

start with social structures, then try to explain the emergence of particular forms of state organization and state-society ties.

Whatever tack is taken, the ultimate aim is the same. Capturing the dynamics of state-society relations and putting them together with the “Weberian hypothesis” on internal organization is the basic challenge facing the comparative institutional approach. Analytic generalizations must be grounded in the analysis of specific historical evidence. We need to look at the covariation of state structure, state-society relations, and developmental outcomes. What separates states that embody the neo-utilitarian nightmare from states that can legitimately claim to be developmental? How do shared projects of transformation work? What kind of state roles are involved? How do successful shared projects change relations between the state and its private collaborators? Using comparative historical evidence to answer these questions will exploit the opportunity opened up by neo-utilitarianism’s retreat and forge a more satisfying vision of the state’s place in the process of development.

### 3

#### States

IN LATE 1978, a government tax collector was killed in Bandundu Province, Zaire. That people’s resentment against tax collection in Zaire should reach lethal levels is hardly surprising. The rapaciousness of the Zairian officialdom is legendary, and the state’s most visible representative, the army, “lives on the backs of the ordinary people” since “for some unknown reasons, the Mobutu regime has always been unable regularly to pay its forces” (Kabwit 1979, 394, 399).

Once Joseph Mobutu Sese Seko gained control over Zaire in 1965, he and his coterie within the Zairian state apparatus systematically looted Zaire’s vast deposits of copper, cobalt, and diamonds, extracting vast personal fortunes visibly manifested not only in luxuriant life-styles at home but also in multiple European mansions and Swiss bank accounts of undetermined magnitudes. In return for their taxes, Zairians could not even count on their government to provide minimal infrastructure. After fifteen years of Mobutu’s rule, the road net, for example, had “simply disintegrated” (Kabwit 1979, 402)—by one estimate there were only six thousand miles left out of what was once a ninety-thousand-mile net (*New York Times*, November 11, 1979). In the first twenty-five years under Mobutu, Zaire’s GNP per capita declined at a rate of 2 percent per year (World Bank 1991, 204), gradually moving this resource-rich country toward the very bottom of the world hierarchy of nations and leaving the country’s population in misery as bad or worse than that which they suffered under the Belgian colonial regime.

Unfortunately for the citizens of Bandundu Province, the government’s effectiveness at repression substantially exceeded its effectiveness at road building. State response to the death of the tax collector took the form of two detachments of soldiers who killed seven hundred of the local people. Later fourteen men were hanged as “ringleaders” in the tax collector’s death (*New York Times*, June 3, 1978, 3).

The Zairian state represents a challenge, not just to its citizens, but also to theories connecting variations in the structure and behavior of state apparatuses to trajectories of national development. We need to understand what kind of a state this is. Does its internal structure warrant being called a bureaucracy? How should one characterize its relation to society?

Any general understanding of variation in the role of the state must take into account this predatory polar type.

Understanding the other pole is equally important. While states like Mobutu's were providing practical demonstrations of the perversions predicted by neo-utilitarian models of the state, the "East Asian NICs" offered empirical foundations for extending the comparative institutional arguments of Weber, Gerschenkron, and Hirschman and gave analysts like Amsden and Wade a chance to offer institutional descriptions of the "developmental state."<sup>1</sup>

Juxtaposing "predatory" and "developmental" states focuses attention on variation defined in terms of developmental outcomes. Some states extract such large amounts of otherwise investable surplus while providing so little in the way of "collective goods" in return that they do indeed impede economic transformation. Those who control these states plunder without any more regard for the welfare of the citizenry than a predator has for the welfare of its prey. Other states foster long-term entrepreneurial perspectives among private elites by increasing incentives to engage in transformative investments and lowering the risks. These states may not be immune to using social surplus for the ends of incumbents and their friends rather than those of the citizenry as a whole, but on balance the consequences of their actions promote rather than impede transformation.

No one would contest the fact of such variation. The challenge is to link obvious variations in outcome to underlying differences in state structure and state-society relations. Success in connecting performance and structure in these extreme cases offers in turn a start toward making similar connections in other, more ambiguous cases—intermediate states like Brazil and India that have enjoyed inconsistent but occasionally striking success in promoting industrial transformation.

