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WHEN THE STATE COMES TO TOWN: INSTITUTIONAL CHANGE AND THE FATE OF SINGAPORE AND SOMALIA

Ana Sofia Oliveira Pinheiro

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Ana Sofia Oliveira Pinheiro

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Resumo: Esta tese analisa por que razão tentativas semelhantes de transformação institucional conduzidas pelo Estado produziram resultados divergentes em Singapura e na Somália. Em Singapura, o governo do People's Action Party (PAP) construiu uma ordem desenvolvimentista baseada numa administração meritocrática e na industrialização orientada para as exportações. Na Somália, o regime de Siad Barre procurou substituir instituições costumeiras baseadas nos clãs através da centralização, da nacionalização e dos controlos cambiais. Estas reformas tornaram-se progressivamente instrumentos de coerção, patronagem e distribuição discricionária.

Através de uma narrativa analítica orientada para o contraste com rastreamento de processos, esta tese identifica dois mecanismos que ligam a sobrevivência política à mudança institucional: pressão de desempenho e dependência de apoio de elites assente na patronagem. Em Singapura, a contestação eleitoral e a agitação laboral permitiram aos cidadãos pressionar o PAP, especialmente em momentos de maior vulnerabilidade, como após a obtenção do autogoverno em 1959 e a separação da Malásia, em 1965. Embora Singapura não tenha desenvolvido instituições políticas plenamente inclusivas, estas pressões favoreceram a construção de capacidade institucional e contribuíram para alargar a participação económica. Na Somália, a derrota no conflito de Ogaden e a tentativa de golpe de Estado, em 1978, aprofundaram a dependência de Barre de uma coligação restrita. Esta maior dependência contribuiu para que as instituições fossem cada vez mais utilizadas para recompensar lealdades e extrair rendas, contribuindo para a deterioração institucional.

A comparação mostra que a intervenção estatal não é intrinsecamente desenvolvimentista nem extrativa. Os seus efeitos dependem da lógica de sobrevivência política que orienta o uso do poder estatal.

Palavras-chave: Intervenção Estatal; Mudança Institucional; Sobrevivência Política; Análise Comparativa

Abstract: This thesis examines why state intervention produced divergent institutional outcomes in Singapore and Somalia. Both regimes attempted to replace inherited political, economic and social arrangements through centralised state action. In Singapore, the People's Action Party (PAP) built a developmental order based on meritocratic administration and export-oriented industrialisation. In Somalia, Siad Barre's regime sought to displace customary and clan-based institutions through centralisation, nationalisation and foreign exchange controls, reforms that became instruments of coercion, patronage and discretionary allocation.

Using a contrast-oriented analytical narrative with process tracing, this thesis identifies two mechanisms linking political survival to institutional change: performance pressure and dependence on patronage-based elite support. In Singapore, electoral contestation and labour unrest gave citizens means of pressuring PAP, especially during moments of heightened vulnerability, such as after achieving self-government in 1959 and separation from Malaysia in 1965. Even though Singapore did not develop fully inclusive political institutions, these pressures encouraged the creation of capacity-building institutions and helped broaden economic participation. In Somalia, the Ogaden defeat and the failed coup in 1978 deepened Barre's dependence on a narrow coalition. This increased dependence contributed to institutions increasingly being used to reward loyalists and extract rents, contributing to institutional decay.

The comparison shows that state intervention is neither inherently developmental nor extractive. Its effects depend on the political survival logic governing the use of state power.

JEL Classification: O17; O43; O57; P52

Keywords: State Intervention; Institutional Change; Political Survival; Comparative Analysis

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List of Acronyms

CPIB	Corrupt Practices Investigation Bureau
DBS	Development Bank of Singapore
EDB	Economic Development Board
GDP	Gross Domestic Product
JTC	Jurong Town Corporation
MOD	Mareehaans, Ogaadeens and Dulbahantes
PAP	People's Action Party
SRC	Supreme Revolutionary Council
USD	United States dollar

Introduction

The contrasting experiences of Somalia and Singapore with state intervention raise important questions about the role of government involvement in driving economic growth and societal progress. The comparison is especially compelling because both countries experienced ambitious top-down projects under autocratic governments (Compagnon, 1992; Lee, 2025). In Singapore, Lee Kuan Yew's government restructured inherited institutional arrangements and built a successful developmental state, helping transform the country into a prosperous and highly coordinated economy (Huff, 1995; Lee, 2025). In Somalia, Siad Barre's regime also sought to override existing social and economic institutions through centralisation and state-led transformation, yet it failed to establish durable alternatives and instead contributed to institutional breakdown and long-term economic decline (Compagnon, 1992; Leeson, 2007). The contrast suggests that the crucial issue is not whether the state intervenes, but under what conditions intervention can replace older institutional arrangements with new ones that are sustainable and development-enhancing.

This study argues that the divergent outcomes in Singapore and Somalia reflect differences in the direction of institutional change produced by state action. In both cases, rulers attempted to override inherited social, economic and political arrangements through centralised state intervention. Yet these interventions moved in sharply different directions. In Chapter 3, we show that, in Singapore, state-led institutional override contributed to a more inclusive and capacity-building framework, while in Somalia, by contrast, state intervention produced a more extractive framework. Throughout this study, inclusion and extraction are treated as directional tendencies rather than absolute categories, with the analysis focusing primarily on the administrative and socioeconomic dimensions of institutional change, rather than on the political one. Therefore, movement towards greater inclusion refers to a relative widening of access across administrative and socioeconomic dimensions, whereas movement towards greater extraction refers to a relative concentration of power, resources and opportunities among narrower groups. The main puzzle is, therefore, why state-led institutional override moved towards capacity-building inclusion in one case and towards extraction in the other.

The central argument is that the direction of institutional change depended on the political survival logic under which rulers operated. When rulers depend more heavily on patronage-based elite support, state intervention is more likely to become extractive because

political survival requires selective distribution to loyal insiders rather than the construction of impersonal, rule-governed institutions. When rulers face strong performance pressure, state intervention is more likely to become capacity-building because political survival depends on delivering employment, order, growth, administrative credibility and public goods to a broader social base. In Singapore, the People's Action Party (PAP)'s concentrated political control did not translate primarily into narrow patronage because regime survival was closely tied to broad developmental performance. In Somalia, especially after the Ogaden defeat and failed coup attempt of 1978, Barre's regime became increasingly dependent on a narrower coalition sustained through clan patronage, coercion and selective allocation. The thesis, therefore, argues that reliance on patronage-based elite support and exposure to broad societal performance pressure provide the key mechanisms linking state intervention to divergent institutional outcomes.

This study draws on the institutional literature that defines institutions as the formal and informal rules that guide human interaction, create incentives for economic agents and set the stage for long-term development (North, 1994). It also builds on work showing that institutions emerge as historically contingent solutions to coordination and enforcement problems and tend to persist over time (Greif, 2008; North, 1990; Ostrom, 1990). Within this broader literature, Acemoglu and Robinson (2012)'s distinction between inclusive and extractive institutions provides the main framework for assessing the direction and durability of institutional change. The study also considers complementary explanations of how political and economic access can be broadened, including the development of state capacity, societal constraints, impersonal rules and political settlements (Acemoglu & Robinson, 2016, 2021, 2023; Besley & Persson, 2009; Fukuyama, 2011; North et al., 2009; Rocha Menocal, 2017). To specify the political incentives underlying these processes, the study then draws on Bueno de Mesquita et al. (2003)'s selectorate theory as a source of political survival logic from which it derives its two mechanisms.

The comparison between Singapore and Somalia follows a contrast-oriented comparative logic. The two cases differ sharply in geography, colonial inheritance, scale, social structure and economic organisation. The purpose of the comparison is therefore not to treat the cases as equivalent or to claim that only the proposed mechanisms differ. Instead, the contrast is used to show how a common process, state-led institutional displacement, unfolded differently across distinct historical contexts while preserving the integrity of each

case (Skocpol & Somers, 1980). Methodologically, the study combines an analytical narrative approach with process tracing. An analytical narrative connects detailed historical reconstruction to theory-driven explanation (Boettke & Storr, 2002), while process tracing examines whether the proposed mechanisms appear in the expected temporal sequence (Collier, 2011). The analysis, therefore, asks whether heightened performance pressure preceded inclusive reforms in Singapore and whether intensified patronage dependence preceded extractive institutional change in Somalia.

The remainder of this thesis is structured in four chapters. Chapter 1 provides a historical overview of Singapore and Somalia and traces their broader institutional evolution. Chapter 2 examines the specific forms of state action through which both regimes disrupted pre-existing institutional arrangements. Chapter 3 then analyses the direction of the institutional change generated by these interventions. It argues that, in Singapore, these policies contributed to a more inclusive institutional framework, whereas in Somalia they fostered a more extractive one. Finally, Chapter 4 explains the two mechanisms linking political survival incentives to institutional direction, examining whether these mechanisms appeared in the expected temporal sequence and also evaluating whether alternative explanations can better account for the timing and direction of the observed outcomes. Together, the chapters show that state intervention alone does not determine institutional outcomes. What matters is the political logic through which rulers use state power to replace, reshape or exploit inherited institutions.

Chapter 1. Historical Overview and Institutional Evolution

Before examining how state action disrupted pre-existing institutions and why it produced divergent outcomes, it is first necessary to establish the broader historical trajectory of institutional development in each case. This chapter therefore provides a historical overview of Singapore and Somalia, focusing on the inherited institutional landscape, the evolution of state-society relations and the main political and economic conditions that shaped post-independence state formation. In doing so, it lays the foundation for the argument that, under autocratic rule, Singapore succeeded in building robust institutions, whereas Somalia failed to construct durable institutional alternatives.

Case of Singapore

Singapore's institutional trajectory prior to and following independence is central to understanding the later direction of state-led transformation. Under British colonial rule, Singapore developed primarily as an entrepot economy structured around its strategic location and free-port status (Wong, 1978). Commercial services, shipping, finance and regional trade flourished, but industrialisation remained limited, leaving the economy heavily oriented towards external trade rather than deeper productive transformation (Goh, 2013). The colonial state provided relatively effective administration and legal order, yet it did not build the institutions needed to transform the economy on a structural level (Onimaru, 2018). Therefore, at independence, Singapore inherited a functioning bureaucratic framework and commercial dynamism, but not an industrial infrastructure capable of sustainable growth.

By the late 1950s, rapid population growth, unemployment, housing shortages and social fragmentation placed significant pressure on the new self-governing state. When the PAP led by Lee Kuan Yew assumed power in 1959, it faced not only an economic adjustment problem, but a problem of political survival and social consolidation. Initially, the government experimented with import-substitution industrialisation and sought to merge with Malaysia to secure market access. However, Singapore's separation from Malaysia in 1965 transformed its strategic environment and intensified political uncertainty with the island facing the loss of the conditions that had made import-substitution feasible, a situation aggravated by the impending withdrawal of British military expenditures, which had accounted for a significant share of the gross domestic product (GDP) and employment (Huff, 1995; Völgyi, 2019).

This context of vulnerability shaped the emergence of what later came to be described as a developmental state. In Johnson (1982)'s formulation, developmental states are distinguished by the priority their policymaking elites assign to economic growth and by their use of strategic, plan-rational intervention to transform industrial structure. Although Johnson (1982)'s model was primarily based on Japan's post-war economic development, Singapore began to exhibit similar features: a highly centralised approach to economic planning, decision-making driven by technocratic expertise and a strong emphasis on economic growth as the main national objective (Huff, 1995; Völgyi, 2019).

