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From Feudal Bargains to Developmental Coalitions: What the Meiji Restoration Can Teach Pakistan about State Capacity, Taxation, and Industrial Policy

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ABSTRACT

This paper looks at the reasons why certain states that are still late industrializing have managed to develop sustainable developmental capability whilst others have stagnated in the loop of reform and revert. The paper compares the experience of Japan and Pakistan in terms of its transformation process through a comparative historical institutional perspective. It states that modernization is essentially a political act of realignment powered in the reorganization of power among the elite, mobilization of revenue, and correction of economic agents and not merely a result of policy uptake. In the analysis, Meiji Japan was able to destroy the feudal elite bargains and established in its place the centralized developmental coalitions that can enforce the universal taxation, bureaucratic autonomy as well as performance based industrial policy. The reforms enabled the Japanese state to achieve fiscal strength, discipline industry and long-term economic transformation. In Pakistan, on the contrary there has been little change in elite accommodation by means of negotiated political settlements that limit taxation, politicize bureaucratic institutions as well as maintaining industrial rents without responsibility. Consequently, repeated reforms have brought in an outcome that is weak and reversible. The paper combines the perspectives of the developmental state theory coupled with historical institutional political economy to identify elite bargains as an integrative analytical theory to understand the divergent developmental processes. The research adds to the arguments about the state capacity and late development showing that the ongoing modernization requires the reorganization of political power instead of the enhancement of the policy design. Although the historical paths would not be repeatable on the wholesale level, the conclusions made demonstrate the significance of the coalition discipline, fiscal legitimacy, and the institutional enforcement in developing the Pakistan and other states, in which development is lagging.

1. Introduction

The experience of the world in terms of economic development is rather comparative and proves that modernization is not merely the result of engaging suitable economic policies or acquiring high-quality technologies. Rather, it is highly ingrained in the political and institutional systems, by which states exercise power, mobilize resources and in which they manipulate economic behaviour. This is particular to post-colonial societies and especially in late-industrializing societies.

1.1. Background

The condition of late industrialization is at the core of economic transformation that the post-colonial states are trying to accomplish in the conditions of limited fiscal capacity, poor institutional consolidation, and elite entrenched power. Late developers have to modernize fast and at the same time develop effective state apparatus unlike early industrializers who could develop administrative and fiscal capacity at a slower pace. Literature of historical and political economy provides some evidence that such development would only be achieved through the success of a state in centralizing power, conveniently raising revenue, and punishing the political elites and the economic elites based on their attainment of long-run developmental objectives (Johnson, 1982; Evans, 1995; North, Wallis, and Weingast, 2009).

The Japanese change during the Meiji era is one of the most vivid non-western patterns of successful late development of industrialization. After the fall of Tokugawa feudal order in 1868, the process of the extensive Japanese reorganization of political, fiscal and administrative system became possible. Throughout several decades the Japanese state had broken and unified feudalism, had built centralized government, had expanded its tax base as well as had startled state-directed industrialization which instructed the basis of extended economic growth and technological advancement (Jansen, 2000). Notably, this change has taken place in the absence of a sustained colonial power, which makes it difficult to explain that modernization was a process of control by force and the western institutional transplantation.

The re-definition of the elite power relations was one of the features of the Meiji transformation in Japan. Instead of appeasing feudal elites by engaging them in a long process of negotiations, the Meiji leadership proceeded with force to do away with hereditary privileges and local autonomy to restrict the state authority. The abolition of feudalism, the replacement of samurai stipends with government bonds, and the implementation of a homogeneous land tax changed the mode of revenue collection between negotiated and in-kind payments to one which was centralized and monetized and under the control of the state (Okazaki, 2017). Such reforms vastly boosted fiscal ability and gave the funding base in terms of investments in education, infrastructure and modernization of military and early industrialization. Tax reform was therefore perceived more than a measure of economy to be a political tool of redefining the role of the state and the society.

The industrial policy in Meiji Japan was entrenched in this larger state building project. The government became actively involved vindicating the setting up of strategic industries where they provided protection and support. Such support, however, was conditional and was temporary. Those companies that did not conform to the performance standards were scrapped, and the successful ones privatized and subjected to competition to avoid inefficiency and rent-seeking being entrenched over the long term (Johnson, 1982). This ability to simultaneously induce both success and failure helped to make the industrial strategy of Japan unique compared to subsequent situations where industrial policy became veiled in the understanding of long term patronage.

