

# 1 Ethiopia and the Challenge of Late-Late Development

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The challenge of structural transformation and the importance of the state to development have returned to centre stage. After several decades in which state intervention in the economy was widely dismissed in favour of market liberalisation, good governance and poverty reduction, the last decade or more has seen renewed interest in the state's role in development and the importance of industrial policy from both academics and policy actors.<sup>1</sup> This renewed attention has particularly focused on Africa, where to date, countries have made the least progress towards the structural transformation of their economies and many face growing problems of youth unemployment. A prominent theme in these debates concerns the challenges of 'late-late development' and how the contemporary global economy shapes opportunities for structural transformation. For many observers, the restructuring of the economy into global value chains and the liberalisation of trade and investment flows since the 1980s mean that the challenge of state-led development has become progressively harder (Kaplinsky 2013, Gereffi 2018).

An important thread of past and recent work on state-led development underscores that the challenge of structural transformation is as much a political as a technical one (Evans 1995, Kohli 2004, Doner et al. 2005, Doner 2009, Vu 2010, Whitfield et al. 2015, Whitfield 2018).<sup>2</sup> Effective industrial policy requires, amongst other things, a cohesive ruling elite focused on long-term economic transformation rather than short-run political pressures, state capacity to monitor and discipline firms

<sup>1</sup> For example, Mkandawire (2001), UNRISD (2010), UNCTAD (2011), Esteban et al. (2013), Lin Yifu (2013), Whitfield et al. (2015) and Haggard (2018).

<sup>2</sup> The term state-led development – rather than the common term 'developmental state' – is used here for two reasons. First, the concept of a developmental state is problematic in that it defines a particular state in terms of the outcomes it achieves rather than features of the state itself, despite the fact that exogenous events, such as the global economy, affect whether state efforts translate into developmental performance (Mkandawire 2001). Second, to avoid confusion, 'developmental state' is reserved for the particular strategy and ideology employed by the Ethiopian government from the mid-2000s onwards, as discussed in Chapter 4.

to promote productivity increases, and the power to suppress popular pressures for consumption in favour of investment. While, on average, authoritarian regimes do not achieve better economic performance than democratic ones (Przeworski et al. 2000), the most successful examples of state-led development since the Second World War have nonetheless taken place under particular forms of authoritarian rule in East Asia. More precisely, the most successful examples of rapid state-led development, from Singapore, South Korea and Taiwan to China, Malaysia and Vietnam, have taken place when authoritarian leaders perceive national development and the expansion of economic opportunity to be essential for their political survival (Haggard 1990, Campos and Root 2001, Doner et al. 2005). In such circumstances, ruling elites set aside divisions and instead focus on building high-capacity states that promote structural transformation and economic development.<sup>3</sup>

In contrast to the image of strong and capable states driving structural transformation across East Asia, the literature on African politics is almost unremittingly pessimistic about the prospects for effective state intervention.<sup>4</sup> From this perspective, African states lack control of their own territory, let alone the capacity and expertise required for sophisticated industrial policy (Herbst 2000, van de Walle 2001). Regardless of formal state institutions, ruling elites in so-called 'neo-patrimonial' African states are motivated solely by enhancing their own power, leading them to plunder the state for self-enrichment and to finance their patronage networks rather than providing incentives to firms to invest in increased productivity (Bayart 1993, Evans 1995, Kohli 2004). As such, renewed interest in state-led development in Africa, on the one hand, and the 'impossibility theses' presented by the literature on African politics (Mkandawire 2001), on the other, raise vitally important questions. Is there any possibility that authoritarian regimes in Africa might pursue state-led development as a means of securing their own political survival along similar lines to those in East Asia? Or are African states uniquely beholden to 'neo-patrimonialism', thereby eliminating any possibility of effective state intervention? Moreover, how does the context of 'late-late development' alter prospects for state-led development and the political processes required to bring it about?

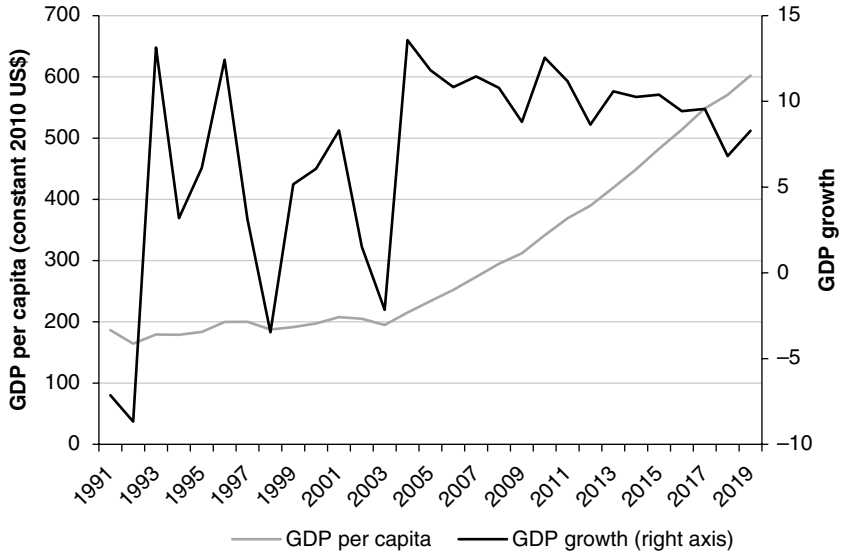
<sup>3</sup> Industrial policy is harder to implement in democracies. Governments tend to have shorter time horizons that are difficult to align with long-term planning, while multiple veto points provide opportunities for interest groups to block state action (Schlogl and Kim 2021). These challenges are illustrated in Whitfield's (2018) analysis of Ghanaian industrial policy.

<sup>4</sup> Noteworthy exceptions include Mkandawire (2001), Whitfield et al. (2015) and Hickey et al. (2023).