However, Singapore's trajectory differed from that of the Northeast Asian cases more commonly associated with late industrialisation. Rather than relying mainly on a domestically rooted industrial base, Singapore's industrialisation became closely tied to international capital and, in particular, to foreign investment (Amsden, 1992; Rodan, 1989). The state also played a decisive role in directing industrialisation, intervening at the social, economic and political levels and using institutions such as the Economic Development Board (EDB) to steer development. After separation from Malaysia, the earlier import-substitution approach gave way to a more export-oriented strategy, promoting a deeper integration of Singapore into the international economy (Rodan, 1989).

Furthermore, institutional development in Singapore was not confined to industrial policy, since social transformation was equally as central. Institutions such as the Housing and Development Board and the Central Provident Fund (CPF) significantly expanded state provision in housing, healthcare and retirement (Phang, 2016). These institutions did more than provide welfare: they linked citizens materially to the state and helped construct a stable social order in a multiethnic society marked by prior tensions (Zhang, 2024).

Politically, the PAP consolidated a highly centralised dominant-party system in which opposition space remained limited despite the continued existence of elections (Case, 2002). This political structure gave the government a high degree of control over policymaking and implementation. In the labour sphere, the PAP restricted independent union power and institutionalised centralised wage bargaining through the National Wages Council, which had a powerful influence on wage determination and helped contain labour costs (Rodan, 1989). At the same time, state-linked enterprises expanded in strategic sectors, while maintaining commercial discipline since they were expected to operate profitably. The result was a form

of coordinated state capitalism in which the state acted as regulator, investor and planner while remaining committed to a market economy (Völgyi, 2019).

By the end of the 1980s, Singapore had undergone a profound institutional transformation. The colonial entrepot economy had been reoriented towards export-oriented industrialisation, administrative capacity had deepened, public housing and social policy had expanded and the PAP had consolidated a centralised political order capable of directing and implementing policy effectively. Under Lee Kuan Yew, Singapore's autocratic government did not merely intervene in the economy on a temporary basis, it succeeded in building robust institutions that were durable, coherent and closely linked to the state's developmental objectives. These included institutions for economic coordination, public administration, housing, labour management and long-term planning that continued to shape Singapore long after Lee's tenure (Quah, 2015). The significance of this historical trajectory lies in showing that Singapore's authoritarian state was able to construct an institutional framework that proved both stable and effective over time.

Case of Somalia

Somalia's historical trajectory offers a sharp contrast to Singapore's and helps support the claim that Siad Barre's autocratic government failed to establish new sustainable institutions. Before colonisation, much of Somali society, especially in the pastoral interior, was not organised around a centralised state. Authority rested instead on clan elders, customary law and negotiated forms of order. Traditional Somali political organisation is described as one in which titular leaders were often little more than figureheads, while real authority lay with elders and collective decision-making. Customary law and elder mediation thus provided social order without a strong centralised state (Lewis, 2002; Warsame, 2024).

Colonial rule disrupted this pre-existing order without replacing it with a unified and legitimate institutional framework. In the late nineteenth century, the division of Somali territories among European powers produced fragmented and uneven administrative legacies. French rule relied more heavily on direct administration while British and Italian authorities governed more extensively through existing clan leaders. Although British and Italian rule shared some features, the two territories still developed under separate colonial administrations with distinct institutional and administrative structures. These contrasting traditions combined with the establishment of artificial borders across older social landscapes

deepened regional and clan-based identities and left behind divided and uneven institutional legacies (Warsame, 2024).

These colonial legacies shaped the fragile foundations of the first Somali government. British Somaliland became independent on 26 June 1960, Italian Somaliland on 1 July 1960 and the two united to form the Somali Republic. Formally, the new republic adopted a parliamentary democratic order, with Aden Abdullah Osman as president and Ali Sharmarke as prime minister. Yet the new state inherited not only different colonial administrative traditions, but also a political field in which clan loyalties remained highly resilient (Adam, 1992; Warsame, 2024). Adam (1992) argues that the new constitution lacked electoral and institutional mechanisms capable of containing these loyalties and channelling narrower interests towards national objectives. As a result, political parties that had initially claimed national ambitions became increasingly shaped by narrower clan, sub-clan and personal interests. Ahmed Samatar (1994) likewise argues that the constitutional framework of the first republic quickly came under strain as corruption increased, power became more centralised and many Somalis began to see political office as a means of personal enrichment rather than national service. In this sense, Barre inherited not a consolidated state, but a weak and contested one.

When Siad Barre seized power in the 1969 coup, his regime initially appeared to offer a more coherent and purposeful alternative. Political parties were banned and replaced by the Supreme Revolutionary Council (SRC) (Warsame, 2024) and the regime launched a series of top-down nation-building projects. These included the adoption of a written Somali script, literacy campaigns, expansion of health and education services, resettlement of drought victims and encouragement of self-help community projects. In its early phase, Barre's rule therefore carried the image of a "developmental dictatorship" (Adam, 1992, p. 17), one that seemed more disciplined and transformative than the civilian order it replaced (Adam, 1992). Yet this appearance of institution-building proved fragile.

Even though patrimonial tendencies were already visible before the late 1970s, the defeat in the Ogaden War of 1977-78 may be treated as a possible turning point after which patrimonial control and clan-based political management intensified. Siad Barre's regime evolved from an early bureaucratic-authoritarian pattern into personal rule and later into a corrupt form of sultanism, characterised by concentration of power in the ruler's hands and the private appropriation of state resources through corruption and patronage. Under this

form of rule, state institutions were progressively hollowed out, with the military, diplomatic service, finances and banking suffering institutional decay (Compagnon, 1992).

Although the regime officially denounced clannism, in practice it relied on it as a political resource. Barre actively poisoned clan relations by manipulating conflicts and concentrating power around the Mareehaans, Ogaadeens and Dulbahantes (MOD) alliance linked to his own Darood lineage connections (Adam, 1992; Compagnon, 1992). This view is consistent with other accounts of Somali governance: Barre publicly banned clan-based politics while privately relying on clan clientelism, favouritism and selective violence to maintain power (Leeson, 2007; Moore, 2007; Warsame, 2024). This meant that the state under Barre did not become more neutral, more institutionalised or more durable. On the contrary, it became increasingly dependent on personal rule and narrower political loyalty.

By the late 1980s, the regime's institutional weakness was already visible. Compagnon (1992) states that state disintegration began long before Barre's overthrow and that by 1987 there was only a semblance of a state, with public services no longer functioning effectively and the administration paralysed by factional struggle and insurgency. This is crucial for the argument of this chapter: Barre did not simply fail because his regime collapsed in 1991, he failed because the institutions he attempted to build were already too hollow, personalised and politicised to survive the crisis of his rule. The aftermath confirmed this failure. When Barre's rule fell in 1991, the institutions of his regime collapsed with remarkable speed. Compagnon (1992) notes that by the time the opposition managed to take over, there was "no state as such to seize" (Compagnon, 1992, p. 9).

The subsequent period of statelessness was violent and unstable, but it also revealed that Somalia's older decentralised and hybrid forms of order were more resilient than the state structures Barre had built. Leeson (2007) argues that, despite the many hardships of post-1991 Somalia, on nearly all of eighteen indicators for which comparison was possible, Somalis were better off under statelessness than under the predatory state that preceded it. Menkhaus (2014) likewise stresses that, in the absence of a functional central government, local municipalities and informal hybrid governance arrangements often became the most legitimate and effective sources of order, drawing on customary authority, *sharia*[1] courts and business leaders.

[1] Islamic law

Taken together, Somalia's historical evolution supports the conclusion that Siad Barre's autocratic government failed to establish new sustainable institutions. Before colonisation, Somali society relied largely on decentralised customary and clan-based governance rather than a strong centralised state. Colonial rule fractured this order without replacing it with a unified institutional framework. The first civilian government inherited these weaknesses and proved unable to overcome them. Barre's autocratic regime initially appeared more coherent, but ultimately personalised power, politicised institutions and deepened patrimonial rule instead of building sustainable state structures. By the late 1980s, many of those institutions were already disintegrating and after 1991 they collapsed almost immediately. That legacy remains visible today: Somalia is no longer best described as fully stateless, since it has a recognised federal government, but it still faces weak and contested state authority, moving only gradually out of fragility (Dahir & Sheikh Ali, 2024).

Chapter 2. State Intervention and Institutional Disruption

Before examining the specific interventions undertaken in Singapore and Somalia, it is first necessary to outline the theoretical literature on how institutions emerge, persist and change over time. A widely accepted starting point in the economics literature is the definition of institutions proposed by North (1991), who describes them as "humanly devised constraints that structure political, economic and social interaction" (North, 1991, p. 97). Due to their importance, institutional analysis is concerned not only with what institutions do, but also with how they emerge, why they persist and under what conditions they change.

A first major strand of the literature explains why institutions emerge and persist. North (1990) argues that institutions arise as a response to coordination and transaction-cost problems, providing predictable structures that reduce uncertainty in exchange. Once established, institutions tend to persist due to path dependence, since early arrangements shape incentives and expectations, making alternative rules increasingly costly to adopt over time. Greif (2008) deepens this argument by showing that institutions persist not only because actors obey rules, but because institutions can become self-reinforcing through shared beliefs and reputational mechanisms. In this sense, institutions are sustained not only by coercive enforcement, but also by repeated interaction and the strategic adaptation of actors to existing rules.

Additionally, Ostrom (1990)'s work on collective action further reinforces this view, demonstrating that institutions can emerge and be maintained through decentralised processes, without reliance on a centralised state, provided that enforcement mechanisms and shared norms are in place. Together, these contributions highlight that institutional diversity across places is deeply rooted in historical trajectories and that feedback effects, expectations and enforcement arrangements make existing rules difficult to dislodge.

A second strand of the literature focuses more directly on institutional change. North (1990) argues that institutional change is typically incremental and constrained by existing power structures and belief systems, meaning that the effectiveness of formal reforms depends on their alignment with informal norms and enforcement capacities. Similarly, Helmke and Levitsky (2004) distinguish between complementary, accommodating, competing and substitutive informal institutions, showing that the same formal reform can

produce very different outcomes depending on whether informal practices reinforce or undermine it. This matters because while states may change constitutions, laws or administrative structures relatively quickly, the informal norms that shape compliance, enforcement and social expectations often change more slowly. Collectively, this literature highlights that while the state can influence institutional trajectories, its ability to do so is itself conditioned by pre-existing institutional arrangements.

For the purposes of this chapter, the central implication of this literature is that changing institutions is a complex process. States can attempt to override pre-existing institutions, but they do not do so on a blank slate. Institutional reform is conditioned by inherited arrangements, informal constraints, enforcement capacities and the coalitions that support or resist change. This makes the study of state intervention particularly important, because it shifts the question from whether the state can change institutions to how far they can reshape existing institutional orders, through what mechanisms and with what long-term consequences.