Comparing concrete historical cases offers opportunity for fresh attack on the conceptual issues confronted in chapter 2. Is predatory behavior associated with an excess of bureaucracy, as neo-utilitarians argue, or with a scarcity, as a comparative institutional approach would suggest? Do developmental states reconfirm Weber's contention that bureaucracy and capitalism "belong intimately together"? How is the character of interaction between the state and dominant elites different in predatory and developmental states? Are developmental bureaucracies more or less insulated than predatory ones? Does the possibility of "joint projects" delimit developmental states? If so, how does the internal organization of the state interact with social structural opportunities to make joint projects possible?

A quick look at Zaire, an almost purely "predatory state," begins the discussion. Next, I will look at the three countries most often used as

models of the "developmental state"—Japan, Korea, and Taiwan. Using the analytical leverage provided by these polar types, I will then analyze the intermediate cases—India and Brazil. My aim is *not* to explain the origins of predatory, developmental, and intermediate states, a task for historical scholarship that goes well beyond the ambitions of this study.<sup>2</sup> Instead, the idea is to take existing structural types as starting points, using them to show how internal organization and relations to society produce a distinctive developmental impact.

### Zaire as the Archetype of the Predatory State

Without question, Zaire is a textbook case of a "predatory state" in the simple, commonsense definition of the term. It preys on its citizenry, terrorizing them, despoiling their common patrimony, and providing little in the way of services in return.<sup>3</sup> Condemning the Zairian state is easy. The challenge is to integrate this perverse case into a more general understanding of Third World states. Beyond its obvious penchant for predation, how would one characterize the internal structure of the Zairian state or its relations with society?

Conventional dichotomies like "strong" versus "weak" mislabel this state. By some definitions, it is a "strong" state. It certainly has what Michael Mann (1984, 188) would call "despotic power." It can undertake any action it chooses without "institutionalized negotiation with civil society groups." It also has a considerable amount of what Mann (189) calls "infrastructural power," the ability to penetrate society and implement its decisions. It has at least proven itself able to extract and appropriate resources. Yet it has little capability of transforming the economy and social structure over which it presides. In this sense, Migdal (1988) would call it a "weak" state.

Is Zaire's state "autonomous"? If "autonomous" means not having its goals shaped by societal forces, then it is very autonomous. No class or organized civil society constituency can be said to control it. If, on the other hand, "autonomy" implies the ability to formulate collective goals instead of allowing officeholders to pursue their individual interests, then Zaire fails the test. Instead, it embodies the neo-utilitarian nightmare of a state in which all incumbents are out for themselves. Certainly it bears no resemblance to the "relatively autonomous" state of structural Marxism, which fosters the accumulation of capital with greater effectiveness than private capitalists themselves (cf. Poulantzas 1973).

Callaghy (1984, 32-79) emphasizes the Mobutu regime's patrimonial qualities—the mixture of traditionalism and arbitrariness that Weber argued was characteristic of precapitalist but not capitalist states. True to

the patrimonial tradition, control of the state apparatus is vested in a small group of personalistically interconnected individuals. At the pinnacle of power is the "presidential clique," which consists of "50-odd of the president's most trusted kinsmen, occupying the most sensitive and lucrative positions such as head of the Judiciary Council, Secret Police, Interior Ministry, Presidential's office, and so on" (Gould 1979, 93). Next there is the "Presidential Brotherhood," who are not kin, but whose positions still depend on their personal ties with the president, his clique, and each other.

One of the most striking aspects of the Zairian state is the extent to which the "invisible hand of the market" dominates administrative behavior, creating a caricature of the neo-utilitarian image of how state officials act. In Zaire, repressive violence and market relations are joined to form the ultimate expression of neo-utilitarian rent-seeking.<sup>4</sup> A Zairian archbishop (quoted in Callaghy 1984, 420) described it as follows: "Why in our courts do people only obtain their rights by paying the judge liberally? Why do the prisoners live forgotten in prisons? They do not have anyone who can pay the judge who has their dossiers at hand. Why in our offices of administration, like public services, are people required to re-turn day after day to be able to obtain their due? If they do not pay the clerk, they will not be served." President Mobutu himself characterized the system in much the same way: "Everything is for sale, everything is bought in our country. In this traffic, holding any slice of public power constitutes a veritable exchange instrument, convertible into illicit acquisition of money or other goods" (Lemarchand 1979, 248).

The prevalence of such a thorough-going market ethic might at first seem inconsistent with what Callaghy (1984) characterizes as an "early modern absolutist state," but it is in fact quite consistent. Personalism and plundering at the top destroys any possibility of rule governed behavior in the lower levels of the bureaucracy, giving individual maximization free rein.

