” 19 This alliance of ontology and contrast space had implications worth considering.

2. Unexamined Origins and Unmeasured Selectivity

The basic methodological problem is this: in the absence of a causal theory of the etiology of state types or institutional configurations, how can we be sure that the causes of the institutions we take to be our independent variables are not in fact also the direct causes of the observed outcomes that we have attributed to state types? The claim that institutions are largely epiphenomenal has been made in the past, and while it may be less frequently expressed today, its latency does not diminish its potency. 20 The basis of this charge is a particular instance of the more general problem of selectivity problems in censored samples. It is well known, for example, that comparing the performance of students in public versus private schools is a procedure fraught with peril because the (putative) superior performance of the latter may be due not to the superior pedagogy of private schools, but rather to the factors that divide students into private versus public schools: family income, parents’ attitudes toward educational achievement, etc. To the extent that these additional variables select public versus private schools (the control and the experimental group, to use the language of experimental design) and shape outcomes, inferential errors abound. As Lieberson notes, the imposition of statistical controls will not solve this problem; until we can be secure in our claim that no unmeasured selectivity remains, the imposition of standard statistical techniques of partialling may very well exacerbate the problem, even to the extent of reversing the direction of regression coefficients. 21 The only solution, in Chris Achen’s words, is to

19Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” 11.
20Cite here Krasner in International Regimes.
construct a study in which “no unmeasured variables influence both the assignment process and behavior.” As Achen’s work demonstrates, overcoming the problem of selection bias in censored samples is quite difficult.

It would be greatly premature to claim that institutions are necessarily spurious correlates of economic performance; that claim remains to be explored and demonstrated (or rejected). Rather three types of cautionary implications follow. From an analytic perspective, we may very well be overestimating the causal effects of institutions, assigning to institutions the causal effect that would more appropriately be assigned to the powerful groups or individuals who determine the goals toward which institutional practices will be directed. Dave Kang has made precisely this argument in his critique of the developmental state literature. Similarly, Robert Putnam argues that institutional performance is itself highly sensitive to broader sociological factors: in his account, identical institutions perform differently contingent on their ambient conditions.

From a theoretical perspective, moreover, we may very well have prematurely celebrated the victory of institutionalism over its paradigmatic rivals. Consider, as one example, the victory of state-centric, institutionalist studies of late development which have prevailed over dependency theory. But if state types are derived characteristics of location in global hierarchies, then dependency theory could conceivably be vindicated as a theory of state origins, not as a theory of unequal exchange. Finally, from a policy perspective, it behooves us to further explore the conditions permitting the establishment of institutions--can the credible commitments that North and Weingast identify as key to English economic success be obtained at all places at all times?--or affecting their reliable production of the estimated effects. We will make no headway on these symptoms of unmeasured selectivity without fully confronting the problem of institutional origins.

3. Conceptual and Ontological Ambiguity

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23One could speculate that the fear of this threat to validity motivates some of the enthusiasm for path-dependent analyses in which the effects of institutions become independent of their origins.
24COMPLETE CITATION TO CRONY CAPITALISM
25Making Democracy Work.
The literature on institutionalism is characterized by a seemingly intractable debate about defining institutions and determining which institutions matter. As Thelen and Steinmo noted with considerable understatement, “Just where to draw the line on what counts as an institution is a matter of some controversy in the literature. However, in general, institutionalists are interested in the whole range of state and societal institutions that shape how political actors define their interests and that structure their relations of power to other groups.”

The second sentence in this citation reveals much about the project: from the axiomatic starting point that institutions shape interests and structure relations, institutions are defined neither by connotation (their specific semantic content) nor by denotation (pointing at a delimited set of social phenomena and saying “this is what I mean by institution”), but rather by their effects: if it shapes interests and interactions, it is an institution. Indeed, some advocates have made this conceptual ambiguity into a virtue. Ellen Immergut argues, for example, that “Since the common research interest is in the black box between potential political demands and ultimate outcomes, it does not make sense to predefine the contents of this box. A standard definition of “institution” is not desirable: the common research agenda is the study of institutional effects wherever, or however, they occur.”

To be fair, the overall emphasis in the historical institutionalist literature is on intermediate, polity-based and relatively formalized institutions: electoral rules, party-system structures, inter-governmental relations, and major organizations representing the interests of socioeconomic actors. But beyond this narrow and clearly defensible set, there is “considerable controversy” over whether other aspects of social life that shape interests and behavior should be included, specifically norms and class structure. Thelen and Steinmo argued, in 1992, for a pragmatic response to this issue, arguing that it is “less useful to subsume such macro (system-level) structures [as class structures] into the definition of institutions than it is to maintain a narrower focus and examine how these forces are mediated by the kinds of intermediate-level institutions we have cited.” This statement, of course, leads directly back to studying national-level diversity, as it is here that intermediate-level institutions matter: as ambiguous as

26 Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” page 2.
28 Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” page 11.
it is, the conceptual understanding of institutions is tightly linked to the shift in contrast space that gave rise to institutional analyses.

Given its lineal descent from the literature on the economics of organization, we might expect rational-choice institutionalism to avoid this conceptual ambiguity. Studies in the economics of organization initially maintained a tight focus on the nature of the firm and on systems of property rights. In its subsequent branching out to include political institutions such as federalism, rational-choice institutionalism’s conception of institutions has come to resemble that of historical institutionalism. Indeed, rational-choice institutionalism has more recently championed an even more expansive notion of institutions. As Douglas North recently wrote in his widely acclaimed book,

Institutions reduce uncertainty by providing a structure to everyday life. They are a guide to human interaction, so that when we wish to greet friends on the street, drive an automobile, buy oranges, form a business, bury our dead, or whatever, we know (or can learn easily) how to perform these tasks...Institutions include any form of constraint that human beings devise to shape human interaction.

This last sentence marks a convergence between the two forms of institutionalism; institutions are those “things” that shape human behavior. North has taken this conceptual license even further, including in his definition social practices more commonly understood as cultural. To see the implications of this permissiveness, we now turn to the issue of explanatory adequacy.

4. Explanatory Inadequacy

Following the work of the philosopher Richard Miller, I define explanatory adequacy as the provision of a list of causal factors that were truly present under the circumstances and which were jointly sufficient to produce, under those circumstances, the explanandum. Explanatory adequacy has two components: the specification of causal mechanisms and the specification of how institutions intersect with other, non-institutional factors to produce observed outcomes. To be fair, some advocates have

30Institutions, Institutional Change and Economic Performance, 3-4.
31Miller, Fact and Method.
denied that explanatory adequacy is a desirable goal. Immergut claims, for example, that historical institutionalists are interested only in contextualized causality and in contingent “quirks of fate.” But I take this to be a minority position, as most other institutionalists have made recognizably orthodox causal claims.

Institutionalist accounts have not yet succeeded at achieving explanatory adequacy; they have neither specified causal mechanisms nor have they specified how institutions intersect with other non-institutional factors to produce jointly sufficient causes. That failure, I wish to argue, is a direct consequence of the shift in contrast space in favor of intra-type variation. Consider the latter theme: how do institutions intersect with non-institutional factors to produce outcomes? In its most self-conscious formulations, the entire institutionalist project is predicated on ignoring this question.

Institutionalists were critical of their theoretical predecessors such as behaviorists who, with their focus on individual predispositions and subsequent group dynamics, “missed crucial elements of the playing field,” and “obscured the intermediate institutions that structure politics in different countries.”

Historical institutionalism, then, attracted attention initially as the ontological statement that “institutions matter.” If extant approaches have indeed “missed crucial elements” of political dynamics, and if they have “obscured” critical ingredients of political action such as cross-sectional differences in the manifestation of core interests, then these crucial ingredients simply must be added, in ample portions, to the analytic stew.