Case of Singapore

Promotion of Meritocracy and State Effectiveness

This subsection examines how Singapore's state action overrode pre-existing institutions, focusing on the transformation of the administrative state from the colonial legacy into a highly meritocratic and performance-oriented bureaucracy. The clash between the inherited, colonial-era bureaucratic system and the reforms implemented by Lee Kuan Yew reflects a broader process of state-building and institutional change. While the colonial state had provided a somewhat effective administrative framework, its orientation was not geared towards the developmental objectives that Lee's government sought. Instead, the bureaucratic system needed to be radically reformed to meet the needs of a newly independent, resource-poor city-state. This was one of the areas in which Singapore's leadership intervened most decisively.

During the colonial period, Singapore did possess a functioning administration and legal framework, but these were not designed primarily to maximise developmental effectiveness. Even after self-government, the state inherited from colonial rule a bureaucracy that had to be reoriented if it was to support state-led development. One important weakness was corruption. Police corruption was widespread during the colonial period because of weak political will, ineffective anti-corruption measures, low salaries and a

low probability of detection and punishment. The British colonial government's anti-corruption strategy was poorly designed, most notably because it placed the Anti-Corruption Branch inside the police itself, creating obvious conflicts of interest and making enforcement ineffective (Quah, 2022).

A key reform under Lee Kuan Yew was his approach to anti-corruption. By the 1950s, the Corrupt Practices Investigation Bureau (CPIB) already existed, but it remained a "paper tiger" (Quah, 2022, p. 165) because it lacked adequate legal powers, budget and personnel. Lee's government enacted laws such as the Prevention of Corruption Act in 1960, which gave the CPIB the power to investigate corruption at all levels of government. Additionally, the government also implemented a highly transparent salary system for civil servants, ensuring that civil service pay was competitive enough to deter corruption (Bellows, 2009).

The inherited administrative culture also required reform in a broader sense. Ballatore (2013) argues that after 1959 the PAP confronted a colonial civil service whose mentality and procedures needed extensive change if developmental objectives were to be achieved. In his account, the early reforms were meant not only to rationalise structures, but also to overcome the "colonial mentality" (Ballatore, 2013, p. 4) of civil servants and their insensitivity to local needs. Low (2014) makes a similar point, arguing that training and executive development were used to transform a colonial-era, rent-seeking bureaucracy into a public service oriented towards state formation and reform. In other words, the change was not only in the institutional design on paper, but the orientation and behaviour of the administrative service itself.

Additionally, Lee Kuan Yew's government further restructured the civil service by introducing a series of meritocratic reforms. One of the most important changes was the creation of a more professionalised bureaucracy with a focus on performance-based evaluations and competitive pay to reduce corruption and increase efficiency (Jones, 2016). The Public Service Commission was empowered under Lee to oversee these reforms, ensuring that appointments and promotions within the civil service were based on performance rather than connections or seniority (Quah, 2022). The state also emphasised the importance of professional development and training for civil servants, creating specialised institutions such as the Staff Training Institute to ensure that civil servants had the skills necessary for the demands of a modern economy (Low, 2014).

These reforms were not isolated measures aimed simply at reducing corruption, improving administrative behaviour or professionalising the civil service. They were part of a broader attempt to build a state that would be both meritocratic and effective. Bellows (2009) argues that meritocracy became a defining principle of PAP rule from 1959 onward and that the party's success rested heavily on "meritocracy, incorruptibility and effective policies" (Bellows, 2009, p. 24). For Lee Kuan Yew and his colleagues, the challenge of governing a small, vulnerable, resource-poor city-state made administrative competence a matter of survival rather than merely good governance. This is reflected in Lee (1971)'s own 1971 speech, in which he argued that Singapore's future depended on a crucial group of key officials and political leaders who had risen "by their own merit, hard work and high performance" (Lee, 1971, p. 7).

The reforms implemented by Lee Kuan Yew were not merely adjustments to the colonial framework, but a part of a profound transformation of the institutional framework. By the late 1960s, Singapore's public service had become more professional, meritocratic and performance-oriented, characteristics that enabled it to implement Lee's development agenda effectively. The PAP successfully overcame the inefficiencies of the colonial bureaucracy, which had been poorly equipped to address the developmental needs of an independent state. Instead of relying on the old colonial structures, Lee built a new administrative system based on merit and performance, which became central to Singapore's economic success.

Adoption of Export-Oriented Strategy

This subsection examines a second way in which Singapore's state action overrode pre-existing institutions: the shift from an inherited commercial order centred on entrepot trade and then a short-lived import-substitution strategy tied to the Malaysian common market, towards a deliberately constructed export-oriented development model. Lee's government confronted the limits of an older economic structure, redefined the problem after separation from Malaysia and then used new institutions, incentives and policy instruments to redirect capital, labour and production towards manufactured exports. The result was not just a change in trade policy, but a reorganisation of the country's developmental trajectory.

Under British rule, Singapore's economy had been built primarily around its strategic location, free-port status and military value. Colonial Singapore's economy rested on two

main pillars: entrepot trade and the British military base. Trade-related services such as shipping, finance and communications were well developed, but manufacturing remained limited and largely confined to processing activities linked to trade or to the needs of the military base. By the late 1950s, manufacturing still accounted for less than 12 percent of GDP and much of it was concentrated in activities protected by natural transport costs rather than by any coherent industrial strategy (Chia, 2005). In institutional terms, the colonial legacy was therefore commercial and logistical rather than industrial.

The first postcolonial response to this inherited economic model was not export orientation but import substitution. Between self-government in 1959 and political independence in 1965, Singapore's government adopted import-substituting industrialisation in order to create employment and add a new pillar to an economy still heavily dependent on entrepot activity. This strategy was regarded as viable because Singapore expected access to the Malaysian common market after their merger in 1963. The United Nations Industrial Survey Mission led by Albert Winsemius supported this approach by recommending import protection for selected industries and the creation of the EDB to coordinate industrialisation. In this phase the state had already begun intervening, but within a framework still shaped by the expectation of protected access to a larger regional market (Chia, 2005).

That framework collapsed after the failure of merger with Malaysia. After the short-lived union with the neighbouring country, it was clear that Singapore's domestic market was too small for import substitution to remain viable (Agrawal, 1995). The break with Malaysia did not merely alter the external environment, it destroyed the institutional basis on which the earlier strategy had rested.

The PAP responded by building a new export-oriented policy regime (Rodan, 1989). The most important institutional mechanism was the EDB, established in 1961 but reoriented after independence to market Singapore as an export platform for multinational corporations. The EDB was central to the attraction of foreign direct investment and functioned as an effective one-stop investment centre, offering investors land, factory sites, tax incentives and training subsidies (Chia, 2005). The EDB's growing functions were later split across specialised bodies: in 1968 the Jurong Town Corporation (JTC) took over industrial estates, the Development Bank of Singapore (DBS) took over development financing and the International Trading Company inherited export-promotion functions. Later, in 1983, the Trade Development Board assumed export promotion for local firms

(Völgyi, 2019). This architecture mattered because it shows that the new export-oriented strategy was not just announced as a policy preference but translated into a new institutional framework.

The policy shift itself was concrete. First, trade policy was liberalised. After 1969, Singapore progressively liberalised trade, so that by 1973 all quotas and almost all import tariffs had disappeared (Lan, 2001). Chia (2005) similarly notes that quantitative restrictions were eliminated and tariffs were progressively phased out, eventually restoring Singapore to an essentially free-trade regime. Second, the government introduced strong fiscal incentives to attract export-oriented investment. The main tools were: pioneer status with tax holidays of five to ten years, expansion incentives, a 90 percent tax concession on approved export profits, double tax deductions for export promotion and research and development, accelerated depreciation and various investment allowances (Agrawal, 1995). Third, the government created free zones, particularly Export Processing Zones, that allowed duty-free entry of imported inputs destined for re-export (Lan, 2001). Fourth, infrastructure and financing were mobilised to support the strategy: JTC developed industrial estates, DBS financed industrialisation and CPF savings were channelled into essential infrastructure (Völgyi, 2019).

These measures produced a rapid structural transformation. Industrial growth averaged 18.1 percent per year during 1965-73 (Chia, 2005). Within a year of independence the government had already issued 58 Pioneer Certificates and approved in-principle 25 more and by 1970 Singapore had reached full employment (Auyong, 2016). Cheah (1980)'s data shows how dramatic the transformation was: the number of export-oriented industry groups increased from 3 in 1968 to 11 in 1974, direct exports rose from 33 percent of total sales in 1965 to 65 percent in 1978 and in 1974 domestic exports exceeded re-exports, meaning the old entrepot logic had finally been surpassed. Additionally, manufacturing's share of GDP rose from 15 percent in 1965 to 26 percent in 1977, while unemployment fell from around 9 percent in 1965 to less than 4 percent by 1978. Foreign firms became central to this transformation, accounting by 1978 for 84 percent of direct manufactured exports and 71 percent of manufacturing output, a sign both of success and of the new dependence embedded in the model.

In sum, the colonial-commercial economy and the short-lived protected-market strategy linked to Malaysia were replaced by a new institutional configuration centred on

export manufacturing, foreign direct investment, specialised development agencies, industrial estates and trade liberalisation. The key point is that this transformation was not spontaneous. It emerged from a sequence in which state actors identified the exhaustion of one model, built the institutional instruments for another and then used them to reorganise production and external integration on new terms. In that sense, this shift towards export orientation was a central episode in how Singapore's state action overrode pre-existing institutions.

Case of Somalia

Centralisation and Nationalisation

This subsection examines a way in which Somalia's state action overrode pre-existing institutions under Siad Barre: the replacement of a decentralised, clan-based social and political order with a centralised state organised around Scientific Socialism, military authority and national control over resources. Barre did not inherit an institutional vacuum. He confronted a society in which authority was historically dispersed across clans, elders, *diya*[2]-paying groups and *xeer*[3]-based norms governing compensation, dispute settlement and access to resources. After the 1969 coup, the new regime sought to displace these institutions through legal, administrative and economic measures that concentrated authority in the state and attempted to redefine political loyalty around the nation and the revolution rather than kinship.

Before Barre, Somali society was structured through a segmentary clan order rather than a strongly centralised political hierarchy. In pastoral Somali society, authority was exercised by clan elders and political allegiances were shaped by patrilineal descent[4] (Lewis, 2002). Clan organisation was not merely symbolic. Le Sage (2005) explains that *diya*-paying groups assumed important functions of security and social regulation, while *xeer* regulated family matters, private property, territory and hospitality. This regulation included rules governing access to land, water and grazing, all of which were crucial in a dry pastoral environment. Decision-making and conflict resolution were therefore embedded in local kin-

[2] alliances of kin collectively responsible for paying or receiving compensation in cases such as injury or death (blood-money compensation)
[3] Somali customary law
[4] lineage traced through the father's line

based structures[5] and even as the post-independence state sought to extend a formal legal system, customary and Islamic norms continued to shape social order.

The 1969 coup initiated a deliberate effort to break with this institutional order. Barre and the SRC abolished political parties, suspended the constitution and concentrated legislative, executive and judicial authority in the SRC. Barre aimed to transform Somali nationalism from its old segmentary form into a more modern and organic national order (Makinda, 1991). In 1970, this project was formally given an ideological foundation through the adoption of Scientific Socialism. This doctrine, presented in Somali as "wealth-sharing based on wisdom" (Lewis, 2002, p. 209), was linked to the official ideals of unity, self-reliance and self-help and was coupled with a vehement denunciation of tribalism (Lewis, 2002).

