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Ceará vs. Kerala (with Latin America vs. East Asia in Mind): The Devil is in the Disaggregation

Judith Tendler

Department of Urban Studies and Planning
Massachusetts Institute of Technology
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This memo was written in response to a set of questions for the workshop posed by Jim McGuire--namely,

> To what extent and for what reasons has the [Brazilian] state of Ceará in Brazil developed more successfully since 1985 than other states in Brazil? What similarities and differences exist between the development experiences of Ceará and the Indian state of Kerala? Under what circumstances might cross-state [or cross-province] comparisons yield even more reliable and useful development lessons than cross-national or cross-regional comparisons?

McGuire set these questions against a larger set of contrasts and issues posed with respect to the workshop topic of rethinking the interpretations of the development experience in East Asia and Latin America, and its relevance to the thinking about human development. To sum it up crudely, McGuire's rendition of the now-familiar current thinking about the East-Asia/Latin-America contrast (henceforth EA vs. LA) portrays East Asian successes in poverty-reducing and employment-creating growth as a result of "autonomous" and labor-repressing governance, among other things. This is customarily contrasted to what the memo describes as Latin America's "public provisioning," which was considered to be ineffective because of a "populist welfarism" that misdirected benefits to the middle class. East Asia invested in health and primary education more effectively than Latin America, in this story, and in early asset redistribution through widespread agrarian reforms.

I first thought the comparison of Kerala to Ceará was a strange one. They seemed to have nothing in common except for the fact (not irrelevant) that they were both states rather than countries. The EA/LA comparisons of the workshop and the current development literature are usually made in terms of national, not subnational, units. Also making comparability difficult, though Kerala and Ceará are both state governments, Kerala's population is more than four times that of Ceará's--29 million vs. 6.7 million. In addition, Kerala's rural areas (as well as those of the rest of South Asia *and* East Asia) are much more densely populated than those of Ceará (and the rest of Latin America), with its (Ceará's) low 43 persons per square km.[1] One untrivial aspect of high population density is that it substantially reduces the difficulties and unit costs of delivering public services to poor people.[2] To make matters even less comparable, Kerala is in South Asia rather than the East Asia of the workshop's EA/LA contrast. And I know much less about Kerala than I do about Ceará.[3]

Upon further thought, I found that the Ceará/Kerala comparison turned out to quite useful for raising questions about the EA/LA comparison--which frames so much of the development discourse today--questions that might challenge researchers to move beyond it. First, Kerala represented a case of "welfarism" and public provisioning that, in contrast to the stylized portrayal of Latin America, was associated with *effective* public provisioning and *good* governance. This raises questions as to why public provisioning worked in Kerala and not Latin America, and whether public provisioning generically is, indeed, the culprit in the Latin America story. Second, in that East Asia did not engage in public provisioning, according to the workshop memo, this suggests that places like Kerala and others that public provisioned successfully should be able to provide more insight than the East Asia comparison about the conditions under which such policies can actually work effectively.

I project the following Ceará-Kerala contrast against the backdrop of the broader issues laid out in McGuire's memo.

Kerala

I present less detail on the Kerala case, partly because the case is of longer duration and, partly for this reason, is better known in the development field (thanks, in the Western world, to the works particularly of Amartya Sen and, more recently, Patrick Heller, among others). I also know less of Kerala and South Asia and, like the workshop paper, am using it more as a foil for the EA/LA comparison.[4] The summary evidence of Kerala's success in expanding human capabilities relates to low infant-mortality rates (17 per 1,000 vs. 50 in India and 44 in today's Ceará); high life expectancy (71 vs. 60 in India); high adult literacy (91% vs. 50% in India and 56% in today's Ceará)--and, summing it all up, a Human Development Index that is almost 70% higher than that of India's (0.65 vs. 0.38).[5]

Less known, as discussed later below, is how Kerala was able to achieve this remarkable feat of public provisioning in terms of public administration and governance--let alone over a sustained period of time. Also less commented upon, but important to the Kerala story, is the long history of intense civic associationalism associated with demand-making on government, broad political mobilization (the Communist Party of that state), and the interplay of these forces with state government in the development of a broad program of public provisioning. Civic associationalism cut across ethnic, religious, and caste groups through various social movements (and, latterly, the Communist Party) and their demands for reform and accountability. It is a story that civic-associationalism buffs would love, though many of Kerala's associations were more inclusive and cross-cutting than singing clubs. This particular feature is consistent with research on the strengths of "cross-cutting cleavages" and also of "weak" ties.[6] Yet Kerala, as discussed further below, is strangely absent from the current literature on civic associationalism and governance.[7]

Ceará

Ceará is a state of 6.7 million inhabitants belonging, along with nine other states, to Brazil's Northeast region--a poor, semi-arid region, with a per-capita income half that of all-Brazil, and with roughly a third to a half of its population living below a line of absolute poverty. Half of its population lives in urban areas (lower than most of the rest of Brazil and Latin America), and roughly one third of the labor force works in agriculture, whose share in state output has declined from roughly 25% to 13% over the last decade--partly because of the structural transformation, and partly due to an attack on its principal crop and export, cotton, by the boll weevil.