Viewed in the light of these questions, the Ethiopian experience in the first two decades of the twenty-first century stands out as a vitally important case of state-led development in Africa and, moreover, a rather puzzling challenge to existing theories. Academics and media alike lauded Ethiopia for shedding its past image of famine to become one of the fastest growing economies in the world (Gill 2010, De Waal 2015, Moller 2017, Clapham 2018). The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) ruled Ethiopia and dominated the political scene from 1991 until 2019. In the fifteen years from 2004, GDP growth averaged 10 per cent per annum, resulting in a tripling of GDP per capita (Figure 1.1). In addition, the completion of a series of mega-projects, including new railways, hydropower dams and industrial parks greatly expanded economic infrastructure and constitute visible symbols of Ethiopia's transformation, leading many to suggest that Ethiopia could become a new global centre for light manufacturing (Aglionby 2017, Leithead 2017, Whitfield et al. 2020). Moreover, economic growth translated into steady progress on social indicators, with Ethiopia among the few African countries to make significant progress towards the 2015 Millennium Development Goals, expanding educational enrolment and reducing poverty and maternal and child mortality, for example. Undoubtedly much remains to be done. However, socio-economic progress under the EPRDF was remarkable and would appear to vindicate what the government itself described as its 'developmental state' strategy.

Despite these successes, however, clearly all was not well. From 2014 onwards, mass protests spread across Ethiopia's central Oromiya region and from there countrywide. The protests were originally sparked by development plans for the capital city, Addis Ababa, and the displacement of farmers to make way for state-supported development projects. However, these 'Oromo Protests' broadened into mass protests against the authoritarian EPRDF and its 'developmental state' project. Brutal suppression by security forces only contributed to the protests' further spread in the following years. Protests gradually paralysed the country and ultimately forced Prime Minister Hailemariam Dessalegn to resign in early 2018. The EPRDF's choice of Abiy Ahmed, from the Oromo wing of the ruling coalition, as Hailemariam's successor initially led to optimism that developmental progress could be sustained amidst political reform. However, factional divisions deepened, leading to a power struggle, the dissolution of the EPRDF in 2019 and the outbreak of civil war in northern Ethiopia in late 2020 with catastrophic impacts both on human lives and the economy.

(A)



(B)

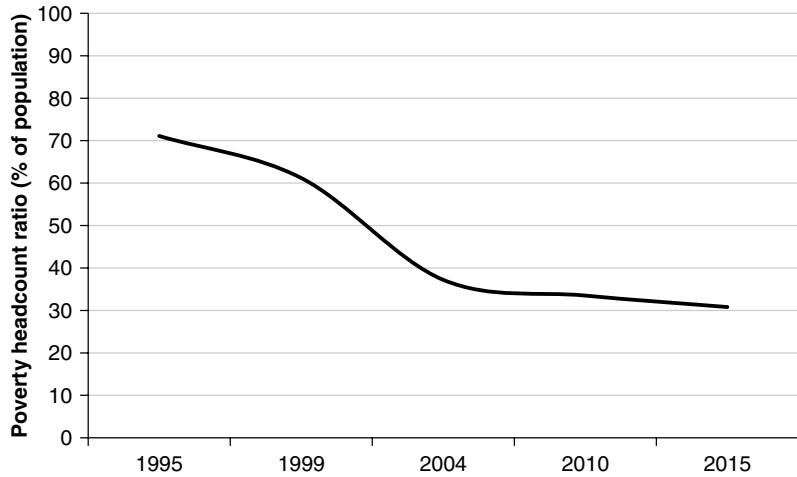
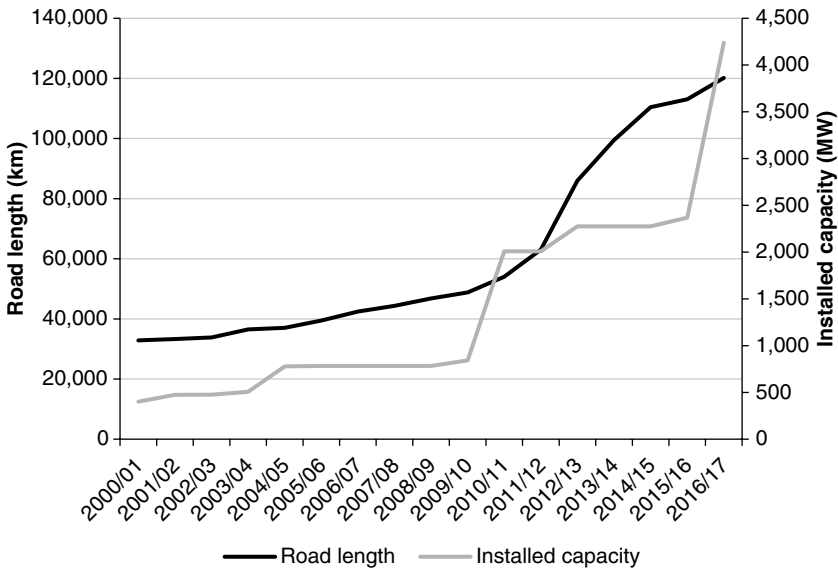


Figure 1.1 Select development indicators. A. GDP per capita and annual growth; B. Poverty headcount ratio (US\$1.90/day 2011 PPP); C. Infrastructure expansion; D. Under 5 mortality rate (per 1,000 live births)

Source: author, based on World Bank World Development Indicators, NBE (2017, p. 12), USAID (2019).

(C)



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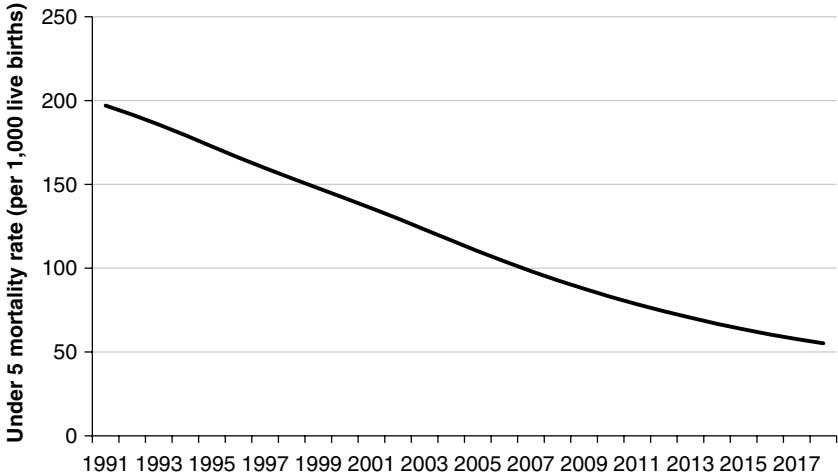


Figure 1.1 (cont.)