This anti-clan project took concrete institutional form. Under Law No. 1 of October 1969 the SRC was granted authority over all judicial, executive and legislative functions, while Decree No. 12 temporarily abolished the Constitutional Court and Supreme Court and created a National Security Court staffed by military appointees with the power to detain, seize and arrest and no effective right of appeal (Le Sage, 2005). These measures mattered because they shifted the authority away from dispersed, negotiated local justice, towards centralised coercive institutions directly controlled by the regime. At the same time, Barre attacked the clan order more directly. The regime denounced clannism as a source of nepotism and corruption and created political and administrative offices intended to take over clan functions (Makinda, 1991). Additionally, the old government-recognised lineage headmen, the *akils*, were replaced by so-called "peace-seekers" (*nabad-doon*), while the broader anti-tribal campaign sought to redefine authority and mediation in state-approved forms (Lewis, 2002).

The most explicit legal attack on clan institutions came with Law No. 67 of 1 November 1970. This law abolished key elements of *xeer*, including tribal land rights, water and grazing rights, collective responsibility and *diya* payment. In other words, the regime did not merely criticise clan identity, it moved against the institutional mechanisms through which clans governed everyday life (Le Sage, 2005). The measures targeted precisely those practices that had made the clan system function: collective compensation, communal resource regulation and elder-mediated dispute settlement. The regime also tried to weaken

[5] institutions organised around clan and lineage ties

lineage affiliation culturally, requiring Somalis to address one another as *Challe* ("comrade") and using radio propaganda and Soviet-assisted Orientation Centres to replace lineage loyalty with revolutionary allegiance to the nation (Makinda, 1991).

This centralising project was accompanied by a nationalising economic agenda. All land not owned by a group recognised as legitimate by the SRC was nationalised in 1972 and then redistributed not for a universal public good, but often through 50-year leases as political patronage (Le Sage, 2005). By 1975, land, major industries and the financial sector had effectively been nationalised, allowing the regime to expropriate property for state farms, irrigation projects and politically connected allies (Leeson, 2007; Powell et al., 2008). The state centralised control over key agricultural markets and productive resources by monopolising the marketing and export of major commodities, regulating grain purchases through state agencies at controlled prices, asserting authority over land and expanding state farms and agro-industrial enterprises (Lewis, 2002; Abdi Samatar, 1994). These changes undermined clan-based and local control over productive resources by relocating decisions over land allocation, marketing, credit and distribution into centralised bureaucratic agencies.

However, this override was never complete or stable. Even without posing a direct threat to the regime's survival, public resistance and weak enforcement in nomadic areas forced the regime partially to retreat from the outlawing of collective responsibility by 1974, after which the state began registering some extra-judicial settlements rather than fully replacing them (Le Sage, 2005). This illustrates what Helmke and Levitsky (2004) describe as competing informal institutions: pre-existing informal practices generated outcomes that conflicted with the state's formal rules and, where enforcement was weak, constrained their implementation.

At the same time, the regime increasingly relied on clan-based patronage of its own, especially through the MOD coalition, which revealed that centralisation did not eliminate clan politics so much as reconfigure them under state domination (Makinda, 1991). Even so, the crucial point remains clear: Barre's state action did override pre-existing institutions. It did so by stripping key functions from *xeer*, *diya* groups, elders and lineage-based authorities, centralising power in the SRC and security courts and nationalising control over land and major sectors of the economy.

Establishment of Foreign Exchange Controls

This subsection examines a second way in which Somalia's state action overrode pre-existing institutions under Siad Barre: the subordination of an externally oriented, export-dependent economy to centralised monetary and trade controls. Barre inherited and continued to govern, a country whose productive sectors were deeply tied to trade beyond its borders, especially through livestock exports, banana exports and remittance-linked access to hard currency[6]. The institutional shift consisted in redefining the rules through which foreign currency was earned, surrendered, allocated and spent. The result was a move away from market-mediated access to hard currency and towards a system in which the state controlled the foreign exchange flows on which an export-dependent economy relied.

Somalia's structural dependence on external trade predated Barre. In the 1950s, bananas remained the country's main export asset, while over time livestock became even more central. Somali livestock export earnings rose sharply from the 1950s onwards as Saudi demand expanded and Somalia eventually supplied nearly 90 percent of Saudi livestock imports. In the 1970s, high prices associated with the growing oil wealth generated major unexpected gains for pastoralists, merchants and the state alike. This external orientation had broader structural implications. Public revenue came largely from import and export dues rather than from a broad domestic fiscal base and the country's capacity to import commodities depended on access to foreign exchange earned through exports (Lewis, 2002; Abdi Samatar, 1994). In this sense, export performance was not merely commercially important, but central to the functioning of the wider economy.

Barre's response was not to accept this system as it was, but to subject it to tighter monetary and administrative control. One key device was the *franco valuta* arrangement. Under this system, the government set a minimum price for livestock exports, with each licensed exporter having to pay that amount at the official exchange rate through the national banking system. In principle, this forced export proceeds to pass through state-regulated monetary channels rather than remaining fully under merchant control. In practice, however, the amount reported to the bank was often lower than the amount actually paid by Saudi or other hard-currency buyers. Exporters then used the undeclared foreign exchange margin either to import scarce consumer goods or to sell dollars on the parallel market (Lewis, 2002). This was already a profound intervention: the state inserted itself between exporters and their

[6] foreign currency that is especially stable and internationally usable

foreign earnings by licensing trade and requiring transactions to pass through the formal banking system.

The controls became more explicit and more damaging over time. In the 1970s, Siad Barre's government nationalised most livestock and pastoral-product exports, continuing to control them through the 1980s, restricted imports and exports and introduced a wide array of regulations. Most importantly, foreign exchange controls were strict: exporters were required to surrender at least half of their foreign exchange earnings at the state-set rate, which by 1988 overvalued the Somali shilling against the United States dollar (USD) by more than 120 percent (Leeson, 2007). Furthermore, the parallel exchange rate rose to more than twenty times the official rate, making access to hard currency through official channels increasingly detached from market realities (Lewis, 2002). In other words, the regime overrode older trade institutions not by eliminating exports altogether, but by forcing exporters into a distorted monetary regime in which the state claimed privileged control over foreign exchange.

This state leverage over foreign exchange was reinforced by the financial control system in place. When commodities were auctioned or foreign exchange was sold, the Commercial Bank, which Siad Barre directly controlled, issued circular notes[7] to favoured members of the ruling elite. These could then be exchanged for the cash needed to purchase commodities or foreign currency. The Commercial Bank was seen as the "black hole" (Rawson, 1994, p. 167) of Somali finance because it became a mechanism for bypassing International Monetary Fund credit restraints and channeling access to hard currency towards politically favoured members of society. Additionally, counterpart currencies[8] were also moved from the Central Bank, the Commercial Bank and the Ministry of Finance into private hands in ways that increased demand for imports, created trade imbalance and intensified inflationary pressure (Rawson, 1994).

By the mid-1980s, the regime was trying to manage a growing foreign exchange and macroeconomic crisis marked by soaring inflation and a widening gap between official and parallel exchange rates (Lewis, 2002; Rawson, 1994). Rather than retreating from control, the government responded with further intervention. In an effort to counter inflation and pull more hard currency into the national banking system, the government encouraged traders to

[7] letters of credit issued without collateral
[8] local-currency funds generated from foreign aid

open local foreign exchange accounts, abolished and then reintroduced the *franco valuta* system in modified form in 1984 and introduced World Bank dollar auctions in 1986 (Lewis, 2002). However, these policies were not enough to solve the crisis.

Data confirms just how distortive the monetary environment became. In the late 1980s, the Somali central bank expanded the money supply dramatically, from 3.8 billion Somali shillings in 1985 to more than 155.7 billion in 1990, while the gap between the official exchange rate and the black-market rate reached as high as 275 percent (Powell et al., 2008). Furthermore, foreign currencies such as USD, Ethiopian birr, Saudi riyals and UAE dirhams had already begun circulating in Somalia before state collapse as inflation accelerated under Barre (Luther & White, 2016). In other words, the state was trying to monopolise foreign exchange allocation at precisely the moment when confidence in the official monetary regime was breaking down and people were increasingly turning to parallel and foreign-currency markets.

The consequences of the distortion created by the foreign exchange controls were severe and highly uneven, with the controls benefiting wealthy political patrons who consumed imports but destroying Somalia's export industry (Leeson, 2007). The distortions created by multiple exchange rates, privileged access to foreign currency and state-mediated allocation did not stabilise the economy, instead, they redistributed benefits narrowly while weakening the productive base on which foreign exchange earnings depended. As export prices fell and livestock exports stagnated, the Somali state, already constrained by shortages of foreign currency, became even more dependent on external assistance (Abdi Samatar, 1994).

Taken together, this subsection supports that Somalia's state-led transformation did not just modify inherited institutions but actively overrode them. Barre's regime did not merely regulate an export-dependent economy, it overrode the institutions through which external trade and foreign exchange had previously operated by subordinating them to state banking, official exchange rates, licensing arrangements and politically mediated access to hard currency. This was not a neutral monetary adjustment, but a political reorganisation of external trade in a country whose economic survival depended on it. In trying to exercise control over foreign exchange, Barre's regime displaced market-mediated mechanisms of export earnings and allocation, distorting incentives and weakening the very export economy on which the state depended.

Chapter 3. The Divergent Paths of Somalia and Singapore

Having shown in the previous chapter how state action in Singapore and Somalia overrode pre-existing institutions, the next step is to examine the direction in which institutional change moved in each case. This chapter therefore focuses on whether the new institutional trajectories that emerged under state intervention became more inclusive or more extractive. It begins by clarifying the conceptual distinction between inclusive and extractive institutions, before turning to the two case studies. It then analyses how the policies adopted in Singapore contributed to the development of a more inclusive institutional order and how the policies implemented in Somalia instead fostered increasingly extractive institutions. The aim is not simply to classify the directional tendency of the two cases, but to understand how the specific forms of state intervention examined in Chapter 2 produced sharply divergent institutional trajectories.

Understanding the Concept of Inclusive and Extractive Institutions

The distinction between inclusive and extractive institutions is most closely associated with Acemoglu and Robinson (2012). Within the institutional literature, inclusive institutions are those that widen access to opportunities and constrain arbitrary domination, whereas extractive institutions channel power and resources towards a narrow elite. The authors define inclusive economic institutions as those that enforce property rights, create a relatively level playing field and encourage investment in skills, technology and productive activity. These are supported by inclusive political institutions, which distribute power broadly and pluralistically, while also maintaining enough political centralisation to enforce law and order and secure the basic conditions for market exchange. By contrast, extractive political institutions concentrate power in the hands of a narrow elite and place few effective constraints on its use. The corresponding extractive economic institutions are then structured to extract resources from the many for the benefit of the few (Acemoglu & Robinson, 2012). That said, the concept should not be interpreted too mechanically. Acemoglu and Robinson (2012) explicitly argue that inclusiveness requires not only pluralism but also some degree of political centralisation. Without it, dispersed power may produce not inclusion but disorder, since no authority is able to enforce rules or provide the minimum level of law and order on which secure property rights and exchange depend.