Things are drastically different in the developmental path of Pakistan even after independence. Although the British colonial rule left Pakistan with a centralized administrative machine, it has failed to transform it into state capacity. The taxation is still very selective and uneven, it is politically controversial and mostly the role of the elite groups especially in the agricultural and industrial economic sectors is not directly taxed (Husain, 1999; Zaidi, 2015). This has kept the capacity of the state to mobilize local resources low and this has strengthened reliance on foreign borrowing and limits plans of development in the long term.

Similarly, the industrial policy in Pakistan has been weakened due to the poor institutional underpinnings. As much as the governments of various states have sought to have protectionist tactics, subsidies and concessional finance to boost industrialization, such practices have in scarceness been linked with performance specifications. State-aid has been permeated with the political connections being rewarded instead of productivity and the innovation process, and it has also helped to keep inefficient inefficiencies in the industrial sector (Siddiqi, 2017). Contrary to the experience of Meiji where there were some elite privileges that were restricted to support the state, the Pakistani political order has succeeded in replicating the elite accommodations that restrain the state ability to chastise economic actors.

A good portion of the available literature interprets the issues facing the development of Pakistan have been a failure of governance, corruption or instability of the political system. Though these factors are important, they will have the effect of obscuring deeper political settlements that influence state behavior. According to the political economy approach, the troubles facing Pakistan are an outcome of continuing elite deals that limit taxes, bureaucracy, and industry discipline. By contrast, the Meiji shift in Japan explains why state developmental progress can be completely restructured by destroying feudal bargains and forming developmental alliances.

By placing contemporary challenges in Pakistan into a comparative historical context, this paper attempts to be more than what the general policy analysis offers upon this subject matter to deeper analysis on how the state capacity is politically built. The study on how feudal bargains have been replaced by developmental coalitions offers a stringent analytical formulation to uncover the variation in development results of the late-industrializing states.

1.2. Statement of the Problem

Even with the historical efforts of reforms since independence, Pakistan has failed to create a developmental state, which can support high rates of economic development, mass-sourced industrial progress, and economic self-reliance. Its growth process has continued to be in the form of poor revenue revenues, divided political power, and industrial approaches, which only encourage rent-seeking behavior at the expense of competitiveness and efficiency. Growth periods have had some instances although they have mostly been bursts which are externally brought about and do not translate into sustained structural change or institutionalization.

One of the key symptoms of the issue can be the fact that Pakistan has the lowest tax-to-GDP ratio in the world (chronic, not due to the inherent inefficiency in its administration, but due to an innate aversion to the idea of mass-taxation). Elites, especially in the agricultural sector, real estate, and parts of the industry are mostly cushioned against effective fiscal demands and this has really hindered the ability of the state to tap local resources in the development (Husain, 1999; Zaidi, 2015). This has kept the state reliant on foreign borrowing and aid, having less strength to shape its own policies and because this approach strengthens crisis management short-term strategies and weakens long-term development plans.

The industrial policy has also not been able to produce long term competitiveness. The policies of protection, subsidies and concessional finance have been used by the governments of successive governments to facilitate the growth of industry but these policies have seldom been associated with stringent performance requirements or viable exit strategies. Rather than leading to innovation and export-based modernization, industrial assistance has been confirmed as being entrenched and assisting politically aligned companies through re-inspiration of inefficiency (Siddiq, 2017). The fact that the state is unable to get out of the positions of non-performing sectors is indicative of the inability to punish the financial players, which is a characteristic feature of poor developmental power.

The already established explanations of the developmental failures in Pakistan often point at the lack of governance, corruption, political instabilities, or inconsistencies in the policies. Although these factors are certainly pertinent, they tend to look at an institutional weakness as technical or administrative failure, in place of the consequences of more underlying political solutions. These methods stand the risk of ignoring the inherent political tradeoffs within state behavior such as the ongoing accommodation of elite interests that constrains taxation, impairs bureaucratic autonomy, as well as, compromising industrial discipline (North, Wallis, and Weingast, 2009).

The absence of ideas about reform and policy instruments is thus the symptom rather than the root issue covered by the proposed study as to the lack of their implementation due to the lack of political settlements. Pakistan's history of reform failures is an indication of structural failure to shift to elite accommodation to a nation building coalition of elites that are able to enforce rules, raise revenue, and link individual incentives to a national development agenda. This political limitation cannot be resolved without the realization of such reforms and without critical policy prescriptions, which are superficial.