At the same time, however, institutionalists criticized macrostructuralist approaches for ignoring the diversity of capitalist countries. As Thelen and Steinmo put it, “Institutional analyses do not deny the broad political forces that animate various theories of politics…Instead, they point to the ways that institutions structure these battles and in so doing, influence their outcomes.” An adequate explanation, following Miller, would contain all of these elements and statements of how they cohere to produce outcomes. Institutionalists have started from the assumption, however, that these “broad political forces” cannot account for cross-national differences. Since these cross-national differences constitute their

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33 Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” page 3 (emphasis added).
object of explanation, and since broad political forces cannot account for them, institutionalists are self-licensed to ignore these broader forces. As Jonas Pontusson responded to the institutionalist claim that other variables “matter” along with institutions, “What other variables matter? And how are these variables...related to the variables that historical institutionalists emphasize?” The contrast space “intra-type variation” denies that these other variables can account for diversity--this is the core of the institutionalist claim--and so they need not--indeed, should not--be invoked. The result is explanatory inadequacy.

There is a second source of explanatory inadequacy: the failure to specify causal mechanisms. This failure stems from the shift in contrast space as well. Given an intellectual project oriented towards establishing that institutions matter, that they warrant serious analytic attention, it is not surprising to find not only severe ambiguity in the definition of institutions, as we have seen, but also commensurately ambiguous conceptions of what it is that institutions do, about what kinds of causal effects they produce. There is some consensus that institutions act as constraints, that they provide the context in which “political actors define their strategies and pursue their interests.” But beyond this “unproblematical” premise, which permits historical institutionalists to borrow mechanisms from rational choice, they wish to transcend “narrow versions” of rational choice to argue first, that humans are satisficers, not maximizers; and second, that institutions define preferences, which are treated endogenously, not exogenously. In this sense, historical institutionalists can borrow mechanisms from sociological or cultural institutionalists. But two problems follow. First, the two types of mechanisms need to be reconciled somehow, as they posit very different attributes to agents. While we may never reach a stage of absolute ontological consistency, the most obvious inconsistencies should probably be eliminated, not validated. Second, historical institutionalists, who seek mid-level theories responding to specific empirical puzzles, have the luxury of mixing and matching their mechanisms in response to the analytic exigencies of any given case study. That is to say, any scholar has the option of positing rational actors stymied in their pursuit of narrowly defined interests by, say, veto points in national legislatures or,

35 Thelen and Steinmo, 7.
alternatively, as satisficing actors following organizational routines, or even as culturally constructed actors pursuing historically contingent value-oriented goals.

Peter Hall and Rosemary Taylor have already noted this inconsistency, but attach no particular urgency to overcoming it, instead observing that “Historical institutionalists are eclectic; they use both of these approaches [strategic interaction and cognitive templates] to specify the relationship between institutions and actions.” Calling this eclecticism a virtue, they also note its potential costs: “historical institutionalism has devoted less attention to than the other schools to developing a sophisticated understanding of exactly how institutions affect behavior, and some of its works are less careful than they should be about specifying the precise causal chain through which the institutions they identify as important are affecting the behavior they are meant to explain. This is one respect in which historical institutionalism might benefit from greater interchange among the schools.”

Although I agree with the authors that both strategic interaction and cognitive templates are plausible bases of human action, their conclusion does not strike me as sufficient: if the current level of eclecticism has carried the cost of imprecise causal mechanisms, how can more eclecticism be the remedy?

It should be of concern, then, that even an adamant defender of historical institutionalism such as Immergut expresses concern about the absence of falsifiability, critical testing of hypotheses, and generalizable hypotheses producing cumulative knowledge. These can no longer be understood as concerns that can wait in the wings while the promise of institutionalism is further mined; the future of historical institutionalism fully depends on successfully addressing these concerns. Much of the originality of historical institutionalism stems from the commitment to a new, and more narrow, contrast space; if the project cannot adequately provide explanations of less adventurous and less enlightening

36 “Political Science and the Three New Institutionalisms,” Political Studies 44 (December 1996), at 940 and 950.
37 Theoretical Core, 27-28.
38 In defending historical institutionalism from the charge that it comprises description without providing testable hypotheses, Kathleen Thelen invokes the work of scholars such as Gregory Luebbert. But Luebbert’s class-analytic study of the origins of regimes in inter-war Europe assigns no causal weight to institutions. Other works that are increasingly being included under the institutionalist rubric share Luebbert’s orientation: they are more conventionally macrostructuralist and they excavate the historical origins of institutions. For Thelen’s inclusion of Luebbert, Barrington Moore, Thomas Ertman, and Rueschemeyer, Stephens, and Stephens under the institutionalist heading, see her “Historical Institutionalism in Comparative Politics,” Annual Review of Political Science 2 (1999), 372-73.
dependent variables, than it is surely time to consider expanding our analytic boundaries, both to embrace new objects of inquiry and to fulfill the intellectual mandate of providing adequate causal explanations.  

Given its analytic dependence on a restricted set of consistently applied behavioral assumptions and micro-mechanisms, charges of explanatory inadequacy should be easily deflected by rational-choice institutionalists. But some nagging concerns remain. First, its behavioral assumptions and micro-mechanisms make rational-choice institutionalism more fit to explain institutional persistence than institutional origins. Perhaps more alarmingly, important contributors to rational choice institutionalism urge scholars to relax their behavioral assumptions and expand their toolkit of micro-mechanisms. Elinor Ostrom, to take one prominent example, calls for bridging the gap between the rationalist analysis of behavior based on a logic of consequentiality and the analysis of rule-governed behavior based on the logic of appropriateness. It remains to be seen whether this complementarity can be forged at the theoretical level. In the meantime, rational choice scholars are permitted, just as historical institutionalists are, to choose causal mechanisms that “fit” the outcome to be explained, thereby evading messy concerns about falsification.

Consider Douglass North’s brief account of the abolition of slavery in the United States. North sees this episode as an example of institutional change that must be explained by changes in exogenously defined preferences, not by changes in relative prices. Referring to changes in tastes as a “much more

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39Note, finally, that institutionalists have dedicated a great deal of attention to the causal analysis of path-dependent phenomena. But note that this work is an inquiry into institutional inertia or reproduction; it does not inquire into the causal effects of institutions on other phenomena of interest. It is worth noting, moreover, that recent formulations of path dependency insist that the origins of these institutions are contingent and largely resistant to theorizing. See the recent work of Paul Pierson and James Mahoney.
40Hall and Taylor, “Political Science and the Three New Institutionalisms,” 952-53. Specifically, they convincingly argue that the functionalist and intentionalist biases of rational choice institutionalism leads it to underestimate the effects of unintended consequences, while its voluntarist emphases lead to a disregard for asymmetries of power. Yet unintended consequences and the violent imposition of preferences are hallmarks of institutional creation. Finally, because rational choice institutionalism is essentially the search for equilibria, it is not clear why actors would ever seek new institutions--at least it would not be clear without an extra-institutional analysis of the sources of parametric change in relative costs and benefits.
42At least one reason to be skeptical is that the founders of social theory based on rule-governed behavior made powerful arguments for why their approach superseded the naturalist perspective adapted by rational choice theory. One would like to see, at minimum, deep engagement with the work of Wittgenstein and his popularizers such as Peter Winch.
troublesome and more difficult problem [than changes in relative prices],” North asserts that the abolition of slavery shows that ideas mattered: even though slavery was still profitable at the time of the Civil War, it was abhorrence at the idea of slavery in an institutional context permitting low-cost expression of ideas and ideologies that ended slavery. It is thus crucial for rational-choice institutionalists to inquire into the sources of ideational and ideological change, for we are currently “at something of a loss to define, in very precise terms, the interplay between changes in relative prices, the ideas and ideologies that shape people’s perceptions, and the roles that the two play in inducing changes in institutions.”  

It is tempting--maybe even justified--to applaud North for his intellectual ecumenicism. But I would contend that eclecticism without foundations is more vice than virtue. North’s example of the abolition of slavery, after all, does not illustrate the interplay of prices and preferences; rather it suggests (without, one might add, evidence) that in at least some circumstances, preferences trump prices. If changing preferences can induce institutional change in the absence of the predicted change in relative prices, then the entire project of attributing institutional change to antecedent changes in relative prices is in fact called into question, for there are no grounds to argue that relative price changes, when they exist, always trump ideas and ideologies. Ostrom and North’s calls to integrate culture and norms into foundationally rationalist theories furthers convergence with historical institutionalism, but at a considerable cost to explanatory adequacy. 