This difference has direct implications for institutional sustainability and longevity. Inclusive institutions are not automatically permanent, but they tend to generate a virtuous

circle: broad participation and more secure rights make it harder for political actors to use the state purely for private extraction, while wider access to economic opportunity reinforces demands for accountable politics. Extractive institutions, by contrast, tend to generate a vicious circle: concentrated political power sustains extractive economic rules and the resources generated by those rules strengthen the same elite's hold on power. Because the gains from control are so large under extractive systems, such institutions also generate intense political conflict over who gets to rule, which helps explain why they are often associated with fragility, instability and repeated struggles for control of the state (Acemoglu & Robinson, 2012).

For this chapter, the main value of the framework is clear. It allows institutional change to be assessed not simply in terms of whether states replaced existing rules, but in terms of the direction of that change. Policy choices are not inherently inclusive or extractive. The same instrument may broaden access and build capacity in one context and concentrate power and facilitate extraction in another. Its institutional direction depends on how it is designed, implemented and enforced, as well as how its benefits and costs are distributed. The key question is therefore not only whether state intervention overrode pre-existing institutions, but whether the resulting institutional order broadened access, constrained arbitrary power and generated durable incentives for productive activity or instead concentrated power and organised society around extraction. That distinction is central to understanding why institutional change in Singapore and Somalia had such different outcomes in terms of longevity.

How Singapore's Policies Enabled Inclusivity

To argue that Singapore's institutions moved towards a more inclusive framework is not to claim that Lee Kuan Yew created a fully inclusive political order. Singapore remained politically restrictive, being essentially an authoritarian regime despite the continued holding of elections (Case, 2002). Even so, Singapore's institutional changes discussed in Chapter 2 widened access to economic opportunity, reduced arbitrariness in administration, improved the provision of public goods and created stronger incentives for broad-based participation in productive activity. Therefore, in Acemoglu and Robinson (2012) terms, Singapore became more inclusive, moving away from a narrower and more discretionary institutional order towards one that was more broadly enabling.

The first mechanism through which this happened was the promotion of meritocracy and state effectiveness. Under the colonial order, Singapore had inherited an administrative framework, but not one sufficiently oriented towards broad developmental inclusion. The PAP's reforms altered this by making access to state positions and advancement increasingly dependent on educational attainment, performance and bureaucratic competence rather than patronage, informality or inherited privilege. Völgyi (2019) describes the resulting public service as corruption-free, merit-based, well paid and effective. That point matters for the argument of this chapter since inclusive institutions require a state capable of enforcing rules impersonally and providing key public goods (Acemoglu & Robinson, 2012). In Singapore, the move towards a cleaner and more merit-based state reduced the role of arbitrariness in administrative life and made the institutional environment more predictable for firms and citizens alike.

Meritocracy also contributed to inclusivity by widening access to advancement through education and skill formation. Acemoglu and Robinson (2012) argue that inclusive economic institutions support not only markets but also the development of technology and education, since people are more likely to invest in skills when institutional conditions allow them to benefit from doing so. Chia (2005) shows that the PAP reformed the educational system in the 1960s to emphasise technical and vocational training, later expanded tertiary education and created institutions such as the Skills Development Fund to upgrade worker capabilities. Agrawal (1995) similarly notes that Singapore provided extensive opportunities for education and training, while productivity-oriented labour policies linked wages and promotion more closely to performance. The institutional significance of this lies not only in the fact that advancement became increasingly tied to the acquisition and use of skills, but also in the fact that the state actively expanded access to education and training, thereby enabling ordinary, non-elite citizens to develop the capabilities required for social and economic advancement.

Another part of this shift towards meritocracy and, therefore, inclusiveness was the anti-corruption reform. A less corrupt state is more inclusive not because it is morally superior in the abstract, but because it reduces the extent to which access to state resources and decisions depends on informal payments and favouritism. The PAP made it a clear focus to maintain a clean image and erase any type of corruption, taking effective anti-corruption measures (Quah, 2022; Völgyi, 2019). This meant that access to licenses, promotions, state

employment and public services became less dependent on private connections and more dependent on rule-based criteria. In institutional terms, this is a movement away from extraction and towards a more inclusive framework because it broadens access to opportunity beyond those with privileged personal ties.

The export-oriented strategy reinforced this shift towards inclusivity. Here, the key point is that export orientation widened participation in economic life by moving Singapore away from a narrow, protected and stagnant framework and towards a more competitive, employment-generating and opportunity-expanding one. Agrawal (1995) argues that export orientation forced both local and foreign firms in Singapore to compete with the best in world markets, while the huge size of those markets created room for sustained expansion. Even state-owned enterprises, usually known for ineffectiveness and corruption, operated on market and effectiveness principles. Loss-making firms were not protected and the returns generated by these firms were reinvested to support wider economic and social aims (Völgyi, 2019). This is consistent with a movement towards a more inclusive framework not only because the benefits of growth were not confined to a small extractive coalition, but also because it exposed the economy to competition, reduced dependence on protected niches and expanded the range of productive opportunities available to labour and enterprise.

The inclusiveness of Singapore's development strategy becomes clearer when one looks at its social effects. Agrawal (1995) shows that this strategy led to the elimination of unemployment in the early 1970s, rapid declines in poverty and major improvements in literacy, life expectancy and infant mortality. By 1982-83, he notes, absolute poverty had essentially been eliminated. Chia (2005) similarly highlights full employment and subsidised public housing as central features of the broader developmental model. These outcomes matter because they show that the new institutional framework did not merely increase aggregate output. It widened effective access to employment, housing, education and basic security across a broad share of the population.

That said, the limits of inclusivity should remain clear. Singapore under Lee was not pluralistic in the strong sense used by Acemoglu and Robinson (2012) to describe fully inclusive political institutions. Opposition remained weak, labour was tightly disciplined and the PAP retained overwhelming control over public life (Case, 2002; Rodan, 1989). For that reason, the claim of this chapter is not that Singapore became fully inclusive, rather, its institutions moved towards a more inclusive framework.

In sum, the promotion of meritocracy reduced arbitrariness in administration and widened access to advancement through performance, education and skill. The adoption of an export-oriented strategy broadened participation in economic life through mass employment, human-capital formation, infrastructure and exposure to competitive markets. This is sufficient to sustain the proposition that these changes reoriented Singapore's institutional order towards a more inclusive framework.

How Somalia's Policies Fostered Extractive Institutions

To show that Somalia's institutions moved towards a more extractive framework is not enough to argue that Siad Barre centralised power. It is necessary to highlight that the institutional override examined in Chapter 2 concentrated political authority, weakened pre-existing constraints and reorganised economic life in ways that transferred control over resources and opportunities to the regime and its allies rather than widening participation. As mentioned before, in Acemoglu and Robinson (2012)'s terms, extractive political institutions concentrate power in the hands of a narrow elite, while extractive economic institutions are structured to extract resources from the many for the benefit of the few. In Somalia, the centralisation and nationalisation pursued under Scientific Socialism, together with the later foreign exchange controls, moved institutions in precisely this direction.

Starting with the centralisation strategy, Barre's project weakened a decentralised social order without replacing it with a genuinely broad or accountable national framework. As Chapter 2 showed, the regime formally condemned clannism, abolished political parties, suspended the constitution and concentrated authority in the SRC. However, what matters here is not only that the state became more centralised, but that this centralisation was not pluralistic. Power was gathered into a narrow ruling core and used with limited institutional restraint (Makinda, 1991). This fits closely with the extractive pattern where political authority is centralised enough to command resources but insufficiently constrained to prevent abuse.

This concentration of authority was accompanied by a direct attack on the institutional role of clans and customary regulation. Barre presented his project as one of national unity, claiming that centralisation would help transcend clan divisions and create a more equal order in which Somalis would be treated as members of a single nation rather than as members of competing lineages (Lewis, 2002). Yet the actual outcome was very different. While the regime denounced tribalism as backwards and corrupt and sought to

displace clan-based institutions with state-centred ones, centralisation became a mechanism for reallocating access to power and resources towards the regime rather than broadening it. In practice, Barre relied increasingly on clans and sub-clans close to him, granting land, water rights and other advantages selectively in order to secure loyalty and maintain power (Le Sage, 2005; Makinda, 1991). In institutional terms, this was extractive because state intervention was used not to create a more impartial national order, but to subordinate older institutions while redistributing benefits through regime-controlled patronage.

The nationalisation agenda reinforced the institutional direction in which the regime was headed. The state did not simply expand its role in the economy, it inserted itself into key sectors in ways that strengthened elite control over productive assets while hindering economic participation. In the 1970s and 1980s, state laws nationalised access to land and water, imposed severe restrictions on key trades and made state-controlled title registration the only legal route to landholding. Even though these policies were, at first, presented as a broad developmental project (Samatar, 1985), the result was not secure and broad-based property rights, but redistribution towards politically connected groups. By the 1980s, this logic was especially visible in land reforms that transferred property to "small cliques of politicians or politically connected urban businessmen" (Powell et al., 2008, p. 659) and victimised, in some cases, entire villages (Powell et al., 2008). This reflects the core of extractive institutions since access to land, water and economic advantage depended increasingly on proximity to political power.

The foreign exchange regime pushed the institutional framework further in the extractive direction. When Siad Barre tightened controls, access to foreign currency became increasingly subordinated to state banking, official exchange rates, licensing and politically mediated allocation (Leeson, 2007; Lewis, 2002). That mattered because foreign exchange was not just a technical monetary matter. It was a crucial resource determining who could trade, import, invest and survive commercially. By forcing exporters to surrender earnings at official rates and routing access through state-controlled institutions, the regime converted foreign exchange into an instrument of extraction, all while the overvalued exchange rate benefited wealthy political patrons who consumed imports and damaged the export sector (Abdi Samatar, 1994).

These policies also generated the instability typically associated with extractive institutions. Somalia's experience matches this logic closely. Rawson (1994) argues that by

the late Barre period, patronage had narrowed, militarisation had intensified and state institutions were increasingly used for elite advantage rather than broad governance. Powell et al. (2008) likewise note that public spending overwhelmingly favoured defence and administration while the pastoral sector and social services received very little and that by the mid-1980s informal markets were replacing failing public monopolies. The extractive turn was therefore not only unequal, but also institutionally weak.

In sum, Barre's centralisation and nationalisation shifted Somalia towards an extractive framework by concentrating political authority, weakening decentralised constraints and reorganising access to land, labour and agricultural markets around regime control. Furthermore, the foreign exchange regime extended the same pattern into external trade by making access to hard currency dependent on state-controlled institutions and politically mediated privilege. The result was an institutional order in which power and resources were increasingly concentrated in the hands of a narrow elite, while the wider population faced weaker rights, narrower opportunities and growing exposure to predation. That is enough to sustain the proposition that, in Somalia, institutions moved towards a more extractive framework.

Chapter 4. Key Factors that Influence the Direction of Institutional Change

The previous chapters established that both Singapore and Somalia experienced ambitious state-led attempts to override pre-existing institutional arrangements with sharply different outcomes. In Singapore, the PAP government under Lee Kuan Yew displaced aspects of the inherited colonial order and redirected the economy away from both entrepot dependence and import-substitution towards a more inclusive institutional framework, characterised by meritocratic administration and export-oriented development. In Somalia, Siad Barre's regime similarly sought to override existing political and economic institutions through centralisation, nationalisation and foreign exchange controls. However, the result was not the construction of a durable developmental state, but the intensification of extractive institutions organised around patronage, clan favouritism, coercion and politically mediated access to resources. The central task of this chapter is to explain why the two institutional overrides moved in such different directions.