This gap is what this paper will focus on by investigating why Pakistan has failed to make a developmental state despite its several episodes of reform, and how this failure compares to the issue of success in late development in the past. The focus of the study by comparing the experience of Pakistan to that of Japan in its transformation during the Meiji period are how restructuring of elite bargains and concentration of state power are the key factors in the construction of fiscal capacity, taming of industrial policy, and the attainment of sustained development. This way, it re-structures the development puzzle of Pakistan as a political economy issue based on the state formation and not in a resourceful problem of governance or policy construction.

1.3. Research Objectives

- To examine the role played by elite-bargain restructuring in the process of state capacity building in Meiji Japan.
- To evaluate the extent to which continuing elite accommodation has limited the ability to tax and industrial policy decisions in Pakistan.

1.4. Research Questions

1. How did the Meiji state break the feudal bargains and form a developmental coalition?
2. Why has Pakistan not been able to change the paradigm of elite accommodation to performance-based state coalitions?

2. Literature Review

2.1 The Developmental State and State Capacity

The developmental state has been relatively key in interpreting the success of late industrialization especially in East Asia. Influential articles by Johnson (1982) put strong, autonomous state bureaucracy in the limelight in the development of meaningful and strategic industrial policies and their execution. Developmental states do not just leave the economic transformation to the forces of the market; instead, they direct the industrialization through selective intervention, protection, and coordination and in a way that they can be independent of the specific interests.

Based on this, Evans (1995) proposed an ingredient conceptualization of embedded autonomy that states develop successfully know how to combine bureaucratic independence and deep connections to beneficial economic subjects. This view would say that the state capacity does not come as a result of isolation but through organized interaction that enables the state to punish firms whilst it is knowledgeable in regard to industrial requirements. In this literature three fundamental characteristics of developmental states are always pointed out; there are bureaucratic competence, fiscal capacity and the ability to discipline capital.

A more contemporary institutionalist literature supports these arguments by stressing that the capacity of the state is historically constructed as opposed to being hereditary as an administrative phenomenon. According to North, Wallis, and Weingast (2009) the underlying social orders and elite agreements define access to resources and rule enforcement as such development is determined by politics and economic development. The development in this perspective is based on the capabilities of political settlements to allow the state to impose impersonal rules or languish in negotiated, elite-driven compromises.

2.2 Historical Institutionalism and Elite Bargains

Historical institutionalists emphasize on the long-term impacts of early political settlements and elite bargain to long term developmental paths. Once formed, institutions are inclined to be preserved, and even subsequent change of policies cannot be easily successfully achieved, despite the formal change of policies (North et al., 2009). Elite bargains dictate payments of taxes, benefits of the state and discipline of a person and hence define the sharing of power between the state and society.

By doing this, this point of view diverts the focus of policy decisions which are held in the short-run to more profound political engagements. In those cases when elites are ready to limit their privileges and obey the centralized power not only states have more chances to build their fiscal capacity but also to establish their bureaucratic autonomy. In contrast, in cases where the elites keep their veto power on taxation and regulation, the state power is weak irrespective of the reform discourse. This framework is especially practical in terms of parallels between the cases of late development which may seem to be similar in terms of policy ambition but facing differences dramatically in terms of outcomes.

2.3 Meiji Japan: Institutional Foundations of Successful Late Development

Various sources of literature argue that the Meiji transformation in Japan is a classic example of late industrialization success. Jansen (2000) records that the leadership of Meiji continued to unravel the Tokugawa system of feudal governance by establishing centralized rule over the country and institutions of leadership that were decentralized. Instead of perpetuating feudal rights,

the new regime did not solely phase domain out, undermined samurai influence and reconstructed political allegiance as the modern nation-state.

One way of Meiji success that is at the centre of explanation is fiscal reform. Okazaki (2017) discusses the significance of the land tax reform in changing the state finances, and states that with the stable and predictable structure in taxation, the Japanese state would be able to finance education, infrastructure, and industrial experimentation. Compared with other developing states that started gaining fiscal capacity during later development periods, Japan had created fiscal capacity during a period when large scale industrial development, therefore, causing less dependence on external finance and more independence in policy-making.

The Japanese industrial policy studies also provide more emphasis on the significance of discipline and exit. According to Johnson (1982), the support to the industry by the state was provisional and conditional and firms had to show better productivity to continue with the protection. This ability to withhold support difference was to differentiate the experience of Japan and other instances where the industrial policy became an abiding course of renting out. The restructuring of elite bargains, fiscal capabilities and disciplined intervention in Japanese case is therefore a combination that has resulted in sustained development.