This book provides a detailed examination of the political dynamics shaping the rise and fall of the EPRDF's project of state-led development. To do so, the book is situated between two main literatures, namely those on the politics of state-led development and that on authoritarian

durability. Usually treated separately, integrating these theories is an important step towards understanding the potential and limitations of Ethiopia's 'developmental state', and the prospects for late-late development. Moreover, analysis of the Ethiopian experience enables the book to make important contributions to each of these bodies of work.

The book makes two main contributions to the literature on the politics of state-led development. First, and contrary to more pessimistic assessments, the Ethiopian case shows that it is possible for African states to obtain the capacities required to promote development and for leaders to pursue state-led development as part of their strategy for maintaining power. Indeed, the developmental progress achieved in Ethiopia is comprehensible in terms of theories developed to explain state-led development in East Asia. Building on the legacy of Imperial and then revolutionary state-building, the EPRDF sought – with considerable success – to consolidate political dominance through a project of state-led development that would expand economic opportunities – first in agriculture and then through labour-intensive industrialisation – as a means of securing mass compliance. Despite having an unusual history compared to the rest of the African continent, Ethiopia nonetheless highlights the considerable diversity in political configurations and state capacities that belie the common tendency to generalise from some of the more problematic experiences of African states when considering the prospects for state-led development.

Second, the Ethiopian experience highlights that the political challenges to state-led development in the contemporary era have deepened considerably compared to earlier experiences of structural transformation. Much of the literature on the politics of state-led development has focused on the domestic political factors that explain variation in country experiences. While important, the prospects for state-led development have always been influenced by the global economy and the ways in which earlier industrialisers have reshaped the opportunities and challenges for latecomers (Gerschenkron 1962, Amsden 1992, Meiksins Wood 2002). In the latest iteration of this evolving process, late-late developing states such as Ethiopia face major challenges of which two stand out. On the one hand, the global economy places major constraints on the development of a high-wage, high-productivity manufacturing sector, and mutually reinforcing economic linkages between agriculture and industry. On the other, late-late developing countries experiencing delayed demographic transitions are facing larger and more rapid population growth and urbanisation than earlier industrialisers. The result in Ethiopia, and many other countries, is that ruling elites face acute mass distributive pressures in the form of a shortage

of land and employment opportunities at the same time as the potential for state-led development to alleviate these pressures through mass industrial employment creation, along similar lines to many East Asian countries, is severely constrained.

The distributive challenges associated with late-late development also have important implications for the literature on authoritarian durability. The tendency of the 'third wave' to deliver elections but not democratisation, and concerns about creeping authoritarianism in both established and new democracies has resulted in renewed interest in authoritarianism (Levitsky and Way 2010, Slater 2010, Geddes et al. 2018). Research frequently highlights two main factors that shape authoritarian durability, neither of which provides a convincing explanation for the EPRDF's collapse. First, one of the most consistent conclusions is that economic growth is favourable for authoritarian durability, while economic crisis that limits regimes' ability to reward cadres leads to defections, mass protests and authoritarian collapse (Bratton and van de Walle 1997, Haggard and Kaufman 1997, Geddes 1999, Przeworski et al. 2000, Levitsky and Way 2010). From this perspective, one might have expected Ethiopia's booming economy and progress in social indicators to have insulated the EPRDF from the mass opposition that ultimately precipitated its demise.

A second conclusion focuses on the importance of elite cohesion and political parties to regime durability. Where a cohesive elite builds a strong political party, this can provide the basis for elite collective action (Huntington 1968, Geddes 1999, Brownlee 2007, Slater 2010). Moreover, the strongest parties that provide the foundation for the most durable authoritarian regimes are those forged in the intensity of revolutionary struggle (Geddes 1999, Levitsky and Way 2010, Lachapelle et al. 2020). Yet the EPRDF came to power in Ethiopia through a protracted revolutionary struggle in the 1970s and 1980s and, since taking national power in 1991, spent several decades building what was widely considered to be a formidable and well-resourced party (Emmenegger et al. 2011, Vaughan 2011, Vaughan and Gebremichael 2011). Why then did one of the wealthiest and best-organised political parties on the continent implode so spectacularly in the midst of an economic boom?

This book argues that the answer lies in the distributive failings of the EPRDF's project of state-led development, which are at least partly explained by the challenging context of late-late development, including the barriers to mass employment creation and demographic growth. A focus on critical junctures, elite politics and economic growth in recent work on authoritarianism has been important. Nonetheless, this work downplays the importance of distribution, mass politics and the dynamic

challenge of mass incorporation in the context of urbanisation and the evolving class structures inherent to structural transformation. In Ethiopia, the EPRDF was initially able to consolidate power and secure mass acquiescence in a largely agrarian society through the expansion of state and party structures and control over the distribution of land and agricultural inputs. However, rapid population growth resulted in land shortages and made structural transformation and mass employment creation imperative to continue this process of mass incorporation. Despite rapid economic growth, the failure of attempts to create mass industrial employment resulted in a growing distributive crisis that was a major factor in the protests that began in 2014. These mass protests magnified emerging divisions within the ruling elite and directly precipitated the EPRDF's collapse. Theorisation of the challenge of authoritarian durability in the context of structural transformation therefore requires attention both to the long-run influence of evolving class and communal structures that underpin political authority (Moore, Jr. 1967, Skocpol 1979, Boone 2003) alongside the short-term impact of elite politics and party structure.