Two indicators of Ceará's performance are the most widely cited as a sign of that state government's performance since it took over in 1987. One relates to economic growth--the "enlargement of private incomes," to use the workshop memo's terms; and the other relates to one indicator of the workshop's "survival-related capabilities"--the rapid decline in infant deaths per 1,000 births (the Infant Mortality Rate [IMR]). During the 1987-1993 period--encompassing part of "the lost decade," a time of stagnation and fiscal crisis for all-Brazil--Ceará's economy grew at a rate four times that of Brazil and five times that of the Northeast region. While Brazil grew at only 0.87% per annum during this period, and the Northeast *declined* at 0.04%, Ceará grew at 3.4%.[8] During that same period, infant mortality fell by roughly 36%--from 100 per 1,000 to 65 or, depending on the indicators you prefer, from 77 to 44. During that same period, the Northeast IMR declined by only half that much (18%) and all-Brazil declined by only 22%.[9] If one takes the second of the two estimates for Ceará's current IMR (44 per 1,000), this comes close to that of all-Brazil (42)--impressive for a state with a per-capita income only 42% of that of Brazil--and is well below the IMR of the rest of Northeast (with the NE IMR at 65, Ceará's is 32% less).[10] Of significance to this decline in the IMR, the rate of vaccination coverage of infants and children for measles and polio more than tripled during that same period from 25% to 90% of the population.

Many Ceará watchers and insiders attribute the change in these two indicators to a radical transformation in the state's governance, starting with the late-1986 election of the reformist and modernizing governor, Tasso Jereissati. He succeeded in electing his protege and successor, Ciro Gomes, four years later, and then won re-election himself to a second term in 1994, still unfolding.[11] Though each governor had a quite different style, they are both seen as having run a serious, honest, and modernizing state government--in sharp distinction to what went before and to many other state governments of the Northeast.

The most significant accomplishments in Ceará's governance fall into three following areas. *First* was fiscal adjustment and reform in a state where payroll commitments consumed 87% of the state's receipts when Jereisatti first took office.[12] *Second* was a set of three innovative programs--in rural preventive health (clearly responsible for the decline in infant mortality[13]), in transferring 30% of the state's public procurement to small firms in the interior, and in "declientelizing" the administration of large food-relief and public-works employment-creating programs traditionally mounted during periods of intermittent drought.[14]

Third, the state government aggressively and successfully recruited investors from Southern and Southeastern Brazil, and from outside the country, to set up manufacturing plants there and, to a lesser extent, tourism ventures. Dozens of new plants have located in Ceará in the last four or five years--mostly from the South and Southeast--in the traditional industries that previously constituted Ceará's manufacturing sector--footwear, garments, textiles, agro-processing, and tourism. (This is not to say, however, that these industries are using traditional technology--many of them, as the state proudly claims, are using the latest technologies.) Ceará has been quite aggressive in offering tax exemptions, facilitating infrastructure investments, and other subsidies to the firms it courts. These incentives probably do not add up to more than those offered by other Brazilian states, at least according to my interviews with firm owners. They point to as key, rather, the "credibility" of the new governance.

Fourth, and related to the state's ability to attract new investors, the state government has successfully pursued international-donor funding for major infrastructure investments (most importantly, a new port and airport improvement, major sewerage investment in the capital city, Fortaleza, and various other sanitation and road investments related to private tourism investment). These investments are a more recent phenomenon, based on the credibility the state gained with international donors for its governance in the early years of the reforms. Remarkably, in fact, none of the reforms listed above had outside donors behind them or assisting them. In fact, the one sector in which there had been a large donor presence was also the sector in which both production and the administrations of the new governors performed poorly--agriculture.[15]

Misperceptions on Ceará

Before proceeding to the contrast between Ceará and Kerala, and how it relates to the contrast between Latin America vs. East Asia, it is necessary to correct three widely held misperceptions, especially among the international donor community, about the nature of Ceará's accomplishments and governance. These corrections, and the strength of the misperceptions, are relevant to the themes of the workshop in that they illustrate some of the difficulties and inaccuracies of the LA/EA comparison, and how one might move beyond it.

Misperception I: growth before and after 1987. Ceará's higher-than-Brazil and higher-than-NE growth rates during the 1987-1993 period are a striking achievement for a poor Northeast state. At the same time, however, these rates were significantly *lower* than the state's growth rate of the earlier 1980-1986 period and even during the 1970s. Like Brazil and the Northeast in general, growth rates in Ceará were almost 2-1/2 times *higher* in the previous period, 1980-1987, when average annual per capita GDP growth rates reached an impressive 8.1% per year--as compared to the 3.4% of the post-1986 period. The earlier period of much higher growth, then, *preceded* the entry on the scene of two young reformist governors, the first in 1987, who are credited with the state's turnaround from "backward" and "clientelistic" to "growing" and "modernizing." The comparison of these two periods on growth alone, in short, shows that if one wants to relate the state's economic performance to the two reformist governors--as is the claim of Ceará admirers--one cannot point to the state's growth in relation to the immediately preceding period, because growth was much higher then. Rather, and as the state government itself customarily does, one must point to the fact that Ceará's growth rate after 1987 *fell much less* than that of Brazil and the other Northeast states.

I point out this misperception not to detract from the achievements of the current period of good governance, but to lure the attention of researchers of good policies to that immediately-preceding period. The current attempt to attribute Ceará's good relative growth performance to the policies of its reformist governors, that is, obscures and deflects interest from a question of considerable importance to those interested in understanding the policy determinants of economic growth: if good policy characterizes the post-1986 period, and bad policy or lack of any policy ("clientelism," "backwardness," lack of "public-minded vision" by elites, lack of "public-sector competence") characterizes the previous period, then how does one explain the much more impressive growth of the earlier period? One simple answer is that growth, or the lack of it, may not have much to do with what governments do--particularly subnational governments, and particularly for the short time periods encompassed by Ceará's new governance (10 years). But this is not an interesting response for those looking for the relationship between growth and governance. More significantly, I suggest that discovering the determinants of Ceará's higher preceding growth has not attracted the attention of students of economic development and governance[16] because much of that earlier growth, it turns out, was the fruit of a set of regional and state policies that are now thoroughly discredited in the development community--partly through the EA vs. LA contrast itself.