Even a quick look at Zaire suggests that it is not a surfeit of bureaucracy but its absence that is central to Zaire's problems. Rule-governed behavior immersed in a larger structure of careers that creates commitments to corporate goals is notable by its absence. The only semblance of corporate cohesion centers on the state's repressive capacity and even that totters at the edge of incoherence, leaving even the regime's survival as a predator dependent on the sufferance of its powerful European and American allies.<sup>5</sup>

In fact, the Zairian case extends Weber's assertion of the "intimate connection" between bureaucracy and capitalism. Looking at Zaire, it is clear that the usefulness of bureaucracy lies not just in transforming pre-capitalist "traditional" social forms. Bureaucracy becomes even more

crucial in a context where the market has so thoroughly penetrated the social consciousness that "everything is for sale." When "marketization" and personalism dominate instead of predictable, rule-governed bureaucratic behavior, the development of a bourgeoisie oriented toward long-term productive investment is almost an impossibility. With a bureaucracy whose maxim is "make the quest for wealth and money an obsession,"<sup>6</sup> anyone risking a long-term investment must be considered more a fool than an entrepreneur.

In addition to supporting basic Weberian contentions regarding the virtues of bureaucratic state structures, the Zairian case sheds interesting light on state-society relations. While the Zairian state's ability to penetrate and reshape civil society is certainly imperfect, the Mobutu regime has been quite effective at *disorganizing* civil society. It has systematically worked at weakening the cohesion of traditional collectivities. At the same time, it has made sure that coherent interest groups organized at the national level, which might be competitors for power, are disrupted before they emerge. Lacking its own program of social and economic transformation, the predatory state is threatened by the potential agendas of civil society. It deliberately tries to produce the kind of loose-knit society that, according to Migdal, undercuts a transformative agenda. The stagnation and disarray that follow from the state's active disorganization of civil society is not a disadvantage from the point of view of the predatory state; it is an advantage. Transformation might give rise to organized social groups. "Departicipation" is the goal politically (cf. Callaghy 1984, 41), and there is no possibility of joint projects.

Zaire confirms our initial suspicion that it is not bureaucracy but its absence that makes the state rapacious. At the same time, Zaire suggests that it is not so much "weakness" in relation to civil society that prevents the state from fostering transformation. Instead the state's energies are directed toward preventing the emergence of social groups that might have an interest in transforming. It is not just poor developmental performance that defines the predatory state. Internal organization and the structure of its ties to society mark it just as clearly. On both of these dimensions, the predatory state can be sharply distinguished from states whose performance has earned them the label "developmental."

### The Archetype of the Developmental State

In 1982, with little theoretical fanfare, Chalmers Johnson introduced what was to become a focal point in future debates over the role of the state in industrialization. He argued that Japan's "developmental state" was a central element in explaining the country's post-World War II

"economic miracle." At the same time, Wade and his colleagues at the Institute of Development Studies at Sussex University were describing Taiwan and Korea as "developmental states."<sup>7</sup> In both cases, a comparative institutional perspective made it easier for the figure of the developmental state to emerge out of the background of startling economic growth, although even observers with a neoclassical bent had a hard time ignoring the state's salience.<sup>8</sup>

Johnson's (1982) account of the golden years of Japan's Ministry of International Trade and Industry (MITI) provides the best starting point for trying to understand the structural features of the developmental state. His description is particularly fascinating because it corresponds so neatly to what a sophisticated implementation of ideas from Gerschenkron and Hirschman might look like in practice. In the capital-scarce years following World War II, the Japanese state acted as a surrogate for a missing capital market while at the same time helping to "induce" transformative investment decisions. State institutions from the postal saving system to the Japan Development Bank were crucial in getting the needed investment capital to industry. The willingness of state financial institutions to back industrial debt/equity ratios at levels unheard of in the West was a critical ingredient in the expansion of new industries.