Acemoglu and Robinson (2016) explain the emergence of inclusive institutions as a process in which state capacity and the distribution of political power develop together. In *Paths to Inclusive Political Institutions*, they argue that inclusive institutions emerge when state-building is accompanied by a sufficiently broad distribution of power, supported by informal institutions and social norms that prevent the state from escaping societal control. Their later work develops this argument through the coevolution of state and society. Social organisations must acquire the capacity to discipline political elites, while the state develops the capacity to enforce rules and provide public goods. When these processes reinforce one another, inclusive institutions can emerge (Acemoglu & Robinson, 2021, 2023).

Other scholars identify complementary pathways through which political and economic access may broaden, even though they do not necessarily use the term "inclusive institutions". Fukuyama (2011) emphasises the need to balance state capacity, the rule of law and political accountability: state capacity allows governments to provide public goods and enforce economic rules, while law and accountability prevent rulers from using these capacities for predation. North et al. (2009) explain how societies may move from limited-access orders, where political and economic opportunities are restricted and rents sustain bargains among elites, to open-access orders, where individuals and organisations can compete under more impersonal rules. In their account, elite privileges first become

governed by impersonal rules and durable organisations before those forms of access can be extended more broadly across society. Besley and Persson (2009) focus on the political incentives behind investment in legal and fiscal capacity, arguing that rulers are more likely to develop these when common-interest objectives and political stability make the benefits of state-building broadly shared. Additionally, Rocha Menocal (2017) argues that political settlements shape inclusion by determining the orientation and capacity of the state, the distribution of resources and the groups whose interests political institutions must accommodate. More inclusive outcomes become possible when political bargains support capable and socially embedded state institutions, developmental coalitions and policies that extend benefits beyond narrow elites.

Together, these approaches show that inclusive institutions do not emerge simply because they are economically efficient. They emerge through political processes that give actors incentives to build capacity, accept constraints and extend access beyond narrow personal or elite interests. The present study adds to this literature by connecting rulers' support strategies to the direction of institutional change, emphasising the role of political survival logic in the emergence and maintenance of institutions.

Bueno de Mesquita et al. (2003)'s selectorate theory argues that rulers survive by maintaining the support of a winning coalition: the group whose loyalty is necessary for the ruler to remain in power. When the winning coalition is small, rulers can more efficiently secure support through private goods and selective rewards. As the coalition becomes broader, selective distribution becomes less effective, increasing the value of public goods and broad policy performance. This logic provides the theoretical basis for specifying the mechanisms examined here.

However, coalition size alone does not explain the direction of institutional change. A small coalition may be maintained through personalistic patronage, but it may also support a ruler through bureaucratic, ideological, or performance-based relationships. Singapore, for example, had a concentrated ruling elite, yet state intervention moved in a more capacity-building and economically inclusive direction. The crucial issue is therefore the structure of political dependence connecting rulers to their supporters. This study derives two observable mechanisms from that logic: dependence on patronage-based elite support and exposure to broad societal performance pressure.

These mechanisms should not be understood as mutually exclusive or as perfect opposites. Rather, they capture two different bases of political dependence through which rulers can maintain support. A ruler may simultaneously rely on selective rewards to pivotal insiders and remain exposed to broader demands for economic and administrative performance. The relevant question is therefore their relative weight in the ruler's structure of dependence. When political survival depends predominantly on maintaining pivotal supporters through selective rewards (higher dependence on patronage-based elite support), the returns to institutions that facilitate patronage and restricted access increase. When survival depends more heavily on maintaining the support or cooperation of broader groups through economic and administrative performance (higher exposure to performance pressure), the returns to institutions that generate broadly distributed benefits increase. The argument is, therefore, not that rulers rely exclusively on either patronage or performance, but that the relative importance of each shapes whether rulers have stronger incentives to develop institutions in a more extractive or more inclusive direction.

Regarding the first mechanism, patronage-based elite support refers to a political arrangement in which rulers maintain power by allocating selective benefits to a narrow set of influential actors rather than by providing broad public goods or creating impersonal institutions (Bueno de Mesquita et al., 2003). These benefits may include state offices, access to land, licenses, foreign exchange, contracts, military protection, among others (Le Sage, 2005; Leeson, 2007). Formal institutions may still exist, but they become instruments for distributing rents and punishing opponents rather than neutral mechanisms for governing society. The mechanism is identified not by the final extractive outcome, but by evidence that access to state resources is mediated through personal, clan, military or political loyalty rather than impersonal rules.

This mechanism helps explain why institutional change may move in an extractive direction. When rulers depend heavily on patronage-based elite support, institutions that control valuable resources become instruments of coalition maintenance. Restricted access, discretionary enforcement and bureaucratic dependence increase the political value of selective distribution. Rulers may therefore preserve institutions that concentrate political and economic power among insiders, pushing institutional development in a more extractive direction. This mechanism is consistent with accounts showing how political leaders and

bureaucratic actors may preserve inefficient state structures because those structures generate rents and political support (Acemoglu et al., 2011; Geddes, 1994).

Regarding the second mechanism, performance pressure refers to the extent to which rulers must deliver economic growth, employment, public goods, social stability and administrative effectiveness to maintain political legitimacy or survival. This follows the broader argument that political support can depend on policy performance, not only on selective rewards (Bueno de Mesquita et al., 2003). Performance pressure is present when failure to deliver broad societal results creates political costs for the ruler, for example, through electoral punishment, public unrest, labour conflict or loss of social cooperation. This type of pressure tends to increase under conditions that make rulers politically or economically vulnerable (Bell, 2011).

This mechanism helps explain why institutional change may move in a more inclusive direction. As exposure to broad performance pressure increases, selective rewards to insiders become less efficient as a strategy of political survival. Rulers face greater political returns from visible delivery in areas such as employment, housing, growth, administrative competence and social order. Under these conditions, rulers have incentives to invest in institutions that reduce corruption, improve bureaucratic capacity, widen access to education and employment and support productive economic activity. In Acemoglu and Robinson (2012)'s terms, even though this does not necessarily produce fully inclusive institutions, it leads to a move towards a more inclusive institutional framework.

Having defined these two mechanisms, the analysis now turns to how their relative importance varied across cases and over time and whether changes in this balance preceded and shaped the direction of institutional change. The subsequent sections address these questions, first in Singapore and then in Somalia. Table 1 summarises the analysis of both cases, organising for each case and period the relative weight of exposure to performance pressure and dependence on patronage-based elite support, together with the evidence underlying these assessments. The cases are then brought together to assess the broader claim that greater dependence on patronage-based elite support increases the political value of discretionary access and selective rents, pushing institutional development in a more extractive direction, whereas greater exposure to performance pressures increases the political value of state capacity and widely distributed economic provision, pushing institutional development in a more inclusive direction. The final subsection considers

alternative explanations for these divergent trajectories and assesses whether they account for the observed patterns better than the mechanisms proposed here.

Mechanism	Case	Period	Relative weight	Observable indicators	Evidence	Sources
Exposure to performance pressure	Singapore	1959 →	High — peaking at vulnerability episodes (1959, 1965)	Sanction channels exist and are used — electoral contestation: broad groups can penalise the government at the polls	PAP wins 43 of 51 seats in 1959, but loses both 1961 Legislative Assembly by-elections.	Elections Department Singapore, 2025; Morgenbesser, 2017
		1959 →		Sanction channels exist and are used — organised labour: strikes impose visible costs	Official data recorded substantial labour unrest: 152,005 strike-related man-days lost in 1960, 410,891 in 1961, 164,936 in 1962 and 388,219 in 1963.	Goh, 1970
		1959; 1965		Stake-raising episodes amplify the cost of failure (self-government; separation from Malaysia)	Lee Kuan Yew's speech on the problems the government was facing in 1959. Rajaratnam's speech on the political and economic survival of small states and Singapore's vulnerability to larger neighbours after separation from Malaysia.	Lee Kuan Yew, 1959; Rajaratnam, 1965
	Somalia	1969 →	Low	Absence or suppression of sanction channels (elections abolished, parties banned, labour controlled)	Elections were abolished until 1979. Even after 1979, Barre's party (Somali Revolutionary Socialist Party) was the sole legal political party. Regarding labour organisation, only one government-controlled union was permitted.	Inter-Parliamentary Union, 1980; International Labour Organization, 2012
		1975 → 1978 →		External rents cushion the political cost of poor performance	Substantial aid inflows are mainly connected to two events: drought in 1974-75 and defeat in Ogaden War.	World Bank, 1982
Dependence on patronage-based elite support	Singapore	1959 →	Low	Absence of autonomous elite groups capable of credibly threatening regime survival	Military and domestic economic elites lacked sufficient autonomous political leverage to threaten government survival. Singapore had only around 50 officers, 1,000 men, two infantry battalions and no air force.	Hellmann, 2017; Ministry of Defence of Singapore, 2025; Rodan, 2021
	Somalia	1969–1977	High	Presence of a narrow winning coalition	Concentration of the regime's inner support base around a limited set of clan-linked elites, particularly the MOD coalition. 10/20 of the Supreme Revolutionary Council were part of the MOD.	Rinehart, 1982
		1978 →	Very high	Further narrowing of winning coalition and greater vulnerability to defection	Power circle narrowing around Barre's clan through the transfer of offices from other clan families and army purges after the Ogaden defeat. Coup of 1978.	Central Intelligence Agency, 1978; Compagnon, 1992; Osman, 2008

Table 1: Mechanisms and observable indicators, by case and period

Singapore: From Vulnerability to Performance-Oriented Institution-Building

Singapore's institutional trajectory demonstrates how strong exposure to broad performance pressure can create incentives for state intervention to develop in a more inclusive direction. Although the PAP restricted opposition and controlled many channels of political competition (Case, 2002), it was not completely insulated from societal evaluation.

The 1959 general election gave the PAP 43 of 51 seats, but its candidates lost both Legislative Assembly by-elections held in 1961 (Elections Department Singapore, 2025). This shows that from 1959 onwards elections provided citizens with a limited means of rewarding or penalising the government, making the PAP's legitimacy partly dependent on perceptions of government performance (Morgenbesser, 2017). Organised societal pressure was also visible in the labour sphere. Official statistics recorded 152,005 man-days lost through strikes in 1960, 410,891 in 1961, 164,936 in 1962 and 388,219 in 1963, before falling to 35,908 in 1964 (Goh, 1970). Together, electoral contestation and labour unrest provided citizens and organised groups with ways to impose political costs on the government, particularly when it failed to maintain employment, economic stability and social order. These sanction channels establish the presence of performance pressure. To assess when this pressure was strongest, the analysis focuses on periods of heightened vulnerability in which the political costs of poor performance and, therefore, performance pressure was even higher: the PAP's assumption of power in 1959 and Singapore's separation from Malaysia in 1965.