### **Structural Transformation and the Role of the State**

Any analysis of state-led development must begin by unpacking the ambiguous concept of development. To do so, I draw particularly on excellent overviews in Waldner (1999) and Whitfield et al. (2015), as well as the agrarian change literature. While many studies focus on the crude indicator that is the economic growth rate, the approach taken in this book is that economic development depends not just on high rates of growth, but, vitally, the structural transformation of the economy, moving away from subsistence activities producing primary products with unskilled labour towards high-productivity activities producing knowledge-based assets with skilled labour. It is only in this way that a country's economy can move into more specialised activities with less competition, capturing rents that create value and provide jobs that ensure a decent standard of living. Since the demise of a communist alternative, structural transformation requires a shift to capitalist production.

Structural transformation is often associated with industrialisation. However, the approach taken here is that structural transformation comprises three distinct, albeit interlinked, processes: agrarian transformation, economic diversification and industrial upgrading. While industrial policy and the creation of a dynamic manufacturing sector are vitally important, as discussed below, a narrow focus on industrialisation risks neglecting the importance of agrarian transformation, both



in terms of its direct impact on agricultural livelihoods and agriculture's contribution to industrialisation. Repeated studies demonstrate that agricultural productivity growth – where land is broadly distributed rather than monopolised by large landholders – has a far greater impact on the reduction of extreme poverty than industry or services (Timmer 1997, Irz et al. 2001, Thirtle et al. 2003). By contrast, where industrialisation proceeds without agrarian transformation, industrial progress does not stimulate agricultural productivity growth, resulting in high rates of inequality and rural poverty (Kay 2002, Thirtle et al. 2003, Henley 2012). Moreover, agricultural productivity growth has historically provided an important stimulus to industry by: providing cheap food that limits real wages; producing agro-industrial inputs for processing; expanding the domestic market for locally produced industrial goods; generating foreign exchange to enable the import of capital goods; and 'freeing' surplus labour to provide an industrial workforce (Mellor 1995, 2017, Kay 2002, Bernstein 2004, 2009, Akram-Lodhi and Kay 2010). As such, when the majority of the population resides in rural areas, there are good reasons for focusing initially on agriculture.

The importance of agricultural productivity growth and surplus extraction places agrarian class relations at the centre of analysis. In early industrialising European countries, state intervention restructured property rights, separating agricultural producers from the land with the result that they were 'compelled to produce competitively' (Brenner 1982, p. 18, Polanyi 2001, Meiksins Wood 2002, Bernstein 2004). The state played a more direct role in subsequent examples. In the Soviet Union and China, revolutionary states expropriated the landed elite and captured the 'surplus' required to finance industrialisation, at the cost of the immiseration of the peasantry, through agricultural collectivisation (Akram-Lodhi and Kay 2010). Meanwhile, in late developing South Korea and Taiwan, the state expropriated the landed elite and redistributed land to smallholders in the aftermath of the Second World War. Here it was the state, rather than market forces, that raised agricultural productivity and ensured agriculture's contribution to industry, investing in rural infrastructure and agricultural extension services, forcing farmers to adopt new technologies and extracting the agrarian surplus through taxation and adverse terms of trade (Amsden 1979, Wade 1983, Moore 1984, Byres 1991, Kay 2002).

Agrarian transformation therefore plays a central role in poverty reduction and has the potential to contribute to industrialisation. However, agriculture is ultimately characterised by diminishing returns: beyond a certain point, increased inputs of labour and capital lead to progressively smaller productivity increases in the face of the limited supply

of land (Reinert 2007, Whitfield et al. 2015). Diminishing returns can arise through the expansion of cultivation onto less productive land or through intensification of existing production. While the application of new technology – such as irrigation, fertiliser and improved seed varieties – may deliver significant productivity increases, ultimately agriculture is constrained by the limits of natural resources. Industrialisation and the shift to high-productivity economic activities with scale economies and increasing returns is essential to break these Malthusian dynamics (Brenner 1982, Reinert 2007, Livi-Bacci 2017).

Many analysts distinguish two conceptually distinct processes within industrialisation, namely diversification and upgrading. The initial challenge of economic diversification is a process of imitation and learning whereby late industrialising countries acquire technology and copy production techniques from more advanced economies (Gerschenkron 1962, Amsden 1992, Waldner 1999, Khan 2000, Whitfield et al. 2015). Typically, the basic industries that provide the first steps include textiles and apparel, and leather and footwear. Achieving economic diversification requires resolution of what Waldner (1999) calls ‘Gerschenkronian collective action dilemmas’ that otherwise prevent capitalists from investing in production due to risks related to the learning process, future markets and competition, and the benefits of alternative investments such as real estate or trade. State intervention is required to provide necessary infrastructure and investment incentives, to protect firms while learning to use borrowed technology and to promote intersectoral linkages that capture more value domestically (Amsden 1992, Waldner 1999, Khan 2000, Whitfield et al. 2015). The technology employed in basic manufacturing, however, tends to be so widespread that there are few barriers to entry and the global market is highly competitive, offering few opportunities for innovation. Consequently, international competition is primarily based on low wages (Amsden 1992, Waldner 1999). While basic industries may provide an important source of employment and increased standard of living compared to agriculture, jobs nonetheless offer limited potential to raise living standards.

A second and more challenging step is to move from economic diversification to upgrading, enabling firms to compete in sectors of high-wage employment based on improvements in production processes and product innovation (Amsden 1992, Waldner 1999, Gereffi 2005, Doner 2009, Whitfield et al. 2015). Industries involving production of high-value-added goods requiring large amounts of capital, technology and skills have large barriers to entry, with the result that firms involved face more limited competition and are thereby able to charge higher prices and pay higher wages to their employees (Reinert 2007). Economic upgrading requires tackling

'Kaldorian collective action dilemmas' that prevent the improvement of firm performance (Waldner 1999). The state has an even more important and challenging role to play in overcoming these collective action problems, providing protection and incentives for firms taking risks in uncertain but potentially high-reward sectors, as well as pursuing process and product innovations (Amsden 1992, Waldner 1999, Khan 2000, Whitfield et al. 2015). At the same time, states must coordinate between upstream and downstream firms, and discipline firms to ensure that learning and productivity improvements do take place (Wade 1990, Amsden 1992).