The state's centrality to the provision of new capital also allowed it to implement "industrial rationalization" and "industrial structure policy" (Johnson 1982, 27-28). MITI was the "pilot agency" that oversaw this process. Given its role in the approval of investment loans from the Japan Development Bank, its authority over foreign currency allocations for industrial purposes and licenses to import foreign technology, its ability to provide tax breaks, and its capacity to articulate "administrative guidance cartels" that would regulate competition in an industry, MITI was in a perfect position to "maximize induced decision-making."<sup>9</sup>

Some might consider Johnson's characterization of MITI as "without doubt the greatest concentration of brainpower in Japan" (26) an exaggeration, but few would deny the fact that Japan's startling postwar economic growth occurred in the presence of "a powerful, talented, and prestige-laden economic bureaucracy." Nor was it controversial to assert that, at least in the period Johnson was describing, "official agencies attract the most talented graduates of the best universities in the country and the positions of higher-level officials in these ministries have been and still are the most prestigious in the society" (20). The ability of the higher civil service exam to weed out all but the top graduates of the top universities is apparent in the failure rate. As few as 2 or 3 percent of those who take the exam in a given year pass.<sup>10</sup>

The success of the Japanese developmental state is clearly consistent with the "Weberian hypothesis." Officials have the special status that

Weber felt was essential to a true bureaucracy. They follow long-term career paths within the bureaucracy and operate generally in accordance with rules and established norms. In general, individual maximization must take place via conformity to bureaucratic rules rather than via exploitation of individual opportunities presented by the invisible hand. Furthermore, these characteristics vary across the Japanese bureaucracy. It is the less bureaucratic, more clientelistic agencies like the Ministry of Agriculture that are likely to be associated with "pockets of conspicuous inefficiency" (Okimoto 1989, 4).

Weberian pronouncements regarding the necessity of a coherent, meritocratic bureaucracy are confirmed, but the Japanese case also indicates the necessity of going beyond such prescriptions. All descriptions of the Japanese state emphasize the indispensability of informal networks, both internal and external, to the state's functioning. Internal networks are crucial to the bureaucracy's coherence. Johnson (1982, 57-59) emphasizes the centrality of the *gakubatsu*, ties among classmates at the elite universities from which officials are recruited, and particularly the "*batsu* of all *batsu*," which brings together the alumni of Tokyo University Law School.<sup>11</sup>

Informal networks give the bureaucracy an internal coherence and corporate identity that meritocracy alone could not provide, but the character and consequences of these networks depend fundamentally on the strict selection process through which civil servants are chosen. The fact that formal competence, rather than clientelistic ties or traditional loyalties, is the prime requirement for entry into the network makes it much more likely that effective performance will be a valued attribute among loyal members of the various *batsu*. The overall result is a kind of "reinforced Weberianism," in which the "nonbureaucratic elements of bureaucracy" reinforce the formal organizational structure in the same way that Durkheim's "noncontractual elements of contract" reinforce the market (cf. Rueschemeyer and Evans 1985).

External networks connecting the state and civil society are even more important. As Chie Nakane puts it, "the administrative web is woven more thoroughly into Japanese society than perhaps any other in the world" (cited in Okimoto 1989, 170). Japanese industrial policy depends fundamentally on the maze of ties that connect ministries and major industrialists. "Deliberation councils," which join bureaucrats and businesspeople in rounds of data gathering and policy formation around an ongoing series of specific issues, are only one example of the "administrative web" (World Bank 1993, 181-82). Okimoto (1989, 157) estimates that deputy directors of MITI sectoral bureaus may spend the majority of their time with key corporate personnel.

Ties between the bureaucracy and private powerholders are reinforced

### Variations on the Developmental State

The state's ability to facilitate industrial transformation in Korea and Taiwan, like its ability in Japan, has been fundamentally rooted in coherent, competent bureaucratic organization. In each case, however, the nonbureaucratic bases of internal solidarity and the nature of ties to the surrounding social structure are distinct. The state in both of the East Asian NICs looks more autonomous than the Japanese version, but Korea and Taiwan diverge in the way their states are embedded.

#### Korea

In comparing the Korean bureaucracy to Mexico's, Kim Byung Kook (1987, 100-102) points out that while Mexico has yet to institutionalize exam-based civil service recruitment, meritocratic civil service examinations have been used for recruiting incumbents into the Korean state for over a thousand years (since A.D. 788). This tradition is vital in providing both legitimacy for state initiatives and nonmaterial incentives for the "best and the brightest" to consider bureaucratic careers. Despite Korea's chaotic twentieth-century political history, the bureaucracy has managed to preserve itself as an elite corps.

In Korea, as in Japan, it is fair to say that the state has traditionally been able to pick its staff from among the most talented members of the most prestigious universities. Data on the selectivity of the *Haengsi* (higher civil service exams) are almost identical to the data offered by Johnson for Japan. Despite a sevenfold increase in the annual number of recruits to the higher civil service between 1949 and 1980, only about 2 percent of those who take the exam are accepted (B. K. Kim 1987, 101).