Ceará's higher growth rates seem to be in part the long-maturing result of an interventionist industrial policy by the Northeast regional authority (SUDENE) and the Northeast Regional Development Bank (BNB) that started in the mid-1960s. These policies included a central-government tax-credit scheme for large, mainly manufacturing firms and, in the case of Ceará, the creation of industrial estates particularly in--interestingly enough--"traditional" industries like textiles, apparel, and shoes. The policies, and their complementary subsidies, are now discredited, not only by commentators on policy in general but by non-Northeast Brazilians, and even by some Northeasterners themselves: the "massive" subsidies for Northeast industrial development and their attendant capital-intensive, unemployment-perpetuating results; the persistence of poverty and inequality 30 years after the policies were initiated; the "bloated," "ineffective," and "politicized" bureaucracies of SUDENE and, to a lesser extent, the Bank of the Northeast; the interventionist "industrial policy" and failed policy of "industrial estates;"[17] and, finally, the "clientelistic" and "traditional" administrations of Ceará and other Northeast states.

How do we explain Ceará's impressive *pre*-1987 industrial growth against this background, where the by-far strongest policy influence around was a set of policies that are now discredited? If "clientelistic" and "rent-seeking" is the wrong description of public-sector administration in Ceará and the rest of the Northeast, then what is a more accurate description? Is it that the discredited policies were not that bad in their time, but now need reforming for the new era that has commenced? Or is that things could have been even better with better policies and better governance--a contention that, though common in such cases, seems to take us into a counterfactual never-never land and away from trying to understand what actually happened. Similarly, can "good" pieces of this set of policies be extracted, in terms of lessons for their present, from their larger "bad" context? Finally, Ceará has shown particularly outstanding performance in the textile sector (the single largest benefactor of the state's share of regional subsidies). (The same is true, even more strongly, for the Northeast state of Bahia's petrochemicals sector, similarly, benefitted.) We could describe these two sectoral successes as a difficult-to-explain result of discredited "old" policies; or, without much twisting of the facts, they could be described as looking eerily like the now-fashionable "picking-of-winners" currently advocated by Michael Porter for developing and newly industrializing countries and a host of his admirers and industrial-policy consultants. Which explanation is correct, and which determines the lessons to be learned from these successes?

Without doing more research on such cases, it is difficult to answer this question and to tell the difference between the two contrasting explanations. But a stylized regional comparison of East Asia vs. Latin America has been built on an assumed difference--East Asia picks the winners with the right policies, and Latin America indiscriminately targets losers, as well as winners, with bad policies. With this mental template, little attention can be paid to the variations away from this stylized view, and the lessons to be learned from them.

It is difficult for us to notice, in sum, the pre-1987 economic growth of Ceará, let alone to attribute it to an environment of governance in that state (and in the Northeast), and to a set of policies and programs, that we now have pronounced as disabling rather than enabling. Hence, our tendency to point to the post-1986 Ceará state governments, whose agenda fits better our present-day conceptions of what works and what does not. The point is not that the prior policies were "right," or that the current Ceará governance has nothing to do with it.[18] Rather, we obviously need to do more homework on this and other similar cases, lest we get the lessons wrong.

Misperception 2: human indicators. It is generally acknowledged by the Ceará state government that its impressive progress on infant mortality noted above has not been matched--at least yet--in educational indicators, life expectancy, or relative or absolute poverty indicators. The percent of the population below a poverty line continues at one third, unemployment has not declined significantly, and literacy remains roughly the same as the pre-1987 level of 56%. With respect to the newly reduced level of Ceará's infant mortality rate, in turn, it should be noted that 44 per thousand is still almost twice that of the developed South and Southeast of Brazil (28)--and it is two-and-half-times that of Kerala's low IMR rate of 17.

This is not to discredit the state's impressive achievement in reducing infant mortality, or the seriousness with which it is taking on other problems. It is simply to show that the state's success in reducing infant mortality does not bespeak a broader pattern of successful public provisioning of the type that shows up in the human indicators.

Misperception 3: good governance and civil society. The third misperception about Ceará illustrates our inclination, recently, to interpret good governance as having to do with civil society--on the basis, in many cases, of rather slim evidence. With respect to Kerala and in seeming confirmation of that assumed relationship, a substantial body of grounded research firmly establishes the extent to which the effective public provisioning of that case was driven by a densely associational civil society (and party mobilization, later, by the Communist Party), and its demands of government for reform and accountability. Many admirers of and participants in the Ceará experience also portray it as a story, in part, about civil society--or, at least, about reformist administrations that were "participatory" and "consultative," that forged "partnerships" with "civil society." (A small book on the Ceará experience written by some of those who managed it was entitled *Shared [Public] Management: The Ceará Pact*.) But this image is not accurate--at least not in terms of the literature on civic associationalism and governance--and makes it difficult to explain how that outstanding governance emerged, the nature of it, and what lessons can be drawn from it.