The Unfulfilled Mandate of Explanatory Unification

The issue of explanatory adequacy discussed in the last section responds to the philosophical query, “When does a set of hypotheses, if true, explain why an event occurred,” where event is understood not only as an historical episode of note, but more broadly as a change in a variable of interest. We might also pose the philosophical query, “Which strategies for generating explanations best contribute to greater scientific understanding.” We can answer this question by following Philip Kitcher’s program of explanatory unification. The goal of scientific explanation, Kitcher argues, is to unify our explanations and so demonstrate that diverse phenomena are manifestations of common

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43Institutions, Institutional Change, and Economic Performance, 86.
underlying structures and processes: disparate phenomena are, in this way, shown to be fundamentally similar. We have achieved unification when n+1 arguments, each accepted as providing an explanation for significant phenomena, can be shown to instantiate a common pattern. We have also achieved this goal when a diverse array of phenomena previously seen as being discrete and thus requiring distinct explanations, are shown to be products of the same underlying factors. Darwin provided one such unificationist scheme when he demonstrated that the principle of natural selection, even in the absence of mechanisms of variation and inheritance, could in principle account for an unlimited set of particular characteristics, each of which could be shown to be advantageous to a particular species inhabiting a particular ecological niche. Unification thus provides incredible explanatory power because “if one accepts an argument as explanatory, one is thereby committed to accepting as explanatory other arguments which instantiate the same pattern.”

Explanatory unification has in many respects eluded scholarship in the new institutionalism. I mean this in two senses. On the one hand, particular institutionalist analyses deploy non-convergent definitions of institutions, conceptions of the causal effects of institutions, and ontological conceptions of causal mechanisms. In this sense, the same causal framework cannot be said to have been applied successfully to diverse phenomena, despite the shared label of institutionalism. On the other hand, there has been little effort to integrate analyses covering different aspects of comparative political economy.

One of the most prominent failure in this regard lies in the almost complete separation of studies of advanced capitalist societies and of later-developing societies. Consider the literature on the developmental state. In the twenty years since Chalmers Johnson introduced us to the “developmental state,” students of the institutional foundations of development have made minimal use of the excellent literature on the development of the modern state in Europe beyond occasional references to Weber. Nor

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45 Even when rational choice institutionalism stays close to its rationalist underpinnings, it is in the position of providing micro-mechanisms without analysis of the macro-structural conditions that trigger those mechanisms. Rational choice institutionalism, in other words, provides a Mendelian analysis of genes in the absence of Darwin’s analysis of natural selection. And as we have seen, adherence to rationalist micro-mechanisms may be weakening over time.
have they engaged in much exchange with the slightly less coherent literature on political development in
the non-European world.\footnote{Perhaps this is because the literature on post-colonial state building has conceived of its object of inquiry in highly
generic terms, such as “strong vs. weak” states and thus does not speak directly to students of East Asian
development who focus on a more specific set of state attributes and state-society relations.} A recent edited collection on the developmental state, for example, contains
no sustained discussion of either European or non-European state formation; indeed, the volume’s editor
explicitly eschews treating Japan or other East Asian political economies as “cases” to be used for
generating or testing deductive theory.\footnote{Meredith Woo-Cumings, “Introduction: Chalmers Johnson and the Politics of Nationalism and Development” in Woo-Cumings, ed., \textit{The Developmental State} (Ithaca: Cornell University Press, 1999), 2-3 and \textit{passim}. Indeed, Woo-Cumings rejects causal analysis in favor of what she considers to be Max Weber’s project of \textit{verstehen}, or
empathic understanding. One wonders what she makes of Weber’s distinction between “adequacy of meaning” and
“causally adequate interpretations,” a discussion that opens his two-volume \textit{Economy and Society} and that sets the
epistemic tone for all of his work.} Thus, three literatures—on the development of the modern
state; on the development of the post-colonial state; on the developmental consequences of states—that
have much to offer one another have elicited minimal intellectual exchange.\footnote{There are, to be sure, exceptions, such as the very important volume by Linda Weiss and John Hobson, \textit{States and Economic Development: A Comparative Historical Analysis} (Cambridge, England: Polity Press, 1995), a volume
which draws heavily on the work of Michael Mann, especially his \textit{The Sources of Social Power: A History of Power from the Beginning to A.D. 1760} (Cambridge: Cambridge University Press, 1986). My point is that works such as
this should be the rule, not the exception.} Our demands for
explanatory unification require redressing this lacuna and so require causal analysis of the origins of
developmental and other types of state apparatuses. Notice, then, how this final point takes us back to
the beginning: a call for a new shift in contrast spaces, from the implications of intra-type variation to the
origins of types.


The discussion so far has taken place at a very high level of philosophical abstraction, invoking
terms and concerns that might be unfamiliar and non-urgent to many readers. Let us then pause for a
moment to consider these issues in the context of a particular study, Peter Evans highly regarded book,
\textit{Embedded Autonomy}. Evans’ book marks in many important ways the peak of success in institutional
studies of late development. His elaboration of key concepts, his detailed empirical work, and his self-
conscious elaboration of an institutionalist position all make this book a fine forum for discussion of the
issues I have raised.

Consider first the issue of contrast space. Work on the developmental state, initiated by Chalmers Johnson in the early 1980s, was initially motivated by the perceived need to highlight the differences between capitalist economies. Reflecting on his original project, Johnson remarks “One of my main purposes in introducing the idea of the “capitalist developmental state”…was to go beyond the contrast between the American and Soviet economies…I wanted, instead, to call attention to the differences, not the similarities, between the capitalist economies of the United States and Britain, on the one hand, and Japan and its emulators elsewhere in East Asia, on the other.” 49 If Johnson initially established the template, Peter Evans perfected it, for not only has he elaborated further on the concept of the developmental state, but he also formulates in detail the core institutional features of other types of states, which he labels intermediary and predatory states. Note how Evans then defines his agenda:

My aim is not to explain the origins of predatory, developmental, and intermediate states, a task for historical scholarship that goes well beyond the ambitions of this study. Instead, the idea is to take existing structural types as starting points, using them to show how internal organization and relations to society produce a distinctive developmental impact. 50

Evans’ formulation is an admirably concise statement of the shift in contrast space I have been discussing. His object of inquiry exactly mirrors the project pursued by analysts of the comparative political economy of advanced capitalist economies. In both domains of study, inquiry into the implications of intra-type variation trumps inquiry into the origins of types. This neglect of origins leaves open the possibility of inferential errors stemming from unmeasured selectivity, a topic I will return to at the end of the paper.

Consider next the question of conceptual ambiguity. Evans locates his work within the boundaries of comparative institutional analysis. But what precisely constitutes an institution in his work? His discussion of the developmental state stays focused on state institutions themselves and warrants little discussion. But note what happens when he turns his attention to what he calls

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intermediary states in Brazil and India. Writing of Brazil, Evans stresses the dependence of the state on the cooperation of the traditional agrarian oligarchy; this relationship, he argues, strips the state of its developmental capacity, not only because of institutional features internal to the state as we would expect from an avowedly institutional analysis, but because of the state’s articulation with the class structure. Similarly, Evans credits the Indian state with far more institutional capacity than the Brazilian state is endowed with. But these institutional features do not render the Indian state developmentally effective because “the political survival of Indian regimes has required simultaneously pleasing a persistently powerful rural landowning class and an highly concentrated set of industrial capitalists.”

The problem here is not simply that Evans’ conceptualization of institutions goes well beyond institutions per se to embrace class structures and state-class relations, the very type of macrostructural variables that were to be excluded by institutionalist analyses; rather the problem is one of sorting out the relevant causal relations. Rather than concluding that the developmental problem of Brazil and India resides in the state’s institutional capacity, a claim that can be sustained only by incorporating a class-analytic perspective into a state-centric conceptual framework, we might just as easily conclude that the social structures of Brazil and India are causes of state incapacity; we might even conclude, based on Evans’ discussion of the Indian state, that these structural variables are the direct cause of observed outcomes, to the extent that institutional variables are in fact epiphenomenal.