Along with similar recruitment patterns comes a similar "corporate culture." Choi's (1987) discussion of the Economic Planning Board, for example, notes the same kind of confidence and esprit de corps that characterize MITI in Johnson's description. Finally, as in Japan, meritocratic recruitment via elite universities creates the potential for constructing *batsu*-like solidary interpersonal networks within the bureaucracy. Looking at *passées* in 1972, B. K. Kim (1987, 101) found that 55 percent were graduates of Seoul National University, and of these, 40 percent were graduates of two prestigious Seoul high schools.

Korea demonstrates the importance of bureaucratic traditions, but it also confirms post-Weberian concern with the vulnerability of bureaucracy. Under Rhee Syngman, the civil service exam was largely bypassed. Only about 4 percent of those filling higher entry-level positions came in

by the pervasive role of MITI alumni, who through *amakudari* (the "descent from heaven" of early retirement) end up in key positions not only in individual corporations but also in the industry associations and quasi-governmental organizations that comprise "the maze of intermediate organizations and informal policy networks, where much of the time-consuming work of consensus formation takes place" (Okimoto 1989, 155). *Amakudari*, like other aspects of embeddedness, is carefully institutionalized. According to the World Bank (1993, 178-79), "retiring bureaucrats in Japan do not choose their sinecures, but are assigned them by a committee within their ministry."

The centrality of external ties has led some to argue that the state's effectiveness emerges "not from its own inherent capacity but from the complexity and stability of its interactions with market players" (Samuels 1987, 262).<sup>12</sup> This perspective is a necessary complement to descriptions, like Johnson's, that stress MITI's ability to act authoritatively rather than emphasizing its ability to facilitate the exchange of information and build consensus. The danger in this view is that it sets external networks and internal corporate coherence against each other, as opposing alternative explanations. Instead, internal bureaucratic coherence should be seen as an essential precondition for the state's effective participation in external networks.

If MITI were not an exceptionally competent, cohesive organization, it could not participate in external networks in the way that it does. If MITI were not "autonomous" in the sense of being capable of independently formulating its own goals and able to count on those who work within it to see implementing these goals as important to their individual careers, then it would have little to offer the private sector. MITI's "relative autonomy" is what allows it to address the "collective action" problems of private capital, helping capital as a whole to reach solutions that would be hard to attain otherwise, even given the highly organized Japanese industrial system.

This "embedded autonomy," which is precisely the mirror image of the incoherent despotism of the predatory state, is the key to the developmental state's effectiveness. "Embedded autonomy" combines Weberian bureaucratic insulation with intense connection to the surrounding social structure, offering a concrete resolution to the theoretical debate over state-society relations that was raised in chapter 2. Given a sufficiently coherent, cohesive state apparatus, isolation is not necessary to preserve state capacity. Connectedness means increased competence instead of capture. How autonomy and embeddedness are combined depends, of course, on both the historically determined character of the state apparatus and the nature of the social structure, as comparisons of Korea and Taiwan will illustrate nicely.

via the civil service exam. Nor were those who entered the higher civil service able to count on making their way up through the ranks via a standard process of internal promotion. Instead, higher ranks were filled primarily on the basis of "special appointments" (B. K. Kim 1987, 101-2). The character of bureaucratic appointment and promotion under Rhee was, of course, quite consistent with the character of his regime. While it presided over a certain amount of import-substituting industrialization, Rhee's regime was more predatory than developmental. Despite massive U.S. aid, government deficits constituted a major drain on domestic savings (see Stallings 1992). Rhee's dependence on private-sector donations to finance his political dominance made him dependent on clientelistic ties with individual businesspeople; not surprisingly, "rent-seeking activities were rampant and systematic" (Cheng 1987, 200).

Only the ascension to power of a group with strong ideological convictions and close personal and organizational ties "enabled the state to regain its autonomy" (Cheng 1987, 203). The junior officers involved in the coup led by Park Chung Hee were united by both reformist convictions and close interpersonal ties based on service experience and close battsu-like network ties originating in the military academy.<sup>13</sup> The superimposition of this new brand of organizational solidarity sometimes undercut the civilian state bureaucracy as military men were put in top posts, but in general the military used the leverage provided by their own corporate solidarity to strengthen that of the bureaucracy rather than to weaken it. Under Park, the proportion of higher entry-level positions filled with *Haengsi* examinees quintupled, and internal promotion became the principal means of filling the ranks above them (B. K. Kim 1987, 101-8).<sup>14</sup>