2.4 Pakistan's Political Economy: Elite Capture and Weak State Capacity

Conversely, studies focused on Pakistan always refer to elite capture and poor fiscal capacity as the main developmental limitation. Husain (1999) asserts that the economy of Pakistan has been influenced by elitist state model in which political and economic resources are controlled by a small group of people and restrict them to inclusive taxation and broad-based growth. In spite of the episodes of reformation, the will of the elite has blocked time and again the attempts of broadening the tax base or making the state spending rational.

Zaidi (2015) emphasizes the existence of poor fiscal contracts between the state and society, in which taxation in Pakistan is still politically negotiated but not institutionally; it is not forced. Another symbol of landed elite influences has been in the form of agricultural income which has been left mostly tax free. Due to this, the state has been inclined towards heavy dependence on indirect and foreign borrowing of funds, which increases inequality and swamps any opportunity to invest in development.

The industrial policy in Pakistan is also criticized as strengthening the rent-seeking behavior. According to Siddiqi (2017), such support provided by the state has often been distributed in accordance with political affiliation as opposed to performance, which made it inefficient and reliant as opposed to competitive. The Pakistani political economy has also been characterized by the tendencies of cushioning performing firms unlike developmental states, which discipline firms, which trends under the impact of the elites on the outcomes of the policy process.

2.5 Gaps in the Existing Literature

Although the literature on the developmental states, Meiji Japan, and the political economy of Pakistan are well developed entities, there has been less comparative work to relate the three bodies of literature. Japanese studies are often written in the historical level without extrapolating their observations to represent states that begin to develop in the late-stage of their development, whereas the Pakistani states are often diagnosed by analysts as failing to governance without putting them in a historical comparative context of state building.

Most notably, the available literature is inclined to consider separately the state capacity, taxation, and industrial policy, instead of viewing them as the outcome of mutually supporting elite bargains and political settlements. It should be noted that there is deficiency of systematic comparison, which can explain why certain late-developing states manage to reorganize elite power and others get stuck in a process of reformation and reversal.

This paper attempts to fill this gap by concentrating on elite bargains as a coherent source of analysis to draw the analogies between Meiji Japan and Pakistan. The combination of the vision of the developmental state theory, the history institutionalism, and the politics of the Pakistani economy makes the research an invaluable addition to the understanding of the nature of political settlements and their effects on the future of the capacity of states to perform fiscal extraction, disciplined industrialization, and view on the existence of the state.

3. Theoretical Framework / Conceptual Model

This work will make use of a historical institutional approach to political economy in explaining the variations in development experiences through establishing the role of political settlement and elites' bargains in the determination of the capacity of states over time. Instead of viewing state institutions, taxation systems or industrial policy as separate policy areas, this framework views them as effects of some underlying power relationships between the state and powerful social classes. In this view development is not only a question of technical excellence or institutional formulation but a political procedure based on constructions, debates and coercion of power.

The main difference within the framework is the elite (or feudal) bargains and developmental coalitions. Elite bargains are about political compromises whereby power in the state is realized based on mutual bargains with a strong group like landowners, industrialist, military elites, or regional powers holders. In these types of arrangements, taxation, regulation and standing of the state resources are in most cases selectively applied, which is a political compromise as opposed to the application of the impersonal rules. These negotiated orders, as posed by historical institutionalists, constrain the capacity of the state to derive revenue, discipline the economic actors or achieve the long-term developmental plans (North, Wallis, and Weingast, 2009).

The situation of fiscal weakness as an accident is nonexistent under elite bargain systems as it is structural. Strong lobbies have the veto in taxation and regulation which lead to small tax bases, indirect basis of taxation and high exemptions. The bureaucratic organization acts with political interference, and the industrial policy is inclined to act as a distributing rent mechanism, instead of as the productivity increasing mechanism. This kind of system can provide short-term political stability at the expense of emerging independent and reputable state organs (Evans, 1995).

Developmental coalitions, on the other hand, are formed in the situation when the interests of the elite are minimized to centralized state goals, not negotiated privileges but ensured by the institutions. With such coalitions, the state gains the right to tax in general, control in an unprejudiced manner and punish both the political and economic actors. The developmental state theory underlines the fact that the coalitions of this sort do not discontinue the participation of elites, though they reorganize and synchronize the private interests with the national development objectives (Johnson, 1982). The bureaucratic independence, financial ability, and industrial discipline are turned into the mutually supportive elements of the state power.