Let us finally look at Evans’ specification of causal mechanisms, seeking to assess the degree of explanatory adequacy that he achieves. Key to his work is the elaboration of three typologies and the formulation of causal hypotheses linking the hypotheses. The three typologies are:

1. Types of states: developmental, intermediary, and predatory.
2. Types of roles played by states vis-a-vis the private sector: custodians, who prevent proscribed acts, demiurges, who assume the role of producers; midwives, who elicit private investment, and husbands, who induce entrepreneurs to enter targeted sectors and act to ensure their competitiveness.
3. Types of industrial sectors, classified by their capacity to yield above-average returns, the functional requirements of achieving competitiveness in them, and thus the modes of governance they require.

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51Embedded Autonomy, 63, 68.
Here is the crux of his argument: on the one hand, sectors are not equivalent in terms of the returns they provide and their opportunities they provide for growth. On the other hand, “the emergence and survival of any sector depends in part on the state’s ability to assume a blend of roles congruent with the sector’s needs…[from which it follows that] the state’s capacities and choices of roles help determine a country’s ability to improve its position in the global economy.” 52 In other words, states must move economic activity into the proper sector; they must assume the proper role in relation to that sector; and they must fulfill that role capably.

What are the determinants of the role the state will play in any given sector? This is the key question, linking together with causal mechanisms the three typologies. Evans’ answer is characteristically compact and muscular: “Sectoral characteristics define what roles are likely to work; the nature of the state determines whether a role can be carried out.” 53 Yet notice what is missing here: the logic by which states choose which role to play. It might be the case that states understand sectoral characteristics and choose a role accordingly; this seems to be the case in the steel industry where, for all of their differences, all three states adopted a demiurge role, and variations in economic performance were simply a matter of state capacity. The steel industry works quite well for Evans. 54

The argument works less well for other industrial sectors. Consider textiles. 55 The Korean state intervened as midwife and husband, creating in the process a successful industry. The state seemed to respond to the functional requisites of the industry. The Indian state, on the other hand, acted as custodian to the textile sector, protecting inefficient producers at the expense of modernization. The Indian state was not, as seemingly was the case with steel, responding to the functional requisites of the industry; on the contrary, the goal of the state was to protect workers and firms in the small-scale sector. When protection failed to accomplish this goal, the state was pushed into the demiurge role, nationalizing mills to preserve jobs. Here, we see the first glimmers of a choice-theoretic perspective, one that will provide actual causal mechanisms: India’s political leadership was torn between the imperatives of

52 *Embedded Autonomy*, pages 82-3.
53 *Embedded Autonomy*, page 94.
55 *Embedded Autonomy*, pages 89-91.
modernization and the exigencies of political survival. Yet when we turn to Brazil, still another perspective emerges: The Brazilian state began as a midwife, but lacked the autonomy to wean the private sector from its subsidies and so could not adopt the husbandry role. In the Brazilian case, there is no explanation of the initial adoption of the midwife role; and state capacity is used to explain the inability to change the role. In other words, the choice of role may be contingent on (a) the functional requirements of the sector; (b) the institutional capacities of the state itself; or (c) the decisions of a political leadership caught between the desire for economic development and the need for protecting political clients.

The failure to specify mechanisms similarly plagues the analysis of the information technology sector. Evans asserts that in this sector, midwifery and husbandry are the appropriate roles to play. Based on mechanism (a) above, on whose behalf Evans argues most explicitly, we might then expect all three states to adopt these two roles, but to do so with differential effectiveness. Instead, we find a highly variegated set of explanations for the different roles states play in the IT sector. The Korean state adopted the proper roles of midwifery and husbandry, not because they recognized the functional needs of the sector (as in mechanism (a) above) but because of the “natural affinity between the structures of embedded autonomy and engaging in midwifery and husbandry…”56 That is to say, here Evans switches to mechanism (b) above. In India, on the other hand, Evans produces a new mechanism: (d) the cognitive and normative ideas of key technocrats. Cognitively, Indian planners were convinced that India could successfully “go it alone.” Normatively, they were attached to the “autarchic traditions of the country’s economic planners…”57 Significantly, India’s technocrats were not concerned with questions of comparative advantage, which would seem to contradict Evans’ reliance on mechanism (a). The Brazilian case is even more complicated. On the one hand, Brazilian technocrats shared many of the aspirations of their Indian counterparts. On the other hand, the Brazilian military viewed these technocrats as potential leftists and insisted, as part of their anti-communist ideology, on a prominent role for private capital. Technocrats themselves then came to see private capital as an important ally against

56 *Embedded Autonomy*, page 98.
57 *Embedded Autonomy*, page 106. This vision held by planners also jibed with “the logic of geopolitics as seen by the military.”
their enemies within the state, pushing them toward midwifery.\textsuperscript{58} The mechanism for Brazil then is (d) combined with (e) intra-state apparatus alliances and antagonisms.

Missing from Evans’ important work is a choice-theoretic framework that would consistently link state types with state roles. He most explicitly favors mechanism (a): state involvement tends to mirror sectoral characteristics and the needs they create. But this mechanism is not consistently employed; indeed, Evans refers to it not as a mechanism per se, but as set of expectations about what roles states are likely to adopt; in that sense, mechanism (a) is not a mechanism at all.\textsuperscript{59} Absent this decision-theoretic framework, it is difficult to appraise the institutional argument. A series of questions remain unanswered, most critical of which, it seems to me, is the following: Was the Indian IT outcome less successful than that of Korea because of the institutional weakness of the state or because Indian planners adopted the wrong role for reasons independent of state organizational capacities? Evans claims that “Playing the right role poorly is as bad as playing the wrong role.”\textsuperscript{60} But if the Indian state played the wrong role for the wrong reasons—for reasons independent of state capacity such as normative commitments and cognitive templates—then the Indian case does not work well in establishing the centrality of the institutional perspective.

In short, Evans’ work is a paradigmatic example of the strengths and weaknesses of an institutionalist agenda based on studying the implications of intra-type variation. It works best as a descriptive account of cross-national differences in the logics of state organization and the tenor of state-class relations. But it achieves this success in part because of conceptual ambiguity, so that state-class relations become defined as part of the state’s institutional complexion. The other major weakness of the study is its failure to provide well-specified and consistently employed causal mechanisms linking institutional attributes to economic outcomes. Because Evans shifts rapidly between causal mechanisms, his core hypothesis can neither be falsified nor can it contribute to the accumulation of knowledge. The strong claim motivating this critical review is that the problems in Evans’ account stem from the foundational move documented in the first half of this essay, the shift in contrast space from the origins

\textsuperscript{58} Embedded Autonomy, page 108.
\textsuperscript{59} Embedded Autonomy, page 98.
\textsuperscript{60} Embedded Autonomy, page 84.
of types of the implications of intra-type variation. With this claim in mind, let us now turn to the question of the origins of types, addressing first the issue of explanatory unification, and second the issue of explanatory adequacy.

7. On the Origins of Institutions and State Types: In Search of Explanatory Adequacy and Unification

I have argued that institutional analyses have not delivered on their initial promise: they have failed to achieve either explanatory adequacy or explanatory unification. The weakness of the institutionalist research program stems from its initial posture toward defining outcomes worth explaining. Institutionalists were perhaps justified in considering modernization and dependency theory insufficiently attentive to intra-type variations, and a heightened concern for diversity was no doubt warranted. Modernization theory mirrored dependency theory in that both approaches rigidly dichotomized their basic categories and thus constructed an overly homogenized world. One result was the proliferation of predictive errors: pace dependency theory, some countries did experience rapid economic development; but pace modernization theory, lots of other countries experienced economic stagnation, the collapse of democratic regimes, inter-ethnic warfare, and an unfortunate host of other events that were not supposed to occur in the modern world. These theories promised explanatory unification, but what they delivered was the unification of error, not of knowledge. By shifting focus almost exclusively to studying diversity, however, institutionalism willingly sacrificed explanatory unification. And more strikingly, if the above analysis is correct, they unintentionally sacrificed explanatory adequacy as well. It is not that institutionalist accounts are necessarily wrong, although the problem of unmeasured selectivity raises this concern; rather the problem is that institutionalists have done a better job at making the case that institutions matter than they have at demonstrating rigorously and via testable hypotheses how institutions matter.