At the same time, the PAP's dependence on patronage-based elite support was comparatively low. At independence in 1965, Singapore possessed only around 50 officers and 1,000 men organised into two infantry battalions and had no air force, while the domestic capitalist class similarly lacked the political autonomy to constitute an alternative centre of power capable of credibly threatening the government (Hellmann, 2017; Ministry of Defence of Singapore, 2025; Rodan, 2021). Thus, although the PAP governed through a concentrated political leadership, its survival was not strongly dependent on maintaining a narrow set of autonomous elites through patronage.

When the PAP assumed power in 1959, it inherited not only an economic adjustment problem, but also a political survival and social consolidation one. The colonial state had left behind a functioning administrative and legal framework, but not an economy capable of absorbing labour or generating long-term industrial transformation (Onimaru, 2018). Lee Kuan Yew himself identified unemployment, rapid population growth and insufficient

industrial expansion as major inherited problems shortly after the PAP took office, stressing that it was now the government's responsibility to make the administrative machinery respond effectively to them (Lee, 1959). This shows that to maintain legitimacy, the new government had to demonstrate competence (Quah, 2015).

The administrative reforms mentioned in Chapter 2 followed from this earlier performance pressure. In response, Lee Kuan Yew's government emphasised the importance of meritocratic recruitment, competitive civil-service pay and performance-based advancement in order to create a public service that was more merit-based and effective (Bellows, 2009). Additionally, executive training and professional development further supported the reorientation of the bureaucracy towards effective policy implementation and economic development (Low, 2014). These were not merely technical improvements, but institutional responses to the need to build a state capable of delivering social order and economic development (Völgyi, 2019).

The collapse of the merger with Malaysia in 1965 intensified the pressure. This was a critical turning point in Singapore's development. The PAP's early strategy began with import-substitution industrialisation, which was supported by the expectation that merger with Malaysia would provide access to a larger common market (Chia, 2005). However, Singapore's separation from Malaysia destroyed the expectation of a protected regional market and made import-substitution far less viable (Huff, 1995; Völgyi, 2019). At the same time, Singapore faced the impending withdrawal of British military expenditure, which had accounted for a significant share of GDP and employment (Huff, 1995; Völgyi, 2019). Huff (1995) describes the post-1965 context as producing a "state of siege" (Huff, 1995, p. 1431) mentality, in which economic performance became directly connected to national survival. This interpretation is also supported by contemporaneous political discourse: shortly after separation, Rajaratnam (1965) reflected on the vulnerability of small states in terms of their political and economic survival. These shocks therefore increased the political costs of economic failure and intensified the PAP's incentives to build institutions capable of delivering employment, growth and administrative effectiveness.

The PAP's response was not to use the state as a vehicle for patronage distribution, but to build and expand institutions designed to deliver performance. The EDB became central to the new export-oriented strategy by marketing Singapore as a platform for multinational corporations and coordinating land, factory sites, tax incentives and training

support (Chia, 2005). The broader institutional architecture was then deepened through specialised agencies such as the JTC, the DBS and later the Trade Development Board (Völgyi, 2019). Trade policy was also progressively liberalised after 1969 (Lan, 2001). Furthermore, fiscal incentives, export-processing arrangements, industrial estates and infrastructure financing were mobilised to attract foreign investment and integrate Singapore into world markets (Agrawal, 1995; Chia, 2005; Völgyi, 2019).

The temporal sequence is consistent with the argument that performance pressure was shaping the direction of institutional change. The administrative reforms followed the PAP's early need to demonstrate competence after 1959 and export-oriented institutions consolidated after the 1965 shock made broad economic delivery more urgent. The fact that both reforms followed moments of increased performance pressure relative to dependence on patronage-based elite support strengthens the claim that Singapore's institutional override moved towards inclusion because political survival became tied to broad developmental performance.

Somalia: From Revolutionary Nation-Building to Extractive Coalition Management

Somalia's institutional trajectory demonstrates how high dependence on patronage-based elite support, relative to exposure to performance pressure, can create incentives for state intervention to develop in a more extractive direction. Siad Barre's regime also began with a project of institutional override, but the political logic of that override changed over time. The crucial point is that Somalia's extractive institutions did not emerge fully formed in 1969. Barre's early regime presented itself as a modernising and nationalist project that sought to overcome clan fragmentation, build a stronger state and replace decentralised customary authority with centralised revolutionary institutions. Over time, however, especially after the Ogaden defeat of 1978, the regime's coalition narrowed and the state became increasingly organised around clan patronage, coercion and patrimonial appropriation. This temporal shift is essential to the causal argument.

As shown in the earlier historical and institutional analysis, Somalia's state-led institutional override began with the 1969 coup. Barre and the SRC abolished political parties, suspended the constitution and concentrated legislative, executive and judicial authority in the new military regime (Warsame, 2024). In 1970, the regime adopted Scientific Socialism and presented itself as a nationalist and developmental alternative to the corruption and clan fragmentation of the civilian period (Adam, 1992; Lewis, 2002). These measures clearly

overrode pre-existing institutions, but at this stage they were justified through a nation-building project that claimed to replace clan fragmentation with centralised equality and national unity.

These political changes also weakened the channels through which broad societal groups could impose costs on the regime for poor performance. Competitive parliamentary elections disappeared after 1969 and, when elections resumed in 1979, the Somali Revolutionary Socialist Party was the sole legal political party and all candidates belonged to it (Inter-Parliamentary Union, 1980). Labour representation was similarly controlled by the regime. Under Barre only one government-controlled union was permitted, while independent trade unions, professional associations and political parties were prohibited (International Labour Organization, 2012). Performance pressure was, therefore, low.

A similar coexistence of developmental objectives and patronage was visible in the economic sphere. In the early 1970s, the regime nationalised land, major industries and the financial sector, expanded state farms and centralised control over key agricultural markets and productive resources, policies that weakened customary and local control (Le Sage, 2005; Lewis, 2002; Powell et al., 2008; Abdi Samatar, 1994). Note that patronage was already visible by this time with the regime's inner support base already concentrated around a limited set of clan-linked elites. Rinehart (1982) notes that, in 1975, ten of the twenty members of the SRC belonged to the Darod clan-family, of which MOD was a part of. However, the government still framed its policies as part of a broad developmental project aimed at restructuring the economy and reducing disparities between social groups (Samatar, 1985).

The turning point was the Ogaden War of 1977-78. The war initially strengthened Barre's nationalist legitimacy because it drew on the long-standing pan-Somali project of reclaiming Somali-inhabited territories, especially the Ogaden. However, the defeat reversed this effect. Somalia's withdrawal from the Ogaden in March 1978 severely weakened the regime, with a failed coup attempt on 9 April 1978, demonstrating that a relatively small group of military insiders could credibly threaten Barre's political survival (Porter, 1984). In response to this threat, the regime purged officers regarded as politically unreliable and increasingly concentrated military and political positions around Barre's own clan and trusted loyalists, further narrowing the winning coalition (Central Intelligence Agency, 1978; Compagnon, 1992; Osman, 2008). This matters because it shows that the Ogaden defeat changed the coalition logic of Barre's regime. Barre became more dependent on a narrower

set of loyalists within the military and bureaucracy, with the MOD coalition becoming increasingly central to regime survival (Adam, 1992; Makinda, 1991). The regime's survival logic, therefore, shifted from broad revolutionary nation-building towards narrower coalition maintenance, intensifying the already existing patronage-based dependence.

Additionally, low performance pressure was further reinforced by external rents. Substantial external aid inflows helped cushion the fiscal consequences of severe domestic shocks. The World Bank (1982) linked particularly large increases in foreign loans and grants to two periods: the drought of 1974-75 and the 1977-78 Ogaden War. These external resources reduced the extent to which the government had to bear the full domestic economic cost of crises and, consequently, weakened the connection between poor domestic performance and immediate pressure on regime survival.

During the 1980s, the extractive consequences of Barre's state intervention became increasingly visible. Measures that had initially been presented as socialist modernisation became increasingly tied to politically selective allocation. The regime's earlier centralisation and nationalisation policies had already transferred control over land and productive resources to the state, but land reforms in the 1980s further redistributed fertile land to politically connected politicians and businessmen. Furthermore, following the Ogaden defeat, the government's refugee-resettlement programme intensified this pattern by confiscating additional land and displacing rural communities (Powell et al., 2008). External assistance, including military aid, economic and development assistance and refugee relief after the Ogaden War also expanded the resources circulating through state and regime-linked networks, which were partly used to sustain coercive capacity and reward loyalists (Coolidge & Rose-Ackerman, 1997).

Foreign exchange controls can also be seen as a response to this increase in the degree of dependence on patronage-based elite support. Even though they did not begin only after the Ogaden defeat, their distortive and extractive effects intensified during the post-Ogaden crisis. The World Bank (1983) reported that Somalia's real import-weighted exchange-rate index remained relatively stable between 1974 and mid-1979 but more than doubled, from approximately 70 to 150, between mid-1979 and mid-1981. Additionally, another World Bank (1981) memorandum likewise described an increasing divergence between the official and free-market exchange rates, with the latter reaching approximately 2.5 times the official rate. As this divergence widened, the redistributive consequences of existing foreign-

exchange controls became more pronounced, magnifying both the losses imposed on those required to transact at the official rate and the rents available through preferential access to foreign currency (Leeson, 2007; Lewis, 2002). In this sense, the foreign-exchange regime became more extractive after the post-Ogaden political crisis.

The temporal pattern is therefore clear. Somalia's state-led override began as a broad, authoritarian nation-building project. The Ogaden defeat in 1978 then weakened the nationalist basis of the regime and narrowed Barre's survival coalition, increasing the degree of reliance on patronage-based elite support. In relative terms, the pre-1978 regime therefore combined low performance pressure with already high dependence on patronage-based elite support; after the Ogaden defeat and coup attempt, patronage dependence became even higher while the channels capable of imposing broad performance sanctions remained weak. Due to this, during the 1980s, state institutions and foreign exchange controls became increasingly extractive, functioning more and more as instruments of patronage, coercion and predation. The fact that institutional decay, clan-based favouritism and extractive economic controls deepened after Barre became more dependent on a patronage-based elite strengthens the claim that Somalia's institutional override moved towards extraction because political survival became more dependent on coalition management rather than broad developmental performance.

Comparative Implications

The temporal evolution of the two regimes' institutions is consistent with the claim that exposure to performance pressure and dependence on patronage-based support shape the shift towards more inclusive or extractive institutions. Inclusive institutions are more likely to emerge when political survival depends more heavily on responsiveness to broad societal performance pressure than on patronage-based elite support. Under these conditions, political survival is better served by building institutions that broaden access, improve competence and generate public goods. Extractive institutions are more likely to emerge when political survival depends more heavily on patronage-based elite support than on responsiveness to broad societal performance pressure. Under these conditions, political survival is better served by concentrating resources, rewarding insiders and using institutions as instruments of selective distribution. The movement towards inclusion or extraction is therefore not accidental, but reflective of the survival incentives shaped by the two mechanisms presented.

Having established how these mechanisms shape the movement towards inclusion or extraction, the issue of institutional longevity can be readdressed. As mentioned before, Acemoglu and Robinson argue that inclusive institutions tend to be more sustainable than extractive ones. The argument here adds that, therefore, the durability of institutions depends on which type of institutional arrangement better aligns with the ruler's incentives. In Singapore, meritocracy, anti-corruption, public housing, export promotion and bureaucratic effectiveness were not only developmentally beneficial, but politically useful because they helped the PAP maintain legitimacy through performance. This alignment between political survival and inclusiveness contributed to institutional development. In Somalia, centralisation, nationalisation and foreign exchange controls were politically useful for distributing benefits to regime insiders and, therefore, maintaining the support of elites, but destructive for institutional capacity. This alignment between survival and extraction generated institutional decay.