In many ways, Ceará's story is the opposite of Kerala's in terms of civic associationalism. In contrast to Kerala's complex interactions between civil society (including unions), party organizing, and governance--which led to an effectively public-provisioning state--the Ceará story is remarkably simple: it is about a long linear path of struggle between two small *elite* fractions--the traditional landholding elite and the newer urban and modernizing elite.[19] Contrary to the current image of the Ceará story as being one of a young reformist governor (Tasso Jereissati) bursting suddenly onto a hopelessly clientelistic and traditional scene after the elections in 1986, that gubernatorial election constituted one of the *last* chapters of the struggle of one elite fraction to win out over the other--the modernizing over the traditional.[20]

To be sure, the larger environment of transition from military government to democratization in Brazil during this period of struggle brought this elite struggle out of the closet into the open with a first election in 1982 (the modernizing fraction's candidate won, but his administration turned out to be weak). In addition, Ceará's reformist government has contributed importantly to the *creation* of associations that have then turned around and demanded accountability and reform from the very government that assisted in their birth or strengthening. (This development in itself should place another question on the workshop agenda: government-induced associationalism turns on its head the one-way causal relation between "government-independent" civic associationalism and good government shown in Putnam's study of Italy and assumed by many who think about the role of nongovernment associations in governance.[21])

Once the reformist governor came to power in the beginning of 1987, finally, he did indeed institute a new "partnership" and "pact" with business, which met for breakfasts on Mondays once a month with state-government department heads and often with the governor himself. Sub-groups were created (the textile sector, the granite sector, etc.) and sector-specific Monday meetings were held to discuss problems and plans. But the key actors who attended the breakfasts and participated in the pact came mainly from the original elite fractions. And the "civil society" of the much-advertised pact was mainly business and did not include labor (with some important exceptions, as time went on[22]). (This contrasts with Kerala's pact which, if it erred, did so in the other direction--including labor more than it did business.)

In addition, some of acclaimed ingredients of Ceará's success were explicitly "excluding" rather than "including"--namely of workers, and those who represent them. The success of Ceará in recruiting outside investors (in contrast to Kerala's scaring of them away until recently) has been based on an explicitly cheap-labor, "low-road" approach to global competition. (This sounds a somewhat dissonant chord in the otherwise remarkably modernizing public discourse of this new state administration.) The state government has promoted its advantages to potential outside investors much as did the Southern states of the U.S. when they were wooing textiles, furniture, and other manufacturers away from New England: namely, and as noted above, cheap and docile labor, and an "enabling" environment that helped firms discourage the organizing of workers, the paying of fringe benefits, and the protections of the labor law. (Ceará, in trying to attract foreign investors, also emphasized its dry sunny climate, with year-round sun and warmth, and its greater relative closeness to European and U.S. ports--in comparison to the more developed southern and southeastern Brazil.)[23] Ceará is not unusual in following this path to attracting outside investment. Other similarly low-wage states and countries have often done the same. But the grave concern of not only labor unions but some non-labor elites who concern themselves with how the state should enter the modern world are nevertheless inconsistent with the popular image among Ceará-admirers of an "inclusive" model of governance, broad consultation, and rich civic associationalism.

The contrast of Ceará to Kerala in terms of inclusiveness and civic associationalism is not meant to portray Ceará negatively but, rather, to reflect different paths to development. Kerala, after all, was considered notorious for many years in development circles for scaring away outside investors (and local ones), in contrast to Ceará's success at attracting them. But the contrast raises questions about how to reconcile the current interest among academics in the development field over the connection of civic associationalism to good governance (reflected in the workshop memo) with the grudging acknowledgement (also in the memo) of the "good results" of the autonomous-state/labor-repressive side of the East Asian success stories. One could even say that the new Ceará looks more like the workshop memo's East Asian model--a state government being able to act "autonomously" (which includes the keeping of labor at bay) and, at the same time, "embeddedly" (with business mainly, not labor). This kind of state governs well in many ways, as Ceará has remarkably done, but not in response to a broadly based and rich "associational" civic society that demands accountability.

Ceará vs. Kerala

With respect to the issues of human indicators and public-provisioning, as we have seen, Ceará is no Kerala. In addition to the differences pointed out above, Ceará's much-proclaimed success at reducing infant mortality to 44 per thousand births--for which it received UNICEF's Maurice Pate prize--still leaves infant mortality at more than twice that of Kerala, a state whose population is more than four times the size of Ceará's and whose per-capita income is only 22% that of Ceará's ($260 vs. $1,162). Although Ceará's two reformist governors have given a high and welcome priority in their discourse to primary education, they have as yet made only slow progress in this direction--with literacy at 56% compared to Kerala's 91%. Ceará's performance in preventive health, moreover, was not as dramatically matched in curative health--at least not yet.

The Ceará/Kerala comparison with respect to social indicators and governance is somewhat awkward, and unfair to Ceará, because Kerala has a decades-long history of public provisioning and doing well on social indicators. It is not possible to tell at this point whether Ceará will ultimately come through on primary education, whether the momentum of the initial preventive health decline will be sustained, whether corresponding improvements will be made in curative health, and whether the current plateauing of the infant-mortality rate is only transitory. Much of the above-cited list of Ceará's achievements, moreover, lies in other areas than that of Kerala--namely, fiscal reform and downsizing of public employees in the face of fiscal crisis, and the attraction of outside direct investment (in contrast to Kerala's reputation for seeming to scare off outside investors). Many Cearenses, finally, are genuinely proud of their state, its development, and the notice they have received throughout Brazil and the world about their governance. This kind of confidence and optimism is almost unheard of in Northeast Brazil, and the positive effect of this in terms of self-fulfilling-prophecies is hard to measure with indicators.