Addressing concerns about unmeasured selection effects requires that we consider the origins of institutions and state types. Addressing concerns about explanatory unification requires that we integrate studies of Europe and the non-European world.61 Addressing concerns about explanatory adequacy

61A core assumption of most of the recent political development literature is that such unification is not possible.
requires that we derive causal hypotheses that explain the institutional diversity that institutionalists rightly insist cannot be ignored. My position is that we can elaborate a theoretical framework that is “substrate neutral,” i.e., it can be usefully applied to a wide range of different initial conditions and it can incorporate causal processes that emerge in different world-historical times. Following the work of Philip Kitcher, I refer to this framework as a standard explanatory pattern. Standard explanatory patterns contain no references to initial conditions. In principle, they can explain a diverse array of phenomena occurring against a backdrop of a commensurately diverse array or antecedent conditions. But achieving explanatory adequacy always requires the incorporation of auxiliary hypotheses linking initial conditions to observed outcomes by way of the standard explanatory pattern. Note further that the standard explanatory patterns does not presume invariance; not only will different initial conditions produce different outcomes by way of the uniform causal processes hypothesized by the standard explanatory pattern, but this approach to explanatory unification does not deny the existence of intervening or even countervailing “suppressor” variables that produce unexpected outcomes.62

The first goal of this exercise is to unify analyses of European and non-European political development. I base the following framework on works explaining European political development; the section that follows gives a sense of how to use the pattern to derive causal hypotheses explaining instances of non-European political development. The core of the standard explanatory pattern is composed of three elements: conflict, coalitions, and institutions. Briefly put, under certain circumstances, conflict leads to the formation of coalitions; institutions are intended and unintended by-products of the bargaining that instantiates coalition formation.

Conflicts. The central role of conflict in analysis of European state formation has two sources. On the one hand, in accordance with standard Marxist precepts that class conflict divided direct producers from dominant classes who appropriated surplus, a variety of theoretical approaches

Some argue that massive differences in initial conditions preclude the development of unified frameworks; others argue that differences in world-historical timing and the attendant emergence of new causal processes force the same conclusion. For reasons I have stated elsewhere, these claims are not persuasive. See “From Intra-Type Variation to the Origins of Types,” 53-59.

62I elaborate these positions in “From Intra-Type Variation to the Origins of Types.”
considered how class conflict issued in various concrete forms of the state. The long argument, initiated by Weber and Hintze and concluded by Giddens, Skocpol and Tilly, that established interstate warfare as a motor force of historical change equal if not greater in significance to class conflict, added a second realm of conflict to studies of the European state. This second source of conflict was neatly captured in Tilly’s phrase that “States made war and war made the state.”

It is worth recognizing, however, that “interstate” warfare was only the externalization between often porous and ill-recognized boundaries of equally fundamental processes occurring within political units. Perry Anderson rightly noted, in his efforts to attach the study of warfare to a Marxist theory of state formation, that under feudalism, warfare was a primary means of expanding princely access to surplus. Inter-political unit warfare was but an extension of similar processes constituting domestic political economies. Similarly, in a later period, external mercantilism simply matched the internal mercantilism commented on so memorably by Polanyi, that is the gradual commercialization and monetization of the economy and the construction of national economies by the destruction of internal barriers to trade. Warmaking and statemaking were less distinct activities than they were similar acts executed between groups that self-identified (or could be coerced into identifying) as members of distinct political units.

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66 This point is exemplified in a classic analysis of European state building, Norbert Elias, Power & Civility: The Civilizing Process, Volume II (New York: Pantheon Books, 1982 [1939]).

67 Perry Anderson, Lineages of the Absolutist State (London: Verso, 1974), page 31 writes, “Yet it can be argued that war was possibly the most rational and rapid single mode of expansion of surplus extraction available for any ruling class under feudalism…The typical medium of inter-feudal rivalry, by contrast [to inter-capitalist economic competition], was military and its structure was always potentially the zero-sum conflict of the battlefield, by which fixed quantities of ground were won or lost.”

Analyses of class conflict and of interstate warfare converge on analysis of state building only when they include “domestic” inter-elite conflict over the distribution of surplus. Richard Lachmann’s grand synthesis places this last dimension appropriately at the center of the analysis. Elites, in Lachmann’s conceptual universe, are a “group of rulers with the capacity to appropriate resources from nonelites and who inhabit a distinct organizational apparatus.”69 When a single elite exists and inhabits a single organizational framework, we have a Marxist ruling class. More typically, multiple elites exist, such that elites compete with one another for control over surplus extraction. Thus, while all elites have a stake in securing control over domestic classes, inter-elite conflict is as endemic as inter-class conflict. When inter-elite conflict expands across the boundaries of political units, we have war-making; when it is contained within those same boundaries, we have state-making. In either case, conflict must be central to the study of political development.

Coalitions. The logic of conflict suggests that force will be a central ingredient of inter-elite relations. But force cannot be the only ingredient: collaboration plays a critical role as well. Coalitions are indispensable for reasons inherent in the logics of rule over territory and population. 70 The conquest of territory requires the concentration of military power, but administration of those same territories requires the dispersal of political power. Consequently, rulers regularly conquered territories too extensive to be ruled directly by kinship groups or members of the princely household. Throughout history, rulers have dealt with this unavoidable impediment to the extension of power by allying with local elites—local actors who expropriate resources based on their autonomous control of organizations and resources. The exercise of authority thus forced rulers, who no doubt wished to rule unconstrained by deals with rival elite groups and organizations, to collaborate with urban and rural elites.

These alliances often paid handsome dividends. Throughout history, for example, religious organizations and their members have served rulers well, as storehouses of surplus production, as scribes, judges, and counselors, and as sources of immanent and transcendental ideologies that bound together rulers while encouraging docility by lower classes. Still, the frustration that seemingly omnipotent rulers

69 Lachmann, Capitalists in Spite of Themselves, page 9.
70 This paragraph is based largely on Mann, Sources of Social Power.
must have felt at their inability to dispense with seemingly minor players was captured well by Max Weber as follows:

The patrimonial ruler cannot always dare to destroy these autonomous local patrimonial powers...if the ruler intends to eliminate the autonomous honoratiores [landowning notables], he must have an administrative apparatus of his own which can replace them with approximately the same authority over the local population...As a rule the prince found himself compelled to compromise with the local patrimonial authorities or other honoratiores; he was restrained by the possibility of an often dangerous resistance, by the lack of a military and bureaucratic apparatus capable of taking over the administration, and, above all, by the power position of the local honoratiores.71

To be sure, rulers often did apply force against erstwhile allies: the logic of elite conflict suggests that this will be a consistent thread throughout history. Ivan the Terrible executed over 10,000 boyars; Muhammad Ali, the founder of modern Egypt, executed the Mamluke rulers of medieval Cairo; and Henry VIII expropriated church properties while stripping the great magnates of their local and national political power. But these extreme acts of coercion did not reduce the need for coalition allies. Ivan converted the nobility into a service class, but members of that class were invaluable allies of the Tsar until the 20th century72; Muhammad Ali soon found himself ruling Egypt in alliance with a new class of large landowners73; and Henry VIII quickly replaced his alliance with the grandees with an alliance with the less grand but no less valuable English gentry.