Many middle-income countries across Asia and Latin America have succeeded to varying degrees in achieving *economic diversification*, contributing to important improvements in living standards. However, it is the *industrial upgrading* achieved by the likes of South Korea and Taiwan from the 1970s onwards that brought widespread wealth and attracted such attention, not just catching up with the advanced economies, but in many cases surpassing them. By contrast, where the state has been unable to drive upgrading, industrial production has become stuck, focused primarily on relatively low-value-added assembly roles, rather than the technology- and knowledge-intensive activities that add most value. Examples include Thailand's garment, electronics and automobile sectors, and Malaysia's electronics industry where firms focus primarily on the assembly of imported inputs (Lauridsen 2004, Doner 2009).

Structural transformation is therefore key to raising a population's living standards and comprises three interlinked processes: agrarian transformation; economic diversification; and industrial upgrading. The state can play a vital role in each of these processes and, indeed, the later a country tackles structural transformation, the greater the need for state intervention to 'catch up' (Gerschenkron 1962, Wade 1990, Amsden 1992, Waldner 1999, Whitfield et al. 2015). The key state function is the ability to allocate 'rents' to promote productive investment. Despite the common critique of 'rent seeking' as inimical to development, there are actually many types of rent with diverse implications for structural transformation (Boone 1992, Khan 2000, Mkandawire 2001). While some rents can be problematic, leading to inefficiency, others, such as rents for learning, innovation and process improvements, are essential. A key function of states in both late industrialising East Asian states and early industrialisers was the allocation of rents to stimulate productive investment (Chang 2002, Reinert 2007).<sup>5</sup>

<sup>5</sup> As Whitfield et al. (2015) note, states made mistakes and some rents were put to unproductive uses. Nonetheless, successful states learned from failures (Cheng 1990, Moon and Prasad 1994).

Building on this definition of structural transformation, Chapter 2 develops the main theoretical argument of the book regarding the political processes underpinning state-led development. The chapter proposes that state-led development depends, on the one hand, on the historical process of state formation that produces states with divergent capacities to contribute to development, and, on the other, elite threat perceptions that shape leaders' incentives to pursue structural transformation as a means of maintaining political power. Ruling elites in late-late developing countries are likely to mobilise state capacity to pursue structural transformation when they face mass distributive pressures that threaten their hold on power and exceed existing resource constraints.<sup>6</sup> However, a focus on elite and mass politics within national boundaries is insufficient. In particular, analysis of domestic politics must be set in the context of the unique challenges of late-late development, namely the constraints that the contemporary global economy imposes on structural transformation and the distributive pressures resulting from delayed demographic transitions. Both these factors heighten the distributive challenges facing political leaders, presenting a major challenge to authoritarian leaders seeking to maintain power through developmental performance.

### **State-Led Development and Distributive Crisis in the EPRDF's Ethiopia**

This book develops the theoretical arguments outlined above through the detailed analysis of the Ethiopian case. Ethiopia provides a particularly important test case for authoritarian state-led development, with vital theoretical and comparative implications for other late-late developing countries. This section outlines in more detail the specific argument advanced in the book regarding the rise and fall of the EPRDF and highlights the book's contribution to the existing literature on Ethiopian politics and development.

The EPRDF's project of state-led development was fundamentally shaped by the political pressures that the coalition faced while in power. However, it is also important to place the EPRDF in the context of long-term processes that shaped the Ethiopian state and society, and the impact that these had on subsequent state-led development. This legacy of past state formation was a dual one. On the one hand, the hierarchical Imperial state was transformed and bureaucratised through the modernisation project of Haile Selassie (1930–1974) and, following the 1974

<sup>6</sup> Building on work by Doner et al. (2005).

revolution, under the Derg military regime (1974–1991). The result was not only a relatively strong state that exerted enormous control over the population – in the highland core at least – but also the eradication of the landed elite, and the weakness of domestic capital and popular classes. The legacy of the revolution was therefore one of considerable state autonomy and capacity, both of which would prove vital to subsequent state-led development. On the other hand, the territorial expansion and incomplete nation-building project of the Imperial state left a legacy of enormous ethno-linguistic heterogeneity. By the time the EPRDF came to power in 1991, ethnic diversity and inequality were increasingly politicised, not least due to the efforts of the TPLF and other ethnic-based movements to mobilise the population along ethno-nationalist lines. The EPRDF therefore inherited a state facing a fundamental challenge regarding the place for ethnicity in politics.

Having fought its way to national power by 1991 through a Maoist insurrection in the northern region of Tigray, the TPLF faced a difficult situation in which to consolidate national power. Though militarily dominant, the TPLF, which through the civil war had developed a high degree of elite cohesion, ideological commitment and control of the masses in Tigray, remained extremely politically vulnerable with limited elite or popular support outside that region. The TPLF's political strategy was twofold. First, the new government launched a state-building project based on a federal system comprising ethno-linguistically defined regions. This federalism aimed to address the 'national question' inherited from past regimes by allowing for a degree of ethnic self-determination, while the TPLF formed ethnic-based parties to administer regional administrations as part of the EPRDF coalition. Political control rested to a considerable degree on the symbolism of ethnic self-determination, and the TPLF's co-optation and subordination of newly formed EPRDF parties. Yet, by creating the federal system, the EPRDF also made ethnicity the central organising principle of politics, entrenching the politicisation of identity.

Second, the EPRDF considered widespread poverty and rapid population growth to present a major distributive threat. The government sought to consolidate its control over the masses through a broad-based development strategy, providing mass distribution in forms that tied people to the party-state. The first step was to maintain state land ownership and the distribution of usufruct rights to peasant farmers. However, the EPRDF also sought to expand economic opportunities as a means of maintaining mass compliance. Attention initially focused on raising smallholder agricultural productivity through state-controlled distribution of agricultural inputs. However, the focus on

agricultural productivity growth was always linked to a long-term ambition of using the agrarian surplus to stimulate labour-intensive industrialisation and mass employment creation that would reduce pressure on rural land, thereby enabling urbanisation and improved living standards. In doing so, the expectation was that the government would retain popular compliance during a process of structural transformation and urbanisation.