A surprise of the Ceará-Kerala comparison, and our perceptions about both states, is that Kerala currently (the 1990s) does better than Ceará on per-capita economic growth--the workshop's theme of "the enlargement of private incomes." In performance that must come as a surprise for those familiar with Kerala's 1980s reputation as a stagnant economy--of "equity at the cost of growth" or, more recently, of "strong labor unions scaring away private investment"--Kerala has grown at per-capita GDP rates almost *double* those of Ceará since 1987--6.4% as vs. 3.4%.[24] Even more impressive, given Kerala's reputation of the 1980s as a slow grower within India, Kerala's post-1987 growth rate has been 28% *higher* than that of all-India--5.0%.

The conundrum for Kerala-watchers, and the caveat of those development thinkers evaluating its possibilities as a model, are its continued low per-capita GNP--$260 vs. India's $310 (not to mention Ceara's $1,162).[25] This in addition to the belief or, at least suspicion, of many that Kerala's "slow growth" and continuing low per-capita income is a result of a highly unionized and "intransigent" labor force. This kind of explanation of low growth, commonly heard today in the development field, shares something with Martin Rama's econometric findings on the association between low growth and high unionization--as well as with the McGuire workshop memo's characterization of the problematic aspects of the Latin American side of the LA/EA comparison. Namely, "labor elites" (among others) in Latin America--in contrast to the labor-repressed East Asia--are identified as making difficult the development of a state that might otherwise be more effective at public-provisioning. This happens because of a "misdirecting" to the middle classes of the benefits of the welfare state and the public provisioning that are meant for the poor.

The Kerala case, in sum, produces a different set of questions that are difficult to either raise or explore within the confines of the contrasts and categories of this particular kind of analysis. Why did a state responsive to popular demands produce the opposite result in terms of effective provisioning (though not in terms of growth) than did the Latin American case? Correspondingly, how do we reconcile our enthusiasm for civic associationalism's effect on governance with our distaste for its assumed negative effect, according to the workshop memo, on growth? I can not answer these questions, but I would hope that they would be taken seriously by exploring the Kerala case (and others similar to it) more seriously in terms of the why and the how of public provisioning.

Public provisioning and good outcomes: old cases and new interpretations?

In the development field, many have dismissed Kerala as an exception, albeit laudable. Or, they point to Kerala's persistently low per-capita growth rates of the past, reflected in its low per-capita income ($260), as a reason to dismiss its achievements in high human indicators--certainly not a model to be followed. This, however, is an "old" interpretation of Kerala. It fails to notice the state's better growth in the 1990s, and its recent evolution of state/labor/business relations in a more business-friendly direction. These recent developments have not brought Kerala back into the lexicon of development stories, not to mention that the state's long-standing story of highly effective public-provisioning does not appear in the currently burgeoning literature of best-practice and how-to cases of public management.

This blind spot in the current attention of the "state-capacity" literature to Kerala (and similar such cases) is testimony to the fact that Kerala does not really fit the stylized portrayal of development traits to which we have grown accustomed in the EA vs. LA comparisons. That is, explanations for Kerala's success have to do, as the memo says, with public provisioning--food subsidies, schools, health programs, agrarian reform.[26] This is what Latin America did a lot of (although not as comprehensive agrarian reforms) and poorly, the EA/LA contrast says, while East Asia did something else--not public provisioning. (I actually think the EA/LA comparison and, correspondingly, the workshop memo, exaggerates the difference between the policies pursued by EA vs. LA of relevance to human indicators; both regions devoted substantial resources and policy attention to health, education, and even agrarian reform. It was the design and implementation of the policies that were different, not their type.) But researchers should be moving on to another set of questions. Why was Kerala's public-provisioning associated with improved human development indicators (and even growth, more recently) and Latin America's just the opposite--"populist," as the memo says? More important, why was Kerala's public provisioning so much more successful than the rest of India's?

The questions I pose are, in part, about state capacity and the quality of governance. But for all the interest in and research on Kerala's social indicators, we do not really know that much about why and how the government in such a poor state like Kerala could distribute food subsidies, run employment programs, and re-distribute land without enormous rent-seeking and leakage[27]--in contrast to so many other places, including the rest of India and Latin America in particular. With all the current interest in "state capacity," "governance," and "institution-building," in other words, the Kerala case is an important and strangely missing example. Perhaps this is because Kerala is an "old" story, and hence less interesting to those on the new governance and institution-building bandwagon--a serious mistake in the choice of cases on which to do evaluation research.[28]

If we want to understand why Latin America's public provisioning was "misdirected" to the middle classes, in contrast to Kerala's, then we should also be looking into similar "off" examples. Costa Rica is an obvious candidate, closer to home than Kerala. Like other Latin American countries, it also had high welfarism and public provisioning. Like Kerala, however, the public provisioning was effective, as witnessed by Costa Rica's high performance on human development indicators for many years relative to other Latin American countries. (Costa Rica, of course, is dissimilar in other important ways to Kerala.)

Costa Rica does not appear on the 16-country list of the workshop memo, but it fits perfectly the memo's category of "providing welfare state benefits excessively, prematurely, or misdirectedly." Indeed, it has been even more welfarist than most Latin American countries and even more "labor permissive," at least in terms of its not having gone through the labor repression of the military periods of other Latin American countries. But, as with Kerala, the provisioning has been more effective than in other Latin American countries, as witnessed by the high social indicators (assuming, according to the memo's argument, that high social indicators are, at least in part, the result of effective public provisioning). If excessive welfarism explains Latin America's problems and inadequacies at effective public provisioning, then what explains the even more "welfarist" Costa Rica's success?