Institutions. The formation of coalitions in a context of conflict produces institutions. Elite actors seek to build, on the one hand, institutions that will secure and expand their control over the surplus generated by non-elite actors. Elite actors also seek to build, on the other hand, institutions that will secure and expand their claims over this surplus in the face of challenges from other elites. Institutions, thus, are born of conflict and tempered by collaboration. As Jack Knight put it, institutions are a “by-product of conflicts over distributional gains.”74

71 Weber, Economy and Society page 22.
72 Some general sources are Nicholas Riasanovsky, A History of Russia 6th ed. (Oxford University Press, 2000); Janet Martin, Medieval Russia, 980-1584 (Cambridge University Press, 1995); and most importantly, Andreas Kappeler, ed., The Formation of National Elites (New York University Press, 1992), which clarifies the relationship between coercion and collaboration in state-nobility relations in early modern Russia.
74 Jack Knight has gone furthest in claiming the centrality of distributional concerns in institutional elaboration and change. I follow his basic theme here without necessarily rejecting the claim that in different settings, institutions
This general statement about institutional origins neither tells us much about the mechanisms linking conflict and collaboration to institutions, nor offers much insight into the links between particular modalities of conflict and collaboration and the genotypic characteristics of resulting institutions. As I argued above, a standard explanatory pattern requires only the first; the latter can be supplied by auxiliary hypotheses. Margaret Levi provides a concise statement of the core logic of institutional elaboration composed of three propositions: superordinates bargain with subordinates; institutional structures issue from these bargains; and the terms of the bargain are set by the balance of power, transaction costs, and rulers’ discount rates.\(^75\) Levi is interested in taxation structures, but the same logic can be applied to the creation of other institutions as well. Consider, as a clear and cogent example, Thomas Ertman’s analysis of the causes of patrimonial versus legal-rational states. In large part under the pressure of intense geopolitical competition, statebuilders collaborated with skilled administrators and with elites possessing financial and military resources. These potential allies preferred to receive proprietary claims to offices, tax farms, etc; whether they received these huge privileges, however, turned on the relative balance of power. Prior to 1450, skilled administrators were few and such persons could exploit their strong position in the labor market to wrest virtual ownership of their offices from their royal superiors. Patrimonial states resulted. By 1450s, however, the expansion of universities increased the number of administrators and so turned the balance of power in favor of kings. Consequently, statebuilders who initiated their projects after 1450 resisted the imposition of patrimonial structures and built proto-legal rational states in their place.\(^76\) Given specific initial conditions, changes in the balance of power produced the core institutions characterizing modern states.

In short, under conditions of severe conflict, princes formed coalitions with relevant actors; the institutions that would come to define the modern state were by-products--indeed, frequently unintended by-products--of these coalition-forming bargains. This simple model derived from analyses of European state building can now be applied to distinct settings to explain specific outcomes. The template simply can also provide collective goods. See his Institutions and Social Conflict (Cambridge University Press, 1992), quote from page 19.\(^75\) See her Of Rule and Revenue (University of California Press, 1988), esp. chapter 2.\(^76\) Ertman, Birth of the Leviathan, pages 26-28.
tells us to look at moments of conflict; see how conflicts induce rounds of bargaining and coalition formation; and examine the institutions that result. As illustration, I turn to my own research into the topic deliberately left unexplored by Peter Evans; the origins of different types of state apparatuses.

8. Explanatory Adequacy and the Formation of Precocious Keynesian States

In this section, I consider first the generic initial conditions surrounding post-colonial state formation; I then turn to the analysis of how conflict and coalition building yield institutions; and I conclude with auxiliary hypotheses linking these general themes to the construction of a particular type of post-colonial state, what I call precocious Keynesian states. The account is a necessarily abbreviated version of arguments more fully elaborated in my book *State Building and Late Development*.

*Initial Conditions.* The overarching context framing post-colonial state formation is a mediated state ruling over a largely pre-industrial economy in which significant groups among the elite begin to agitate on behalf of large-scale economic transformation. By mediated state, I mean one in which actors occupying roles in the central state apparatus rule indirectly: the infrastructural power they exercise is in large part a function of their alliance with local elites who enjoy autonomous control over politically relevant socioeconomic and sociocultural resources. In mediated states, rulers provide few public goods and few institutions link state, economy, and society. The transition to unmediated states, then, is the transition to new types of states and new types of state-society relations. These unmediated states share two generic properties: relative to their mediated predecessors, they provide a larger set of public goods and they preside over a denser network of institutional networks linking the state to economy and society. It is in the transition from mediated to unmediated states—the elaboration of new institutions and the formulation of new patterns in the provision of public goods-- that we can observe the origins of post-colonial state types. Note, however, that the format of new, unmediated states does not follow directly from the preferences of state builders. A state elite with even a minimal commitment to economic transformation must also be concerned with issues of political stability and security of incumbency. Consequently, although all modernizing elites should prefer state autonomy, a highly effective bureaucratic structure, the capacity to extract resources from society and redeploy them on behalf of
building political and economic power, and the latitude to intervene selectively in the economy on behalf of industrialization, most state builders are not able to institutionalize these features. The need to respond to inter-elite conflict frequently disrupts the plans of even seemingly omnipotent rulers.

Conflict. Elites have contending preferences for employment of surplus extracted from lower classes. They might wish it to finance their own personal power, privileges, and perquisites, as we have come to expect from feudal aristocracies or landowning oligarchies. Rival elites might desire to redeploy that surplus on behalf of building powerful states and military machines. By the twentieth century, that latter goal clearly included economic transformation. Conflict over the distribution of surplus is thus endemic.

If conflict is endemic, then it is seemingly a poor candidate for inclusion in a standard explanatory pattern. I thus distinguish between “normal” politics in which elite conflict takes the form of quotidian conflicts over relative shares of surplus, and “crisis” politics, which occurs when inter-elite conflict intensifies to the point that losing the conflict threatens not only a reduced share of surplus, but a group’s long-term capacity to extract any measure of surplus. To be on the losing side of intense conflict, in other words, is to forfeit elite status. The distinction, in other words is between moderate conflict threatening reduced gains from elite status and intense conflict threatening elite status itself.

There are two main paths to intense elite conflict. On the one hand, non-state (economic, social, or cultural) elites might come under attack by a state-building elite whose actions on behalf of building political-administrative, military, and economic power becomes increasingly predatory and intolerable. On the other hand, groups within the state elite, primarily but not exclusively military elites, may be unable to pursue state-building projects because the monopoly of political power by economic elites prevents them from appropriating surplus and channeling it into their state-building projects. The two scenarios are not mirror images on one another. In the former, state elites have the capacity to appropriate surplus and therefore trigger a response by non-state elites. In the latter, economic elites dominate the state and prevent state-building surplus extraction; they trigger a response by state elites who have not yet attained political supremacy and who thus engage in what Richard Sklar calls an “organizational revolution,” that is to say, a revolution “from above” whose goal is to reorganize
authority to “facilitate the effective exercise of social control.”

Coalitions. The intensity of conflict is critical because it strongly influences the coalitional calculus of elites. I have argued that all ruling elites build coalitions: that coalition may be limited to other members of the elite whose elite status is not rooted in strategic location in the state apparatus, such as large landowners, merchants, industrialists, or holders of cultural capital. Alternatively, that coalition might extend to the incorporation of lower classes. This distinction is critical, as we shall see in the next section, which proposes hypotheses linking coalitional composition to institutional constellations. My assumption is that the default position of elites is to exclude masses from regularized, low-cost access to major decision-making institutions. Popular incorporation, that is to say, empowers lower classes to make binding claims for the alteration of established political and economic arrangements. Granting them any political power thus risks destabilizing either the privileges of an established socioeconomic elite or the prized autonomy of a state-building elite. In this sense, elites acting in coalition with other elite groupings follow Riker’s size principle: they seek to build minimum winning coalitions so that the default position is the exclusion of lower classes.

Intense elite conflict overcomes inhibitions to popular incorporation: it expands the size of the minimum winning coalition. When the alternative to victory is complete loss of elite status or the surrender of a state-building project, popular-sector incorporation looks less threatening and indeed may assume a positive complexion. Put differently, popular incorporation is the game-saving, last-resort

77 I suppose that in this second scenario it is more accurate to say that the alienated elite faction is seeking not to defend its capacity to extract surplus but to acquire that capacity; the former scenario more accurately captures the distinction between relative and absolute surplus extraction. I was insufficiently attentive to this point in State Building and Late Development. For organizational revolutions, see Richard Sklar, “Postimperialism: A Class Analysis of Multinational Corporation Expansion,” Comparative Politics 9 (October 1976), page 82. See also Ellen Kay Trimberger, Revolution from Above: Military Bureaucrats and Development in Japan, Turkey, Egypt, and Peru (New Brunswick: Transaction Books, 1978).