This political and economic strategy was, in many respects, successful. A party split in 2001 led to the centralisation of power around the Prime Minister, Meles Zenawi, and a concerted focus on implementing the national development strategy. The result was rapid agricultural productivity growth and strong economic growth fuelled by state infrastructure investment. However, the limitations of this strategy also sowed the seeds of the EPRDF's eventual demise. In terms of mass incorporation, the key failing was the slow pace of industrialisation and mass employment creation. Rapid population growth and rural land shortages meant that agriculture was no longer able to provide livelihoods for or political control over a rapidly expanding youth population. Moreover, despite some latter success in attracting foreign investment to new industrial parks, progress with industrial employment creation was minimal compared to the great needs of a rapidly growing and urbanising population. Despite being a key government priority over several decades, progress with industrialisation was slow, largely due to domestic capitalists' inability to bridge the technological frontier between their limited capacities and those required to secure a foothold in highly competitive global value chains, and the failure of state industrial policy to provide sufficient incentives to press them to do so (Brautigam et al. 2018, Grumiller 2021, Whitfield and Staritz 2021). In the absence of mass employment creation, growing population pressure and landlessness amongst young adults was further exacerbated by the government's development projects, displacing landholders with minimal compensation to make way for urban expansion, infrastructure projects and agricultural investments. Though population growth and stalled structural transformation were the main factors driving this distributive crisis, displacement for urban expansion and development projects provided a highly visible flashpoint for growing resentment at the shortage of opportunities generated by the development model. It was these instances of displacement that provided the initial spark for the Oromo protests in 2014 and 2015. The protests subsequently spread across the region and then the country fuelled by the broader distributive crisis and the politicisation of ethnicity, with distributive failings framed as inter-ethnic grievances.

A full understanding of the EPRDF's collapse requires analysis of the links between this mass distributive crisis and elite political dynamics, however. Elite cohesion within the EPRDF rested on the dominance of the TPLF and Prime Minister Meles Zenawi, and the acquiescence of the leadership of the other ethnic parties. This uneasy compromise within the EPRDF gradually began to unravel, particularly after Meles' death in 2012. The result was that when anti-government protests spread from 2014, leaders of subordinate ethnic parties within the EPRDF did not identify a common threat to the ruling elite that required a unified and coherent response, but rather saw potential for political advancement in riding the wave of ethnic-based anti-government protests. As such, mass protests magnified emerging divisions within the EPRDF, leading some factions to align with and encourage the protests, whilst others sought to suppress them. The 2018 leadership change, the EPRDF's dissolution in 2019 and the outbreak of civil war in 2020 are ultimately the complex results of these elite power struggles within the former EPRDF in the context of a mass distributive crisis. Ultimately, the distributive crisis and elite fragmentation translated into a broader crisis of the Ethiopian state, centring, once again, on the role of ethnicity in politics.

By developing these arguments, this book makes a number of important contributions to the existing literature on Ethiopian politics and development. First, the book deepens understanding of the political drivers and ramifications of the EPRDF's 'developmental state'. There is a strong tendency in existing work to focus on former Prime Minister Meles Zenawi for his outsized influence in shaping the trajectory of Ethiopian development. This book certainly acknowledges the importance of Meles and his ideas, particularly after 2001 when he consolidated power within the ruling party. However, by situating the EPRDF within a long-run history of state formation and revolution, and emphasising how the structural vulnerabilities facing the EPRDF shaped its political strategy, the result is a more balanced assessment of Meles' role. To paraphrase Marx, Meles made his own history, 'but under circumstances existing already, given and transmitted from the past'.<sup>7</sup>

Second, the book provides a more comprehensive analysis of the EPRDF's project of state-led development. Existing research tends to examine only the sector-specific manifestations of the macro political economy shaping Ethiopian development through analysis of agriculture (Berhanu and Poulton 2014, Bachewe et al. 2018) or industrial policy (Oqubay 2015, Cheru et al. 2019, Whitfield et al. 2020). These excellent studies provide firm foundations for the analysis in subsequent chapters.

<sup>7</sup> In *The Eighteenth Brumaire of Louis Bonaparte* (Marx 2008).



However, the EPRDF did not merely aim to bring about progress in a particular sector, but sought an ambitious project of economic and societal transformation that cut across sectoral boundaries. The analysis in this book therefore tackles this macro political economy head on through a multi-sectoral, multi-scalar and historical approach that examines the political drivers of the government's evolving development strategies and their distributive outcomes.

Third, the book deepens understanding of the EPRDF's collapse and what, at the time of writing, is an ongoing civil war in northern Ethiopia. Ever since the EPRDF adopted ethnic federalism, modelled on Stalin's approach to the national question in the Soviet Union, there has been a view that politicising ethnicity would inevitably lead to inter-communal conflict and the Balkanisation of Ethiopia (Abbink 2006, Mehretu 2012, Bayu 2022). From this perspective, the EPRDF's political project was doomed from the beginning and the civil war might be interpreted as the inevitable result of the ethnic divisions resulting from the federal system. For others, meanwhile, the protests that forced the EPRDF from power were due to the 'developmental state's' unjust expropriation of smallholder farmers that stood in the way of EPRDF-defined progress (Rahmato 2019). As argued above, expropriation was an important spark for mass protests, while federalism undoubtedly shaped the form that the protests assumed and the salience of ethnicity in elite and mass politics. However, this book shows that the EPRDF's collapse and subsequent conflict are also rooted in a deeper distributive crisis of the EPRDF's state-led development model. While political conflict has manifest along ethnic lines, elite divisions and mass discontent are not inherently 'ethnic' in nature, but rather the result of elite power struggles and mass distributive pressures being refracted through the institutions of ethnic federalism. Indeed, conflict is not caused by ethnic divisions alone, but becomes more likely when ethnic cleavages intersect with political inequality and material deprivation (Stewart 2010, Wimmer 2018). In Ethiopia, the growing politicisation of ethnicity proved so explosive precisely because identity politics combined with a distributive crisis and elite fragmentation, fuelling inter-ethnic grievances and resulting in a crisis of the state. Analysis of these processes is essential to developing a deeper understanding of the Ethiopian case and the implications for state-led development in Ethiopia and elsewhere.