Methodology

The set of questions I have raised about Kerala, Ceará and other places throughout lead clearly to the methodological question posed by the workshop memo: what is the value of within-country as vs. cross-regional (or cross-country) comparisons?

Within-country comparisons (between subnational governments, or between different agencies or programs) do better in many ways at illuminating certain aspects of the questions and quandaries posed in the workshop memo. They also provide more practical and realistic lessons for reformers. At this juncture, moreover, Latin America might learn more from between-country than between-region comparisons of the East-Asia/Latin-America ilk. Cross-country comparisons within a region (or within-country comparisons) allow us to hold certain things constant--surely a prerequisite for serious hypothesizing. So many things vary in a comparison across countries and regions that it is difficult to arrive at accurate explanations, let alone lessons that are relevant to another part of the world. In addition, many of the country and regional characterizations of the current literature, as reflected in the workshop memo, represent either an "average" of the quality of a country's programs and policies or a representation biased toward the more conspicuous ones--whether good or bad. They fit certain parts of the government and not others, or certain parts of the country and not others.[29]

I find it troubling that such cross-regional rather than cross-country or within-country comparisons seem to have more influence in the development field's analysis of the problems of Latin America today. This bent of mind is clearly reflected in the searches of Latin American governments for new ways of thinking about policy and reform of the state. Many Latin Americans heartily accept the East-Asia/Latin-America comparison as grounds for a general discrediting of their own experiences, and as marching orders for their own reforms--moreso, in some cases, than the very researchers and other observers who have put these comparisons on paper. This wholesale discrediting of Latin America's past development policy and performance makes it difficult to discern and understand the elements of the Latin American past (and present) that actually have worked out well and are worth building on, or imitating elsewhere in the region. The EA/LA comparisons of the last decade, of course, have served an important role in jolting people out of traditional ways of thinking and doing things. But such comparisons often manifest themselves in the form of government officials and agency managers embarking heartily on policies and practices that they *think* constitute the East Asian model of governance (or the New Zealand model of public management, or the Grameen Bank model of micro-credit, or the Japanese model of lean production, or the U.S. model of Total Quality Management). In many cases, the model--or what people think it is--gets adopted on the run and with major pieces missing, or under circumstances that are quite different.

The findings of the EA/LA comparisons are not the problem I am talking about. It is, rather, the absence of an as robust interest on the part of researchers and policy analysts in within-country and cross-country research as a source of guidelines for reform. The results of such research could serve as grounded material for the experimentation we see in Latin America today and the welcome openness to change that it bespeaks.

In closing, I would like to say that the EA/LA contrast troubles me, as posed in the workshop memo and literature it draws on, because it seems to sidestep the issue of "agency" as related to good governance. It does so by focusing on an explanation of problems (generic populism or welfarism) that makes it difficult for good governance (in this case, effective public provisioning) to be explained in the cases where it emerges--like Costa Rica, or Ceará, or Kerala.

Notes

1. Heller compares Kerala's 29 million to California's roughly the same number, with the Kerala population being settled on one-tenth the amount of land.

2. I would guess that this is one of the reasons why the Grameen-Bank "model"--another question raised by the workshop memo--is much more successful in Bangladesh than in many other countries with lower population densities where imitations have been attempted.

3. To help me out, I was fortunate to have participated in two recent seminars in which the Patrick Heller presented his research on Kerala, in which illuminating comments were made by Bish Sanyal and Ani Dasgupta, and to have had some further conversations with Heller. My understanding of the Kerala case is based on those encounters, and his and Amartya Sen's writings. Any misrendering of the Kerala case is my responsibility, not theirs.

4. Kerala is the only bow to South Asia relevance in this workshop, though the South Asia/Latin America comparison may yield more interesting lessons for the workshop's concerns with public-provisioning than the East Asia comparison.

5. Note, however, that despite Kerala's many-times higher survival indicators than Ceará and Brazil, Brazil nevertheless has a higher human development index--0.75 vs. 0.65. This is because of the weight of Brazil's much higher (than Kerala's) per-capita income in the index (I thank Patrick Heller for this clarification).

6. Heller's analysis shows that the typical Putnam-like rich associationalism of Kerala (and India, more generally) tended to be caste, ethnic, or religion-specific. Left on its own, without the more inclusive and cross-cutting mobilizing of the various social movements of Kerala's long history, this kind of associationalism can be fraught with danger, since it lays the groundwork for inter-caste, inter-ethnic, and inter-religious conflicts.

7. An exception in the recent Western development literature being the work of Patrick Heller.

8. From 1991 onwards, this growth manifested itself in a permanent 11% increase in the level of Ceará's per-capita GDP as a percent of Brazil's per-capita GDP (about $1,433 to Brazil's

$3,400)--namely, from a steady 38% to 42%--and a 13% increase in per-capita GDP as a percent of that of the Northeast, from 79% that of the Northeast to 89%. Also impressive, this growth occurred at a time when Ceará's agricultural sector--traditionally the mainstay of the state's exports (cotton in particular) and accounting for a quarter of the state's output--declined drastically, partly due to an attack of the cotton boll weevil. Industry, and secondarily services, clearly led this growth performance.

I do not extend the 1987-1993 comparison to a more recent year because my data for economic growth in 1993-1995 (from the state planning agency, IPLANCE) are not clearly comparable with the 1987-1993 series I noted previously. The 1993-1995 data seem to reveal a slight decline during those years to about 2.7%.