The paradigm assumes that the capacity of the states is created when three fundamental spheres include taxation, bureaucracy, and industrial rents that are regulated by the rules instead of negotiations. Stable and uniform taxation increases the fiscal strength and decreases reliance on

foreign funding. Bureaucratic autonomy enables implementation of the policy on competency other than patronage. Such returns to rents of industries, to conditions of performance, and liable to withdrawal, encourage productive and innovative effort as opposed to rent-seeking. Combined, such mechanisms produce plausible commitments of states and the results of development over the long term.

The historical institutionalism also means that elite to the developmental coalitions are hard to happen and these types of transitions are controversial. These transformations are usually characterized by political discontinuity or reorganization that dilute the high placed elites and enables the rebates of the institutions (North et al., 2009). By initially forming, however, developmental coalitions are more likely to sustain themselves using path-dependent processes which increases the capacity of states to resilience through the years.

In this theoretical framework, the Meiji transformation in Japan is one of the situations where the elite bargains have been broken down and an alternative model is established which is that of a centralized developmental alliance that has made it possible to build the capacity of a state within a short period of time. A different example is provided in Pakistan whereby elite accommodations have continued to limit taxation, bureaucratic freedom and discipline in the workplace. It is not based on an assumption that the historical paths can be reproduced on the wholesale scale; however, it offers an analytical prism through which the way in which the political settlements condition developmental prospects may be perceived.

This framework can be used to provide a comparative analysis that goes beyond the results of the policies to analyse the political antecedents of state capacity by drawing on the insights of the developmental state theory, as well as historical institutionalism. It thus offers a unified conceptual framework with which the development paths of comparable reforms in the late-industrializing states can be analyzed differently.

4. Hypotheses / Propositions

Based on the above historical institutional approach to the political economy, this paper makes two testable hypotheses which establish the relationship between elite power structures and state capacity, as well as state development outcomes. These propositions are meant to inform the comparative analysis as opposed to being narrowly quantified, due to qualitative and historical nature of the study.

Hypothesis 1: The more successful the states are in eliminating elite veto power, the higher the chances of such a state reaching lasting expansion in its fiscal capacity are.

The hypothesis is that in situations where the dominant elites cannot prevent or bargain over taxes, the states will have increased capacity to increase the tax base, impose rules on finances as well as mobilize revenue on predictable and sustainable basis. Dilution of elite veto authority will decrease the use of selective exemption and bargaining compliance and enhance fiscal independence and sustained capacity of the state.

Hypothesis 2: Industrial policy brings about developmental effect in cases where the state aid is made contingent towards performance.

According to this hypothesis, industrial policy is only useful in supporting growth in productivity and structural transformation in the event that the state assistance is both time-limited, performance-contingent, and withdrawal-percent. In the case of lack of power by states to penalize firms and strengthening their position in terms of withholding support to non- performing sectors,

industrial policy tends to strengthen rent-seeking and inefficiency instead of competitiveness and innovation.

5. Data and Methodology

The given study to be conducted has a comparative historical qualitative research design to investigate the way in which elite bargains determine the outcome of state capacity, taxation, and industrial policy in the late-industrializing states. The qualitative approach would be appropriate due to the concerns of the paper being the political settlements and institutional change, as well as long term development trajectories. It cannot be done by quantitative modeling because the historical sequencing and cause and effect processes of elite power structures on the state behavior can be said to work in the long term (Mahoney and Rueschemeyer, 2003).

The comparative framework will focus on two cases which are Japan during the Meiji period (1868-1912) and the case of Pakistan since independence to the contemporary period (1947-2025). These examples are chosen due to an analytic, and not surface likeness. Japan is an example of successful late development in which the capacity building of the state was very rapid and Pakistan is an example of stalling modernization in spite of its numerous attempts of reform. This opposition provides a possibility to build up theory by way of comparison, as opposed to testing hypothesis by means of statistical generalization.

The empirical data on the case of Japan are obtained mainly through the secondary historical sources (such as scholarship monographs, historical recordings, and institutional analyses of the Meiji state). These sources offer detailed evidence of land reform, taxation, and reorganization of the bureaucracy, and industrial policy of the transition of the feudalistic Japan to the modern state (Johnson, 1982; Jansen, 2000; Okazaki, 2017). It is not concerned with the chronological narration of events but with the process of the reorganization of elite power and the necessary reorganization allowing to extract finances, gain bureaucratic independence, and impose discipline in industry.