The chapter therefore explains the divergence identified in Chapter 3. Singapore and Somalia both disrupted old institutional arrangements, but they did so under different coalition structures. Singapore's institutional override was done under a political survival logic that rewarded effective governance and broad economic performance. Somalia's institutional override was done under a political survival logic that rewarded selective distribution and elite loyalty. This is why Singapore's new institutions became more inclusive and durable, while Somalia's became more extractive and fragile. The direction of institutional change was not determined by state intervention alone, but by the political incentives governing the ruler's relationship to elites and society.

Alternative Explanations

Because this thesis uses a contrast-oriented analytical narrative rather than a controlled most-similar comparison, analysing alternative explanations becomes even more relevant. Singapore and Somalia differ across many background conditions, including colonial inheritance, scale/geography, social structure and exposure to major external shocks and crises. These differences make the comparison analytically useful, but they also create a methodological risk: the divergent outcomes could be attributed to those broader differences rather than to the mechanisms identified in this chapter. For this reason, the following discussion treats colonial legacy, scale/geography and social fragmentation as rival explanations and scope conditions. The key question is not whether these factors mattered,

since they clearly shaped the constraints faced by each regime. The question is whether they can explain the timing and direction of institutional change as well as the mechanisms of patronage dependence and performance pressure.

The colonial-legacy explanation is partly persuasive. Singapore inherited important advantages from British rule, including a strategic port economy, legal-administrative structures and public institutions that could later be adapted to developmental purposes (Jones, 2016; Völgyi, 2019). Yet this inheritance was not simply a ready-made foundation for inclusive development. Colonial Singapore also inherited significant weaknesses. Corruption was widespread during the colonial period, especially in the police and colonial anti-corruption institutions were poorly designed and under-resourced (Quah, 2022). Furthermore, British Military Administration was remembered locally as the "Black Market Administration" (Low, 2014, p. 44) and its incompetence and corruption weakened the moral basis of British colonial authority (Low, 2014). Singapore's colonial inheritance therefore helps explain the administrative resources available to the PAP, but not why those resources were disciplined and redirected after 1959. The colonial legacy predated the PAP's reforms and cannot, by itself, explain why meritocratic administration, anti-corruption measures and developmental institutions expanded at that particular moment.

Somalia's colonial inheritance created a different set of constraints. Unlike Singapore, Somalia emerged from the unification of two differently administered colonial territories: British and Italian Somaliland (Adam, 1992). At independence, British common law, Italian law, Islamic *sharia* and Somali customary law were operating simultaneously, making the creation of a single coherent legal order a difficult task (Le Sage, 2005). This fragmented inheritance can make state-building more difficult, but it still does not fully explain why Barre's institutional intervention became increasingly patrimonial and extractive. The early Barre regime did attempt to centralise authority and build a national revolutionary state. If colonial fragmentation alone was decisive, we would expect institutional weakness from the beginning, but not necessarily the specific post-1978 shift towards intensified clan patronage, coercion and selective allocation.

The same logic applies to scale/geography. Singapore's city-state status made some forms of centralised intervention easier than in Somalia, but it also intensified vulnerability. Singapore lacked natural resources, had a small domestic market and faced external insecurity after separation from Malaysia (Völgyi, 2019). These conditions help explain why Singapore

required an effective and externally oriented development strategy. However, they do not explain the timing or direction of institutional change by themselves. Singapore's territorial scale and resource constraints existed before the decisive reforms. What changed after 1959 and 1965 was the political urgency attached to those conditions. Scale and geography therefore shaped the pressures facing the government, but performance pressure helps explain why those pressures were translated into broad developmental institution-building rather than narrow rent distribution. The important sequence is that heightened vulnerability increased the political costs of poor performance, which preceded and helped motivate the institutional response.

The third alternative explanation concerns social fragmentation. Several authors argue that Somalia's clan and lineage divisions weakened government institutions, shaped political competition and contributed to civil war (Adam, 1992; Kaplan, 2010; Makinda, 1991). This explanation is important, but it cannot fully account for the timing of Somalia's institutional transformation. Clan-based organisation existed before Barre and did not suddenly emerge after 1978. What changed was the regime's political use of those divisions. Following the Ogaden defeat and failed coup attempt, clan affiliation became increasingly important to regime survival and state resources were distributed more selectively through loyalist networks (Makinda, 1991; Powell et al., 2008).

Furthermore, it could be argued that Singapore also faced social fragmentation problems, with ethnic riots in the 1950s and 1960s making social order a serious political concern (Völgyi, 2019). These divisions were not equivalent to Somalia's clan institutions, but the comparison shows that social heterogeneity alone does not determine institutional outcomes. The key issue is how social divisions interact with rulers' survival incentives. In Singapore, diversity encouraged the PAP to prioritise order, housing, employment and economic development across a broad population (Phang, 2016; Völgyi, 2019). In Somalia, existing clan divisions became increasingly useful for rewarding loyalists and weakening rivals (Compagnon, 1992). Social fragmentation was therefore a background condition, not a sufficient explanation of institutional direction.

The final alternative explanation concerns exposure to major external shocks and crises. Somalia's 1974-75 drought generated severe economic and social pressures, producing widespread crop failures, livestock losses and large-scale population displacement, while also prompting an extensive state-led relief and resettlement programme. This prompted a

substantial expansion of state control over agricultural land, state farms and resettlement, while also increasing the flow of external assistance (World Bank, 1976, 1977, 1979). Since these developments created greater opportunities for discretionary control over scarce resources, it could be argued that this crisis was what contributed to the emergence or intensification of extractive arrangements in Somalia. However, the drought preceded the sharper post-1978 increase in patronage dependence and institutional extraction, making it difficult to explain the timing of that deterioration on its own.

These alternative explanations therefore complement rather than replace the chapter's argument. Colonial legacy, scale, geography, social fragmentation and exposure to major events and crises influenced the resources rulers could use, the risks they faced and the kinds of institutional strategies available to them. But these factors do not by themselves explain why institutional change accelerated at particular historical moments or why it moved in different directions. Therefore, patronage dependence and performance pressure remain the strongest mechanisms explaining both the timing and the direction of institutional change.

Conclusion

This thesis set out to explain why state-led institutional intervention moved in different directions in Singapore and Somalia. The comparison began from a shared process: in both cases, an authoritarian regime attempted to override inherited political, economic and social arrangements. The central finding is that state intervention alone does not determine the institutional outcome. What matters is the political survival logic through which state power is organised and used.

In Singapore, the PAP inherited a functioning administrative and legal framework, but it also faced severe unemployment, housing shortages, social tensions and a small domestic market. These structural vulnerabilities, combined with electoral contestation and organised labour unrest, increased citizens' and organised groups' ability to impose political costs on the government. In this setting, regime survival was closely tied to the ability to deliver employment, growth, public housing, social order and administrative competence. The PAP, therefore, had strong incentives to construct institutions that could coordinate investment, attract foreign capital, discipline corruption, expand skills and reorganise the economy around manufactured exports. The EDB, the professional public service, the anti-corruption framework, public housing and related institutions formed part of a state building project that was both economically interventionist and internationally open.

The Singapore case nevertheless requires a careful qualification. The PAP did not create fully inclusive political institutions. Opposition remained constrained, elections were managed within a dominant-party system, independent labour power was restricted and social policy also served purposes of political control. The strongest conclusion is not that Singapore became fully inclusive. Rather, the regime built a highly capable, relatively impersonal and socioeconomically broadening institutional order under authoritarian conditions. Singapore is thus better described as a capacity-building and partially inclusive developmental state than as an example of inclusive institutions.

Somalia followed a different trajectory. Barre's early regime was not simply predatory from its first day. After the 1969 rise to power, it launched several policies that, even though authoritarian and coercive in nature, also seemed to contain genuine state-building and developmental ambitions. The decisive shift occurred after the Ogaden War of 1977-78 and the failed coup attempt of 1978. This defeat weakened the nationalist basis of Barre's rule and encouraged a narrower strategy of coalition maintenance, with Barre increasingly relying

on the MOD alliance and on the political manipulation of clan divisions. Institutions that had initially been presented as instruments of national integration and socialist transformation were progressively used to distribute land, offices, foreign exchange and protection selectively.

The comparison provides support for the two mechanisms developed in the thesis. Performance pressure increased the political returns to institutions that could provide broad developmental benefits. Patronage dependence increased the political returns to discretionary control over valuable resources and to institutions that could reward pivotal insiders. The mechanisms are not mutually exclusive: a ruler may provide public goods while also distributing private benefits and a regime exposed to performance pressure may still need to satisfy elites. Their analytical value lies in identifying the relative basis of political dependence. When survival depends more heavily on broad performance, capacity-building institutions become politically useful. When survival depends more heavily on a patronage-based coalition, extraction and discretionary allocation become more valuable.

The evidence also shows that these mechanisms should not be treated as complete explanations. Singapore's outcome was shaped by its colonial administrative inheritance, city-state scale, strategic location and the PAP's capacity to organise social groups through state institutions. Somalia's outcome was shaped by colonial partition, decentralised social organisation and the legacy of customary authority. These factors affect the resources available to rulers and, consequently, condition the decisions they can make.

This study reaches a qualified conclusion. State intervention can produce durable and development-enhancing institutions when political survival is sufficiently connected to broad economic and administrative performance. State intervention can instead become extractive when rulers depend on selective rewards, weaken institutional constraints and control rents through personal, clan or military networks. The same formal instrument (centralisation, nationalisation or bureaucracy) can consequently support different institutional trajectories depending on the coalition that controls it and the constraints under which it operates.

Three limitations should be acknowledged. First, the contrast between Singapore and Somalia is not a controlled comparison: the cases differ substantially in scale, geography, colonial inheritance and social structure. This analysis can identify compatible sequences and mechanisms, but it cannot establish that the proposed mechanisms alone caused the

divergent outcomes. Second, although the study draws on primary evidence regarding both regimes, the depth of archival research remains limited. A greater reliance on government records and other primary materials, relative to secondary sources, could allow for more detailed process tracing of changes in political dependence, perceived threats, policy decisions and subsequent institutional outcomes. Third, this thesis identifies patronage dependence and performance pressure as the main mechanisms shaping institutional direction, but it does not examine in full detail how these mechanisms interacted with contextual factors, such as colonial legacy, scale/geography, social fragmentation and major shocks. Future research could therefore analyse more closely how these alternative explanations shaped the effect of the mechanisms identified.

Despite these limitations, the comparison makes an important contribution. It shows that institutional reform does not succeed simply because rulers possess the authority to impose new rules and that the direction of institutional change is influenced by the political survival logic they face. Therefore, the question "Does the state intervene?" becomes too general to explain developmental divergence. The more useful questions are: who must the ruler satisfy, what organisations can constrain the ruler and which forms of performance are necessary for political survival? Answering these questions helps explain why state power helped build a durable developmental order in Singapore but contributed to patrimonial decay and collapse in Somalia.

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