79 A second wrinkle insufficiently considered in State Building and Late Development: elite calculations of the likelihood of successfully incorporating a mass base and using it as a weapon against the dominant elite faction before the dominant elite can retaliate. Projects of popular-sector incorporation, in other words, can simply fail, even when the incentive for them exists. This, I think, is the case of Brazil under Goulart in 1964 and Allende in Chile in 1973. The reason for this failure is because a prior round of state building had occurred under conditions of less-intense elite conflict, in 1930s Brazil under Vargas and 1920s Chile during the presidencies of Allesandri and then Ibáñez. This earlier round of state building denied insurgents valuable coalitional allies and resources, while endowing conservative incumbents with greater defensive capability. I cover these cases more thoroughly—empirically and theoretically—in a current book project titled Coalitions and the
strategy of the potential losers of intense elite conflict. The generic consequence of this claim is that state building under conditions of elite unity will produce states quite different than those that result from state building under conditions of intense elite discord. Conflict and coalitions unite to produce institutions.

Institutions. Side-payments forge the links between coalitions and institutions and public policies. Because coalitions are composed of "a group of persons working together who have some but not all goals in common," coalitions are typically constructed by means of side-payments, or compensatory arrangements that balance the inequities stemming from cooperation. Consider a ruling elite that elicits needed political or administrative support from one class, say a landed elite. The terms of the bargain sealing this alliance will be a function of a set of variables confined to the relations between the state and its bargaining partner, such as the balance of power, transaction costs, and rulers' discount rates. A ruling elite might make parallel, but essentially unrelated deals with two constituencies, say a landed elite and religious notables. In this case, both parties to the bargain enjoy gains without necessarily imposing costs on the other, and there are no fundamental barriers to cooperation. Therefore, no side-payments are involved.

Now consider a ruling elite that seeks to elicit cooperation from an industrial bourgeoisie and from an industrial proletariat. The determination of the deals made to each constituency is more complicated, as the two constituencies have competing interests. The state's deal to the bourgeoisie will depend on not only the relative power of business, but also on the deal made to the proletariat; similarly, the deal made to the proletariat will depend on the offer made to the bourgeoisie. Each group will now receive some benefit or concession that it would not have received were it the state's sole bargaining partner. This is because most benefits made to workers, to peasants, or to both classes, impose costs on a bourgeoisie, costs for which the bourgeoisie must ultimately be compensated.


These comments, note, are purely generic: they impart no specific content to the institutions and public policies characteristic of different types of post-colonial states. The explanation of specific types of post-colonial states require auxiliary hypotheses that instantiate particular values of the variables conflict, coalitions, and institutions in the broad context of post-colonial state formation. The remainder of this section provides an abbreviated account of these hypotheses.

Elites engaged in projects of popular incorporation face two imperatives: to create a system of incentives binding their new mass constituencies to the state; and to create new institutions controlling mass political participation. They thus offer incentives, primarily but not exclusively material ones; and they impose constraints. This package of incentives and constraints constitute the side-payments through which coalitions are built. In the process of offering side-payments and forging new coalitions, incorporating elites, intentionally or unintentionally, build new states: that is to say, using the language introduced earlier, they offer a new and broader array of public goods and they build new institutions linking state, economy, and society. In doing so, they build unmediated states. Because they are built through side-payments, however, these unmediated states will substantially differ from state-building that occurs in the absence of intense elite conflict, popular incorporation, and wide-scale supply of side-payments. I consider below four features of post-colonial states in light of these comments.

1. *State-society relations.* Popular incorporation and the construction of cross-class coalitions create a system I call constituency clientelism. In contrast to patron-client relations, in which patrons and clients are individuals and goods are private, the patron is the state; the client is an entire social class; and goods are public, not private. Thus we find such states offering agricultural subsidies to entire classes of farmers, and higher wages and subsidized basic goods to the entire working class. In exchange, rural and urban producers are expected to reward the new state with their symbolic and political support while accepting relatively strict controls over corporatist institutions of political representation. In contrast, the absence of popular-sector incorporation would seem to be a necessary if not a sufficient condition for what have been called “conservative coalitions” characteristic of East Asian developmental states.

2. *Bureaucracies.* The institutionalization of meritocratic norms of recruitment and advancement is not a sufficient condition for building a highly efficient state apparatus, one capable of formulating and
implementing transformative industrial policy. As we saw above, also necessary is that political
leaderships permit meritocratic bureaucracies to participate in formulating policy while not using the
bureaucracy solely as a tool of patronage. In the absence of either autonomy from the political leadership
or a consensus with the political leadership over goals, a meritocratic bureaucracy that enjoyed autonomy
from societal influences might still be highly politicized and ineffective. Popular-sector incorporation
produces this outcome. On the one hand, incorporating elites might be tempted into using bureaucratic
employment as a manifestation of side-payments. On the other hand, even if key bureaucratic agencies
are insulated from patronage politics, and even if well-trained technocrats formulate competent public
policies, the political leadership might still have incentives to ignore their input and make critical policy
decisions based on satisfying short-term political objectives via making material payoffs to coalition
partners. Intense elite conflict that induces state building via popular incorporation, in other words,
compels political leaders to politicize economic policy-making and the agencies that make that policy.
Bureaucracies that are autonomous from both societal and political intervention are not compatible with
constituency clientelism. In contrast, the absence of popular-sector incorporation would seem to be a
necessary if not a sufficient condition for the bureaucratic core of the developmental state apparatuses
characteristic of East Asian developmental states.

3. Fiscal Policies. Conflict over the distribution of surplus lies at the heart of this analysis.
Ironically, particular resolutions of this conflict yield arrangements that militate against surplus
extraction. Specifically, high levels of side-payments are a sufficient condition for distributive fiscal
policies. Indeed, distributive fiscal policies are a key component of these side-payments. Securing
incumbency through commitments to raise constituents’ standards of living forces state elites to trim tax
burdens and expand transfer payments, resulting in budgetary deficits covered by external transfers and
inflationary monetary policy. States may attempt some measures of resource extraction, but these will be
through invisible mechanisms: taxes on foreign trade, over-valued exchange rates that tax exporters, and
the inflation tax. Low levels of side-payments, by implication, are a necessary but not sufficient
condition for more extensive domestic resource extraction and less-generous welfare policies. This latter
arrangement is characteristic of East Asian developmental states.
4. Patterns of State Economic Intervention. As should now be clear, supplying high levels of side payments implicates a number of public policies in the creation of social coalitions. Consider here, as a major example of this, the selection of trade and development strategies. The contrast between import-substituting industrialization and export-led growth is critical to the explanation of divergent levels of economic performance. High levels of side-payments strongly influence the selection of trade policy. By high levels of side-payments, I mean payments made both to capitalists and to workers, peasants, or both classes, such that the payments made to lower classes substantially increase the factor costs of industrialists. Late developing economies in the twentieth century initially industrialized by moving into consumer non-durable industries that frequently use domestically produced agrarian products as inputs. If states make side payments to peasants, particularly in the form of support prices for outputs that are above world-market prices, the price of inputs for industry such as cotton for textile manufacturers will also rise. If the state simultaneously attempts to incorporate urban workers into their support coalition, wages are likely to rise above market levels. Industrialists are squeezed from both sides, paying higher prices for both raw materials and labor, precluding them from producing goods competitive on international markets. Furthermore, state subsidies to lower classes typically fuel inflation which, if not countered by steady devaluations, will price goods out of international markets. Consequently, the industrial bourgeoisie must be compensated for its inclusion in the coalition. The result is straightforward; cross-class coalitions result in protectionist policies, where guaranteed access to the domestic market is one of the side-payments made to the industrial bourgeoisie. The high levels of side-payments upon which this coalition is built are a sufficient cause of import-substituting industrialization policies (ISI). Because high levels of side-payments are a sufficient but not necessary condition, other causes of ISI may exist, and thus ISI may predate the creation of cross-class coalitions. Low levels of side payments, on the other hand, are a necessary, but not sufficient, cause of export-led growth (ELG). State elites not committed to making side-payments to lower classes may not, for other reasons, elect to follow ELG; but if they do make those side-payments, they cannot pursue ELG.\footnote{For a related argument, see James E. Mahon Jr., “Was Latin America too Rich to Prosper? Structural and Political Obstacles to Export-led Industrial Growth,” \textit{Journal of Development Studies} 28 (1992): 246-63.}
Although Korean and Taiwanese governments did pursue ISI in the 1950s--again, high side-payments are a sufficient, not necessary cause--the absence of side-payments to lower classes made it possible for governments to shift decisively, though not completely, to ELG in the 1960s.