In the case of Pakistan, the research is based on analysis of policy documents, economic indicators, and academic discusses that are related to the post-independence era in the current scenario. It comprises the research on the fiscal regime, industrial policies of Pakistan, and political economy and long-term indicators like tax-to-GDP levels, the composition of output by sector and changes in state assistance to industry (Husain, 1999; Zaidi, 2015; Siddiq, 2017). These sources help in evaluating the fact that over time, these elite accommodations have influenced the results of taxation, bureaucratic action, and effectiveness of industrial policy.

The main method of analysis use is the process tracing which is most appropriate in determining causal processes in historical and comparative studies (George and Bennett, 2005). Process tracing also enables the study to proceed further past correlation by means of analyzing how certain changes in politics and institutions have brought about certain consequences. It is the case with the Japanese where this process of the system of breaking down feudal privileges resulted in centralized taxation and disciplined industrial policy. On the Pakistani case, it is examining the way in which the veto power has formed a permanent elite that has not allowed fiscal reform and industrial discipline.

The research does not use any major quantitative modeling. Rather, quantitative indicators are employed descriptively to back the qualitative assertions and show the long-term trends. It focuses more on institutional sequencing, institutions taking political settlements, and enforcement mechanisms, as opposed to statistical inference. This strategy has been in line with the historical

institutional school of thought that sees the development outcome as a result of path-locked political dynamics and not resultant policy changes (North et al., 2009).

The approach based on combining a comparative case analysis with the process tracing approach allows a subtle analysis of the way elite bargains precondition state capacity and development outcomes. It offers a logical ground of empirical approach to test propositions delivered by this research without overlooking historical background and political sophistication.

6. Results / Findings

The comparison shows that the use of an elite power structure had systematic variations between Meiji Japan and Pakistan on the state capacity, taxation, and industrial policy. Such disparities do not just show the variations of policy outcomes but rather radically different political settlements that generated the different directions of development.

6.1 State Authority and Elite Power

The results indicate that the Japanese under Meiji were able to destroy the decentralized powers of the elite and substituted it with the centralized state power. The destabilization of feudal territories and hereditary rights limited the political independence of local elites and shifted the power to the central power. This reorganization meant that there was less veto by the elites and that the rules could be applied uniformly in all the territories by the state (Jansen, 2000). Consequently, political power ceased to be a matter of negotiation and transitioned to the national, which gave the Meiji state a rather high rate of credibility and adherence to the conducted reforms.

Comparatively, Pakistan has defied the popular trends of power by ensuring that the elite power has been maintained by negotiated political arrangements. The elites and other influential actors, particularly the landed and industrial groups, have ensured that the state can hardly make equal regulations alone and due to its influence on the state policy. Such systems have divided power and limited its enforcement bringing about a political system where obedience is selective and determined by the willingness of the elite members (Zaidi, 2015). This has reduced the ability of the state to operate independently because of the existence of elite veto points.

6.2 Fiscal Capacity and Taxation

The discussion also concludes that the Meiji Japan created a reliable and general tax structure that greatly boosted the fiscal capabilities. The Revenue collection was to be changed through the introduction of centralized land tax where the old system of in-kind and negotiated payments of a certain amount of revenue was changed into a monetary tax that was administered by the state. Such a reform stabilized the state revenues and decreased the reliance on the deadweight extraction, making it possible to invest in the population education, infrastructure, and industrial growth on a long-term basis (Okazaki, 2017).

Pakistan on the other hand has not been able to conduct equal fiscal consolidation. Taxation is still too limited, with an unequal distribution of its application, and it is not uncontested. The strong elites, especially in agriculture and real-estates, have still been spared or are at least taxed at an insignificant percentage and as a result, have constantly low tax-to-GDP ratios (Husain, 1999). Public investment has been curtailed by this fiscal weakness which has advanced the country towards more external financing debilitating long term development planning.

6.3 Bureaucratic Autonomy and Administrative Capacity

The results show that in Meiji Japan, the establishment of an independent and professional bureaucracy that was protected against elite influences was achieved. The process of distributing the bureaucratic positions in a merit-based way and the centralization of the administrative powers gave the state the opportunity to introduce the uniformity of the policies in the spheres. This bureaucratic freedom increased the political trust of state promises and minimized the participation of politics in the implementation of policies (Evans, 1995).