Finally, by analysing Ethiopia through the theoretical lenses of the politics of state-led development and authoritarian durability, the book places Ethiopia in comparative context. Given Ethiopia's unusual history, the country is usually explicitly dismissed as an exception or implicitly



brushed over in comparative studies of African politics. Consequently, most of the best analysis of Ethiopian politics is placed in single country works, with little attempt to compare and contrast with other countries. An important contribution of this book, therefore, is to place the Ethiopian experience in direct conversation with other countries tackling the challenge of late-late development in Africa and Asia. Indeed, Ethiopia's unusual history makes Ethiopia a leading candidate for authoritarian state-led development and, consequently, the challenges experienced in recent years raise important questions about the potential for such processes to play out elsewhere.

### **Methodology and Data Sources**

The methodological approach taken in this book builds on the principles of process tracing, which seeks to reconstruct a causal sequence of events by analysing a case study in context, evaluating and, where possible, ruling out rival theories through comparison with available evidence (George and Bennett 2004, Collier 2011, Bennett and Checkel 2014). To do so, the analysis triangulates between multiple data sources with convergent lines of inquiry. The main data source is detailed primary research conducted over more than a decade (2009–2020). This fieldwork comprises more than 500 interviews and focus group discussions with: senior politicians, bureaucrats and policymakers in federal and regional governments; donor representatives; local government officials and party footsoldiers; and residents of rural and peri-urban sites across Ethiopia. Indeed, this breadth and depth of empirical research – from the highest levels of political office to village-level case studies – constitutes a major contribution of the book. The analysis complements primary research with documentary evidence based on archival research in state departments in Ethiopia, as well as official reports, statistics and existing survey data.

As discussed in Chapter 2, existing theories highlight centralised political authority, state capacity and autonomy from social forces as pre-requisites of state-led development. Viewed from this perspective, Ethiopia under the EPRDF can be considered a critical or most likely case for state-led development in Africa. Ethiopia is unusual in having a long history of a hierarchical state legitimated by state religion and based on a sophisticated agrarian system and plough agriculture (Goody 1971, Tareke 1991, Donham 2002). Indeed, Ethiopia was the one country in Africa that centralised political authority sufficiently in the late nineteenth century to respond to the threat of European colonialism and maintain its independence. Subsequently, and again unusually,

Ethiopia experienced a social revolution in the 1970s that transformed the Imperial state, massively expanding the control and reach of a bureaucratic state. The result was that by 1991, when the EPRDF seized power, Ethiopia possessed what in many respects was a relatively strong state that exerted an outsized influence on society (Clapham 1988). Moreover, the EPRDF made a concerted effort to learn from the earlier experiences of South Korea and Taiwan (Ohno et al. 2011, Clapham 2018), and jealously guarded its policy autonomy from donor influence as it launched a development project sharply at odds with the dominant market liberalism (Furtado and Smith 2009, Feyissa 2011a). As such, if authoritarian state-led development along East Asian lines is possible anywhere in Africa, Ethiopia would surely be a leading contender.

The focus on the rise and fall of the EPRDF necessarily raises questions regarding the timespan of the analysis. Given the importance of long-run state formation on the structure of state and society, it is necessary to situate the EPRDF's time in office in the context of the historical processes that shaped the Ethiopian state. To do so, the analysis begins with a brief discussion of the long-run history of the Ethiopian state and, in particular, the period since the late nineteenth century, when Ethiopia acquired its contemporary borders and Imperial rulers set about constructing modern state structures. This historical analysis pays particular attention to revolution of the 1970s both regarding its effect on the state and the commencement of the TPLF's revolutionary struggle that brought it to national power in 1991.

The end point of analysis is also worth discussion at this point. The EPRDF coalition was formally dissolved in late 2019 when three constituent parties and several affiliates merged to form the Prosperity Party while one – the TPLF that founded the coalition – refused to join. This split paved the way for the civil war between these two factions from 2020. However, the prior resignation of Hailemariam Dessalegn and the selection of Abiy Ahmed as his successor in March 2018 represented a fundamental turning point for several reasons. First, Abiy Ahmed was selected against the wishes of the TPLF that had dominated the EPRDF since its creation, with the result that the leadership change represented a fundamental shift in the balance of power within the ruling coalition. Second, the selection of Abiy Ahmed was the beginning of the end of the EPRDF's 'developmental state' project, as the new regime adopted a more market-based development strategy with strong support from western donors. The result is that the political changes in early 2018 constituted the beginning of a fundamental shift in the power relations and ideological foundations of the EPRDF's state-led development project, the analytical focus of this book. As such, the main focus of analysis is the period up to early 2018,

while Chapter 11 reflects on the implications of the subsequent crisis for Ethiopian politics and development moving forward.

Within the 'case' of Ethiopia the research focuses on different levels of analysis from the federal government and the increasingly important regional states, to the *wereda* (district) and *kebele* (sub-district) that directly interact with the population. The analysis of the federal and regional levels focuses on the political economy of decision-making regarding national and sectoral strategies, and key changes in policy direction. This analysis draws on official and unpublished policy documents, administrative records and official statistics, as well as key informant interviews with key political figures, senior bureaucrats and donor officials involved in negotiations with government. In instances where it was not possible to interview key individuals due to limited access or the earlier death of those involved, the analysis also draws on published interviews and public statements.