9. The Brazilian-government data for Ceará's IMR are quite different from those commonly cited in Ceará (and in my own book)--namely, a drop from 100 to 65, rather than from 77 to 44. To complicate matters further, Brazil's IMR rate of 42 in this paragraph of my text is not consistent with the rates for Brazil of McGuire's memo (his data show Brazil's IMR at 57 in 1993, rather than the 41.6 of my data). His are taken from the United Nations Development Report and mine from Brazilian government sources--namely IBGE, Censos Demográficos, and PNADs. I chose these latter sources for this particular paragraph--as against McGuire's/HDR's or the state of Ceará's--because they are the only ones that allow a state-by-state and regional breakdown.

10. In comparing IMR declines in Ceará vs. other places starting with lower rates, it is important to keep in mind that a big decline from quite high initial rates is considered rather "easy" by the public health field, in comparison to subsequent reductions, because of the dramatic effects brought about by the introduction of oral rehydration therapy for diarrhea (as Ceará did in its preventive health program)--the largest single killer of infants in underdeveloped regions, particularly rural areas.

11. As of this writing, Brazilian governors are not allowed to immediately succeed themselves, although there is a constitutional amendment that proposes to allow re-election now under consideration and highly likely to be passed. In the 1994 gubernatorial election, it should be noted, Jereissati lost in the state capital--doing much better in rural areas. The candidate he backed for mayor of the state's capital and largest city in the 1996 municipal elections also lost.

12. The fiscal reforms involved (a) expunging the payroll books of 40,000 ghost workers or double salaries for those working one job, (b) aggressive collection of taxes, assisted by extensive computerization, (c) reducing real wages among public-sector workers by not giving cost-of-living adjustments (this

contributed more than the termination of ghost workers to reducing payroll obligations); and (d) insisting that new employees be hired only through competitive exams. This set of reforms succeeded in reducing the share of salaries in total receipts from 87% of expected receipts in 1987 to 45% in 1991 (all this during a time when federal transfers were decreasing)--leaving the state for the first time with a budget for investment, not to mention non-salary operating expenditures.

13. Some give equal credit to economic growth and a federal milk-distribution program administered by the state.

14. The most broadly-based and enduring was the rural preventive health program, involving an "army" of 7,300 newly-hired paraprofessional health agents, earning the minimum wage and often semi-literate, who were hired by the state government from the communities where they were to work and paid the minimum wage. The public-procurement program represented an unusual and imaginative redirection by the state government of 30% of its public-sector procurement of goods and services from traditional urban suppliers and distributors to small and micro-firms throughout the interior of the state. The program resulted in a 30% reduction in cost of these items, which were delivered at comparable quality and within comparable time periods. (The public procurement program was temporarily suspended two years ago because of a challenge from the courts [inspired, some say, by the program's and the governors' opponents] that questioned the legality of the program's waiving of open bidding regulations [the state expects to win this case, but it requires a change of law at the national level].) Finally, the state was successful at "de-clientelizing" the administration of its intermittent public-works programs in the interior, employing thousands of rural males in these emergency programs during the region's periodic droughts. The programs also involve massive distribution of food supplies and water from trucks. The drought programs, though continuing to be less clientelized than those preceding 1987, never reached the degree of non-political allocation that they did in 1987--at least according to citizens of the affected communities.

An extensive discussion of these programs can be found in the author's *Good Government in the Tropics*, Johns Hopkins University Press (1997); the health program is also treated in Judith Tendler and Sara Freedheim, "Trust in a Rent-seeking World: Health and Government Transformed in Northeast Brazil," World Development 22 (No. 12, December 1994):771-1791; and the procurement program in Judith Tendler and Mônica Alves Amorim, "Small Firms and Their Helpers: Lessons on Demand," World Development 24 (No. 3, March 1996):407-426.

15. Since the late 1970s, and pre-dating the new governance, the World Bank heavily supported the agricultural sector and the state's agricultural institutions with a succession of large integrated rural development projects. Agriculture, however, has stood out during this period for its lackluster performance, its fading significance in the state's output and, particularly, the state's inability to deal with a major attack of the boll weevil (starting in the mid-1980s) on its traditional export crop--cotton--which is also the major input for its textile industry. The textile industry, in ironic contrast to the production of cotton, *is* one of Ceará's major modernizing successes--having outperformed that of Southeastern Brazil in competitiveness, technological modernity, and exports.

16. With the exception of a small group of Northeast economist-researchers, such as Katz and Policarpo, who have pointed out Ceará's better economic performance starting in the 1970s. They have not drawn attention, however, to the 1986-1987 divide and the new good governance (most obviously, because the rates fell during that period). They have tried to understand the difference between Ceará and other states, particularly the previously better-off and more-industrialized Pernambuco--attributing this difference to some interesting factors relating to the differing natures of the industrial elites of both states, and the extent to which industrialization management came from inside or outside the state.

17. A remarkably similar set of critiques and disappointments have been expressed about Italy's policies and institutions to develop its lagging region, the South. Certain aspects of Brazil's Northeast policies were modeled on the Italian case.

18. Although it must be said that econometric studies would be hard put to demonstrate the effect of Ceará's recent governance on growth rates, let alone within such a short period of time. In the 1980s, a remarkably similar set of admiring allegations about the relationship between the economic performance of the state of Massachusetts in the 1980s and the administration of Governor Michael Dukakis were shown to be not verifiable, even by the economist-admirers of that administration.