Bureaucratic organizations in Pakistan have been very political. The postings, promotions and transfers are very often based on political factors, undermining administrative integrity and permanence. It is a form of politicization that has decreased bureaucratic performance and the ability of the state to make reforms in the long term, especially in the field of taxes and industrial control (Siddiq, 2017).

6.4 Industrial Policy and Discipline

There are also stark differences in the results over the industrial policy. The industrial support during Meiji Japan was conditional, time based and performance based. Companies that did not perform to the expected level in production lost government backing and enterprises that worked well were privatized and were subjected to competition. Such ability to reform the firms discouraged the entrapment of ineffectiveness and encouraged the modernization of the industries (Johnson, 1982).

Rent is mostly perpetuated in Pakistan through industrial policy. Protection, subsidies and concessional finance have been made extensively with no real performance condition and exit facilities. Subsequently, the phenomenon of rent-seeking has been often strengthened through industrial assistance as opposed to competitiveness, which has led to the ongoing and inefficient performance and insufficient export diversification (Zaidi, 2015).

6.5 Summary of Findings

Collectively, the findings suggest that the success of Meiji Japan was based on the effectiveness in connecting the power of veto among the elites in Japan but substituting it with the negotiated power with the rule-based government. Taxation was centralized; the administrative system was bureaucratic; the industrial policy was disciplined; all these elements constituted mutually strengthening elements of the state capacity. The reverse record in Pakistan is an indication of the continuation of elite accommodations that limit the fiscal extraction process, politicizing an administration, and undermining industrial discipline. It is these structural differences that justify various development outcomes even though reform rhetoric and experimental policy pursuits are similar.

7. Discussion

The results of the present research suggest that recurring reform failures in Pakistan can be explained by the fact that the political settlements defining the relations between states and elites are the problems of the policy design. Although Pakistan has embraced most of the formal aspects involved in the development process including promotion of industries, bureaucratic reform, and fiscal restructuring, these actions have failed to have any lasting effect since they have not failed to change the nature of the power distribution between the state and the dominant elites. Contrary to the above, the Meiji experience shows the potential of how elite bargains can be restructured to

establish the political perquisites that trigger the processes of building sustained state capacity and transforming development.

The results are more or less consistent with accounts of history that focus on the importance of the primacy of political settlements in the development pathways (North, Wallis, and Weingast, 2009). In the Meiji Japan with the elimination of feudal privileges, there was a springing up of power on veto by the elite and the state was able to rule using rules without negotiated authority. This change enabled the processes of taxation, bureaucratism, and industrial policy to function as complementary elements of the building of a state capacity. This does not happen in Pakistan whereby, the experience of the nation indicates the continuation of the elite accommodation policy, where political power is practiced on based of the principles of compromise and exemption and not enforcement. Consequently, reforms are prone to being removed and selectively applied.

The argument is also relevant to the arguments on the developmental state to explain the political roots of bureaucratic autonomy and industrial discipline. Traditional theories focus on the importance of effective bureaucracies and strategic intervention in spearheading industrialization (Johnson, 1982; Evans, 1995). Nonetheless, the results indicate that these abilities cannot be maintained in cases where there is no discipline in the coalition. The example in Pakistan, where the bureaucratic reforms have continuously been derailed on the grounds of political interference, as opposed to deficit of administrative proficiency, is that the elite interests still contact the state machinery. This serves to support the point that bureaucratic autonomy is not a characteristic attribute of organizations, but a political accomplishment that depends on elite constraint.

One of the factors revealing political settlement is identified to be taxation as a specific indicator of the political settlement. The comparison of universalized land tax of Meiji Japan and Pakistan that has a narrow tax base, which is a disputed tax base, shows that fiscal capability is a measure of political authority as opposed to the efficiency of the fiscal system. When the elites embrace taxation as an obligation that is rule based then states get revenue and legitimacy. In the negotiated, selective form of taxation, fiscal petitory is here to stay despite any so-called reforms in the administration (Husain, 1999; Zaidi, 2015). The lack of administrative ability is therefore not the cause of low tax to the GDP ratio in Pakistan but rather suggests the ongoing guarding of elite interests.

There are also significant implications of the findings to the discussion of industrial policy. The role of industrial policy, as a controversial issue in the development economics is a supportable argument in this study because consumers would rather say that the effectiveness of the industrial policy mode lies in the capacity of the state to discipline firms and withhold support when the performance is not achieved (Johnson, 1982). The ability of Meiji Japan to apply such discipline is the complete opposite of the situation in Pakistan whereby industrial rents have in most instances been institutionalized through political ties. It implies that lack of political power to act according to industrial policy will strengthen rent-seeking instead of competitiveness and structural change (Siddiqi, 2017).