Of course, state elites could elect to subsidize industrialists for higher factor costs while maintaining relatively open markets. But there are two reasons why this strategy is not likely to be chosen. First, protection is a relatively inexpensive way to compensate industrialists. Some level of direct subsidy may be necessary to overcome capital scarcity, but implementing protection facilitates private investment. Barring protection, even higher levels of subsidies would be required, which would constitute an additional burden on state budgets already strapped by the loss of tariff revenues. Second, a feasible economic logic underpins the strategy of compensating industrialists through protection. Payments made to lower classes expand the size of the domestic market, providing increasing demand for the products of protected industries. Side-payments that induce protection therefore act as a rudimentary form of demand-stimulus management. It is for this reason that I refer to states generated by intense elite conflict and popular-sector incorporation as *Precocious Keynesian States*.

9. Conclusion

This essay has two parts. The first part claimed that new institutionalist analyses of comparative political economy are based on unsteady foundations. In particular, I argued that the shift in contrast space from the origins of types to the implications of intra-type variation carried with it adverse consequences for explanatory adequacy and explanatory unification. The second half gave an abbreviated sketch of my own account of the origins of institutional configurations that define developmental capacity. That account was derived from a generic theoretical framework of state formation. This concluding section asks whether this account of institutional origins promises progress along the twin fronts of explanatory adequacy and unification.

I would claim three sources of progress. First, with reference to explanatory adequacy, both the generic and the applied accounts of state formation provide fully specified causal mechanisms, all of which are rooted in rationalist assumptions of human action. I believe this account to constitute a set of
jointly sufficient causes of precocious Keynesian states (the account of the origins of developmental states, on the other hand, posits only necessary conditions). Second, with reference to explanatory unification, the institutional features of post-colonial states that I discussed, from state-society relations to trade policy, are each individually a subject of a large literature. By demonstrating their common origins in a pattern of state building, I demonstrate that they are particular instantiations of a shared underlying structure. Finally, taken together, the generic and the applied standard explanatory patterns proposed here promise to unify the study of European and post-colonial political development. Not only does no such account presently exist, but most scholars would reject the possibility of creating one.

Any account of institutional origins, of course, potentially suffers from unmeasured selectivity. I began this essay by remarking that institutionalist approaches had successfully displaced an earlier generation of “grand theoretical” enterprises such as dependency theory. It is worth asking the question whether the critique of institutionalist analysis ventured here creates an opportunity, if not an obligation, to rethink the role of grand theorizing. To what extent, in other words, can dependency theory, properly understood, contribute to the analysis of the origins of state types? By dependency theory, I loosely refer to system-level dynamics of the production and reproduction of international hierarchy. Institutionalist analyses are predicated on the rejection of this form of inter-level causation. Since system-level effects are presumably constant, the recognition of unit-level heterogeneity has been considered sufficient to reject system-level determination. Put more concretely, the economic success of Korea and Taiwan despite their close integration with the international economic system has long been considered a fatal falsifying *coup de main* against dependency theory. Thus, Peter Evans, Russell Mardon, and others have all argued that relative to Latin America and elsewhere, East Asian developmental states have been far more capable of negotiating with foreign capital to extract concessions such as technology transfers, backwards linkages, and export orientation. As Mardon summarizes,

> In Korea, a nationalistic state, acting in a relatively autonomous manner has shaped the pattern of foreign capital integration to facilitate the expansion of domestic firms…The ability of the state to act in such a manner is a variable not adequately addressed or specified in neoclassical or dependent development

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82Space constraints preclude the provision of a second set of causal mechanisms linking institutions to economic outcomes. For those mechanisms, see my *State Building and Late Development*, chapter 7.
In effect, Mardon and others hold “foreign capital” constant and allow the state to vary, attributing variations in observed outcomes to variant state properties. The problem with this research design is that foreign capital cannot easily be held constant: the forms of transnational organization of production have changed dramatically in both the long- and the short-term, as the literature on global commodity chains amply demonstrates. The goals of foreign capital in East Asia starkly differ from goals pursued by transnational firms setting up subsidiary operations in Latin America. These differences have been captured in various models of the product cycle. Thus, one cannot simply hold foreign capital constant, and the specificities of foreign-capital penetration in East Asia do not imply the conclusion state attributes, not system-level mechanisms, cause observed outcomes.

To be sure, the problems plaguing the dependency theory of the late 1970s and early 1980s have been well documented. My concern is not to rebut objections to conceptual vagueness and theoretical under-specificity, or to deny that many works in the dependency tradition did not systematically consider the possibility of state autonomy. Rather, I wish to suggest that rejecting particular versions of dependency theory is not the same as rejecting all claims that system-level economic dynamics shape the outcomes that concern us. In other words, while it may have been legitimate for scholars to reject the specific claims of dependency theory, it was far less legitimate and far less useful to reject the contrast space constituted by dependency theory and the theory’s foundational instincts about how to account for that contrast space. For both methodological and philosophical reasons discussed above, it is thus well-worth considering how new versions of dependency theory might be crafted to play new and more

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83 “The State and the Effective Control of Foreign Capital: The Case of South Korea,” World Politics 43 (October 1990), page 137. For an earlier and briefer statement, see Peter Evans, “Class, State, and Dependence in East Asia: Lessons for Latin America,” in Deyo, ed., Political Economy of the New Asian Industrialism.
productive roles in our theorizing about late development, either as components of new explanatory ventures or as more robust foils against which to test our more strictly institutionalist analyses.

A more positive version of that argument would consider how system-level and unit-level forces interact to drive state formation. To give just one example, Cardoso and Faletto’s version of dependency theory considers not only how external economic relations shape local class structures, but also how those local class structures in turn give rise to patterns of conflict and coalition.\textsuperscript{86} We might agree that their theoretical venture remains under-specified, too readily reduces the autonomy of the state to dominant class interests, and remains insufficiently attentive to institutional variables. But none of these criticisms justifies the complete exclusion of international economic factors and their affect on domestic class structures from analyses that properly specify theoretical linkages, including but not limited to causal accounts of institutional origins.

The proper conclusion to draw is \textit{not} that differences in state attributes do not matter and that system-level mechanisms completely cause outcomes; rather, the conclusion to draw is that we have not yet fully considered how unit-level and system-level variables might intersect to produce outcomes. All models of the product cycle agree that its operations have systematic effects on the spatial distribution of economic activities, and that these economic activities are composed of differing combinations of higher and lower value-added activities. Put differently, even if we completely eliminate surplus extraction and foreign control of firms and markets from the causal mechanisms of a redeployed dependency theory, there are still system-level mechanisms that will produce and reproduce a stratified international hierarchy.\textsuperscript{87} Those mechanisms are consistent with levels of industrial development far more advanced than the level permitted by “late” dependency theory. It may be the case, of course, that system-level variables apply pressure that can be counteracted by autonomous developmental states; but it may also be the case that autonomous developmental states create observed outcomes in conjunction with, and not in opposition to, these system-level mechanisms. If that is the case, and I advance it here only as a

\begin{itemize}
\item[\textsuperscript{86}] Fernando Henrique Cardoso and Enzo Faletto, \textit{Dependency and Development in Latin America} (University of California Press, 1979).
\item[\textsuperscript{87}] For a purely mathematical model of the product cycle that does not have this implication, see Gene Grossman and Elhanan Helpman, \textit{Innovation and Growth in the Global Economy} (MIT Press, 1991).
\end{itemize}
concluding hypothesis and not as a conclusion, then we are attributing to state types at least some causal
effects that should be attributed to the dynamics of the international economy. Taking seriously this
possibility, either to reject it or to create more robust models of the causal mechanisms producing
economic performance, would only strengthen institutionalist analyses of the political economy of
development.