19. The struggle between these two elite fractions took place over a period of ten to 20 years preceding the 1987 election, and within the realm of a business association--the Federation of Industries of Ceará and, more particularly, the Ceará Industrial Center (CIC), which was a part of it. The more modernizing, "young-turk" faction won control of the CIC years before the 1987 election, and sponsored a series of public lectures and ensuing debates about how to bring their state out of poverty and backwardness--to which they even invited, among others, well-known "left" and sometimes exiled intellectuals such as Celso Furtado and Maria da Conceição Tavares. This was quite

remarkable for an elite business group during a period of repressive military government, and in a part of the country known for most supporting that government.

Jereissati, part of that group and 35 years old when he first ran for election, was the candidate the group decided to put up for election against the "clientelistic" three families of rural landholding wealth that had dominated previous administrations. Significantly, and less commented upon, this young-turk fraction had similarly put forward another candidate chosen by them four years previously, a government "technocrat" from outside their group who won but who ultimately, they decided, did not have the power or the capacity to stand up to the more traditional elite.

20. Jeffrey Paige's new book comparing Costa Rica, Guatemala, El Salvador, and Nicaragua recounts the origins of Costa Rica's success as a peaceful, relatively open and successful welfare state also in terms of the winning out of the more modern fraction of the elite--in his cases, the agro-industrial as vs. the agricultural elite.

21. I make this argument at greater length, and present evidence from Ceará, in *Good Government in the Tropics*, The Johns Hopkins University Press, 1997.

22. Both governors were known to be more open informally on certain occasions, in comparison to previous governments and to many neighboring Northeast governments, receiving delegations of representatives of labor and other excluded groups--associations of rural workers, protestors to proposed dam projects, etc.--and to negotiating their demands with them.

23. The state government worked with the firms to make it possible to create labor "cooperatives" or "associations"--a form of labor contractor--which would allow the firms to contract the associations rather than hire workers directly. It introduced a bill in the state legislature to facilitate this form of contracting and lobbied successfully for its passage. It also encouraged firms to locate outside the capital city in rural areas, and gave them more subsidies for doing so. This policy was meant to provide more rural employment by "decentralizing" industry but also, as reported by state officials and firms, was considered desirable because it made it more difficult for workers to organize in that decentralized location scattered the new jobs spatially.

24. Kerala and India data from Patrick Heller, Ceará data from Brazilian state and central government sources (IPLANCE and IPEA).

25. The per-capita GDP figures for Brazil and Ceará used here are quite a bit lower than those used in the text above for purposes

of comparability with India and Kerala. For the former figures, I am using data developed by Patrick Heller from the *World Development Report* of 1994, the *UNDP Human Development Report* of 1994, and Government of Kerala data from 1992. For the Ceará/Northeast/Brazil per-capita GDP figures used previously, as noted above, I used government of Brazil sources, which give higher figures. I did this in order to make possible comparisons between Ceará and Brazil and the Northeast. In order to arrive at this paragraph's [lower] per-capita GDP figure for Ceará, I took Ceará's per-capita GDP as a percentage of Brazil's per-capita GDP from my data and applied this percentage (38) to Heller's/World Bank's per-capita GDP for Brazil of $2,770.

26. In contrast to the well-known foreign imposition of the agrarian reforms of many of the East Asian cases--which often disqualifies them as models for Latin America and most other places--it is important to note that Kerala's agrarian reform was the result of *internal* and broadly inclusive mobilizing carried out over many years by the state's Communist Party. The CP was able to build and draw on various already organized groups of a dense civil society, all of which also helped to keep it in check. Although Communist-Party mobilizing may be just as irrelevant for Latin America today as foreign-imposed agrarian reforms, the broader phenomenon of widespread mobilizing around agrarian and other poor-oriented reforms is not at all unfamiliar to what is happening today in some places in post-authoritarian Latin America today. In Brazil, for example, the rise of the Landless Workers Movement (and earlier, the Workers' Party) and its demands for agrarian reform, have clearly played a role in the seriousness with which the government is currently facing that issue.

Just as India's respect for democracy and procedure created space for the Communists to mobilize around this and other redistributive issues, Brazil's new respect for democracy has made it more like India--in contrast to the previous authoritarian period--in terms of the kind of mobilization it will tolerate. And just as the Congress Party's involvement in the struggle for liberation from the British contributed to its reluctant willingness to tolerate Communist-Party organizing, so Brazil's struggle to free itself from a repressive military regime also created a new environment of tolerance for mobilizing.

27. I owe this observation to Patrick Heller, in response to my question about where I might find some literature from a public-administration or institution-building view of how the state government actually did it, and why so well.

28. One explanation may lie in the fact that researchers of Kerala who publish in Western development journals--whether pro or con--have been captured by other issues: first, that low per-

capita incomes could be associated with high social indicators (a lot of research effort went into establishing and measuring these outcomes); second, a later-emerging view that doubted the sustainability of a low-growth model (the same doubts fell on the similarly touted Sri Lanka case), a view that was augmented later by those who pointed to the mobilizing and empowerment of labor as the culprit (in certain ways, similar to the negative judgments on "populist" Latin America); and third, a more mobilization-sympathetic set of researchers who were fascinated by what happened *outside* government, rather than inside.

29. Mark Granovetter provides an interesting example of the shortsightedness caused by characterizing whole countries--in the case of his example, the East-Asian style of government as "good" and South Asian as "bad." He attributes this overly general characterization, and the attribution of "good" to one and "bad" to the other, to the fact that "business groups" are hardly studied in the non-Indian literature on India, but yet they are a hot scholarly topic for students of East Asia. There, the particular pattern of relations with them are said to have been an ingredient of "good government" which results in not noticing their importance, let alone touting them, in a place like India normally used as an example of "bad" policies and "rent-seeking" governance.