Notably, the comparison does not mean that Pakistan can ever repeat the historical path of Japan. The Meiji transformation took place in the difficult conditions of home and foreign affairs that is impossible to recreate. The usefulness of the comparison is found instead in the process of identifying the transferable political processes and not the historical schematics. Changing the elite accommodation to a coalition discipline in whatever forms is the key takeaway of the central lesson that the changes in how development is done in either type of regime or across historical periods and conditions.

On a larger scale, the discussion also puts the experience of Pakistan in the context of global concerns on late development and reform failure. Most post-colonial countries are faced with the same predicaments that they face due to the power of the elite and lack of fiscal strength. The example of Pakistan demonstrates how the partiality of reform strategies based on a policy composition without addressing the issue of political settlements are likely to be incomplete and temporary. Conversely, the Meiji Japan is an indication that periods of restructuring of politics albeit controversial can leave long term institutional building blocks of development.

Overall, the discussion supports the main idea of the paper that the continued development can only occur when proper policies are adopted, but only with the political orientation to enforce rules, discipline the elite and balance the private interests of the individuals and the public good. Reform efforts will not most probably lead to a sustained development change without trying to address these political foundations.

8. Conclusion

This paper aimed to describe why certain late-industrializing countries succeed in establishing sustainable development capability, and others are just in the process of cycling reform and decline. Through the comparison of Japan during the Meiji era to the example of the post-independence in Pakistan, the paper has stated that the concept of modernization is essentially a political exercise based on how power is organized, constrained and enforced. The Meiji experience shows that the development is not automatic because of the adoption of the modern policies or institutions, but restructuring the political authority in a manner that empowered the state to be credible and autonomous in its actions.

The results highlight that the successful journey of Japan did not come because of cultural exceptionalism and policy copying but a careful attempt to destroy feudal elite bargains and, in their place, a centralized alliance pertaining to development. This political reorganization allowed the Japanese state to tax everyone in a universal manner, bureaucratize and discipline the players in the industry by supporting them based on their performance. All these factors worked as reinforcing factors of state capacity which made it possible to maintain the long-term development of Japan and not a sporadic growth (Johnson, 1982; Evans, 1995).

However, the experience of Pakistan explains how reform itself can be frustrating when it is not accompanied by political change. Nevertheless, in spite of being restructured in the fiscal sphere several times, bureaucracy, and industrial promotion, Pakistan has failed to experience an extended development due to the fact that the elite arrangements have not been changed. Tax is still negotiated and not implemented, bureaucratic autonomy is still open to political interventions, and the industrial policy has been found to consolidate rent-seeking and not competitiveness (Husain, 1999; Zaidi, 2015; Siddiqi, 2017). These results do not indicate the absence of reform will, but show the continuation of political settlements which limit the power of the state.

A bigger point of this discussion is that, state capacity cannot be developed in a drip-drip way with technical solutions only. According to historical institutional scholarship, historical evidence of durable development is necessitated by political settlements, which restrict the ability of elites to veto development and institutionalize the rule-based governance (North, Wallis, and Weingast, 2009). The problem of development in Pakistan is not about improved policy design, hence is one of transitioning between elite bargains which are negotiated in particular manners to those which are institutionalized as developmental coalitions which can provide the enforcement of the rules in a uniform manner across society.

Meanwhile, this paper does not imply that Pakistan should be emulated by Japan in terms of its history. The Meiji transformation took place under special conditions both domestic and international where it is impossible to replicate. The worth of the analogy is rather determining political mechanisms that can be transferred and not some historic models. The main point is that effective development should focus on uniting elite interests and national goals in a way that could be achieved by applying credible enforcement measures instead of accommodation and exemption induced change.

To sum up, the paper goes to the debate on the state capacity and late development by indicating the political underpinnings of fiscal extraction, bureaucratic autonomy and industrial discipline. It proves that the restructuring of political power is likely to be half-hearted and can be undone unless political power is overhauled. In the case of Pakistan, the route to sustainable development is not necessarily to take up new policies but to create the political power to take the initiative. This fact applies not only to Pakistan, but also to other late-developing states that face similar limitations and leads to the fact that the further research might help to investigate the political economy of state-formation and development further.

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