The analysis of local-level politics, policy implementation and state–society relations is based on sub-national case studies of particular *wereda* and *kebele*, alongside analysis of existing quantitative datasets to place case studies in context. Sub-national case studies trace implementation of government strategies and state–society relations through regional governments down to frontline offices in particular towns and villages. To that end, sub-national cases are used in Chapter 7 to explore urban expansion and in Chapters 8–10 to examine how local party-state structures distribute resources and maintain political control. These sub-national case studies comprise key informant interviews with important figures within communities, including local party and state officials, elders and religious leaders, as well as semi-structured interviews and focus groups with community residents. For the latter, respondents were selected with a view to ensuring a diversity of views and experiences with careful attention to ensure that selection captured diversity in age, gender, ethnicity and religion.

The local-level cases themselves were also selected with a view to exploring variation in experiences of the state and relations with the EPRDF. Inevitably, in a country as diverse as Ethiopia, a handful of case studies cannot possibly be representative of the complex reality of the country. Instead, the approach taken to sub-national case selection was to choose cases from two extremes in their relations with the party-state. To that end, sub-national case studies contrast Tigray – the historic centre of the Ethiopian state and the home of the TPLF that founded the EPRDF coalition – and Oromiya – incorporated into Ethiopia through conquest at the end of the nineteenth century and where the regional branch of the EPRDF long suffered from a lack of legitimacy amongst the local population.

Qualitative case studies are compared and contrasted where possible with quantitative evidence from existing datasets. In particular, analysis of agricultural development and land access draws on the Socioeconomic Survey (2015–2016) carried out jointly by the World Bank and Ethiopia's Central Statistical Agency (CSA), as well as the CSA's annual Agricultural Sample Survey, and the Large and Medium Scale Commercial Farms Survey. Analysis of industrial development and employment draws on the CSA's Large and Medium Scale Manufacturing Survey, National Labour Force Survey and the Urban Employment and Unemployment Survey. Analysis of the protests that spread across Ethiopia from 2014 utilises data from the Armed Conflict Location and Event Data Project (ACLED).

Finally, given the political sensitivities involved in the research, all interview respondents have been anonymised to protect their identities, with the exception of a few interviews by senior political figures speaking in their official capacity who did not request anonymity.

### **Structure of the Book**

The remainder of the book is structured as follows. Chapter 2 outlines the study's theoretical arguments. The discussion draws on the comparative literatures on state-led development, globalisation, demography and authoritarian durability to identify the political drivers of authoritarian state-led development and the increasingly acute challenges facing states pursuing late-late development. The book then turns to the Ethiopian case, beginning in Chapter 3 with the processes leading to the formation of the Ethiopian state and the revolution of the 1970s. The result was a dual legacy for the EPRDF when it seized power in 1991: a state with relatively high levels of autonomy and capacity that would prove vital for the EPRDF's developmental project, yet increasingly politicised ethnic divisions that presented a major challenge to subsequent state-building. Chapter 4 focuses on the political dynamics that shaped the EPRDF's development strategy once in office, highlighting, first, the vulnerability of the new government and its need to consolidate a political base amongst the non-Tigrayan peasantry, and, second, a series of political crises in the early 2000s that forged a cohesive political elite focused on rapid development and mass distribution as a means of securing its political survival.

The following five chapters analyse the economic and distributive implications of the government's evolving development model. Chapter 5 examines the EPRDF's changing approach to agricultural development and the agrarian question from an initial emphasis on peasant agriculture

to a spatially differentiated strategy that prioritised smallholder commercialisation and capital-intensive agricultural investments. While this strategy ultimately delivered rising agricultural productivity, a combination of population growth, displacement for investments and growing market forces in land gradually eroded what had been the main means of mass distribution and political control – access to land. Chapter 6 examines the EPRDF's attempt to generate mass manufacturing employment as a distributive strategy to replace the past focus on land. Despite the high political priority placed on industrial development, progress was consistently slower than the rapid, broad-based industrialisation demanded by the ruling elite and that required to provide employment for a rapidly growing population with limited agricultural opportunities.

Chapter 7 turns to the issue of urban development and expansion, which came to be a central feature of the 'developmental state' with the growing emphasis on industrialisation, infrastructure and construction. The analysis shows that state expropriation of peasant farmers to make way for urban development exacerbated demographic processes that were already undermining land access for large sections of the population. As such, urbanisation constituted a highly visible expression of the inequality of the 'developmental state', which, when overlaid on historically embedded ethnic divisions in Addis Ababa, proved to be an explosive combination. Chapter 8 examines the government's ambiguous social protection response to these growing challenges. The government introduced and expanded social protection programmes in response to the expanding distributive crisis. Yet the distributive role of these programmes was in tension with the 'productivist' framing of the government's 'developmental state' model, which led the government to limit coverage in order to maintain its narrative of developmental progress. While the government's social protection policy papered over immediate problems, it failed to address the underlying distributive failings of the 'developmental state'.

Chapter 9 then takes a closer look at how the party-state maintained control at the local level through a series of village-level case studies. The chapter shows that the party-state established control over the distribution of almost every necessary livelihood resource – including land, agricultural inputs, credit and social protection – effectively routing the survival strategies of the population through party-state structures. However, the distributive failings outlined in previous chapters – notably the shortage of land and employment opportunities and restricted access to social protection – also exposed the limits of political control. The party-state had progressively little to offer in terms of livelihoods for young adults, with the result that younger generations tended to have much weaker ties to the regime.

The final two chapters examine the EPRDF's collapse and reflect on the implications of the ongoing political crisis in Ethiopia. Chapter 10 traces the EPRDF's downfall to three main factors: the distributive failings of the government's development strategy manifest in high rates of landlessness and unemployment, particularly amongst young adults; growing elite divisions that were exacerbated by the mass protests that spread from 2014; and the ways in which these mass and elite crises were refracted through the prism of ethnic federalism, resulting in ethnic-based protests and elite divisions. Finally, Chapter 11 reflects on the implications of the study for the literature, including the prospects for state-led development in Africa and the challenge of authoritarian durability. The successes and failings of the EPRDF's developmental project raise important questions about the feasibility of authoritarian state-led development elsewhere on the continent.