One of the features of the revitalized state bureaucracy was the relatively privileged position held by a single "pilot agency," the Economic Planning Board (EPB). Headed by a deputy prime minister, the EPB was chosen by Park to be a "superagency" in the economic area (B. K. Kim 1987, 115). Its power to coordinate economic policy through control of the budgetary process is enhanced by mechanisms like the Economic Ministers Consultation Committee and by the fact that its managers are often promoted into leadership positions in other ministries.<sup>15</sup> As in the Japanese case, the existence of a "pilot agency" does not mean that policies are uncontested within the bureaucracy. The EPB and the Ministry of Trade and Industry (MTI) are often at loggerheads over industrial policy.<sup>16</sup> Nonetheless, the existence of a given agency with generally acknowledged leadership in the economic area allows for the concentration of talent and expertise and gives economic policy a coherence that it lacks in a less clearly organized state apparatus.

Without a deep, thoroughly elaborated, bureaucratic tradition, neither

the Park regime's reconstruction of bureaucratic career paths nor its reorganization of the economic policy-making apparatus would have been possible. Without some powerful additional basis for cohesion in the upper ranks of the state, the bureaucratic tradition would have remained ineffectual. Without both in combination, it would have been impossible to transform the state's relationship to private capital.

When the Park regime took power, its goal seemed to go beyond insulation to include dominance over private capital. Criminal trials and confiscation were threatened, and the leaders of industry were marched through the street in ignominy. This soon changed as Park realized that autonomy without embeddedness was not going to produce transformation. He needed to harness private entrepreneurship and managerial expertise in order to achieve his economic goals (see E. M. Kim 1987; M. S. Kim 1987). The ties between the regime and the largest conglomerate business groups (*chaebol*) became so tight that visiting economists concluded that "Korea Inc." was "undoubtedly a more apt description of the situation in Korea than is 'Japan, Inc.'" (Mason et al., cited in Cummings 1987, 73).

As in the case of Japan, the symbiotic relationship between the state and the chaebol was founded on the fact that the state had access to capital in a capital scarce environment.<sup>17</sup> Through its ability to allocate capital, the state promoted the concentration of economic power in the hands of the chaebol. It "aggressively orchestrated" their activities (Wade 1990, 320), sometimes assigning them specific projects to carry out, as when Park told Daewoo to take over a state-owned heavy machinery company that was in trouble (Cheng 1987, 239-40). At the same time, the Park regime was dependent on the chaebol to implement industrial transformation, which constituted the basis for its legitimacy.

Embeddedness under Park was a much more "top down" affair than the Japanese prototype, lacking the well-developed intermediary associations and focused on a small number of very large firms. The size and diversification of the largest chaebol did give them interests that were relatively "encompassing" (cf. Olson 1982) in sectoral terms so that the small number of actors did not limit the sectoral scope of industrial growth. Still, the Korean state could not claim the same generalized institutional relation with the private sector that the MITI system provided, and it never fully escaped the danger that the particularistic interests of individual firms might lead back in the direction of unproductive rent-seeking.

Korea pushed the limit to which embeddedness could be concentrated in a few ties without degenerating into particularistic predation. The opposite kind of divergence from the Japanese model can be found in the region's second prominent pupil of the Japanese model—Taiwan. In this

similar in scope and expertise to Japan's MITI or Korea's EPB.<sup>19</sup> The Council on Economic Planning and Development (CEPD) is the current incarnation of the planning side of the "economic general staff." It is not an executive agency but "in Japanese terms it is somewhere between MITI and the Economic Planning Agency" (Wade 1990, 198). The Industrial Development Bureau of the Ministry of Economic Affairs (IDB) is staffed primarily by engineers and takes a more direct role in sectoral policies. Both of these agencies, like their counterparts in Korea and Japan, have traditionally been successful in attracting the "best and the brightest." The staff tend to be KMT members and graduates of Taiwan National, the country's most elite university (Wade 1990, 217).

Without negating the fundamental transformation in the character of the Kuomintang apparatus, it is also important to keep in mind that, as in the case of Korea, the existence of a long bureaucratic tradition gave the regime a foundation on which to build. Not only was there a party organization that could be reformed, but there were also some economic bureaucracies with considerable managerial experience. For example, the National Resources Commission (NRC), founded in 1932, had a staff of twelve thousand by 1944 and managed over one hundred public enterprises whose combined capital accounted for half of the paid-up capital of all Chinese enterprises. It was an island of relatively meritocratic recruitment within the mainland regime, and its alumni eventually came to play a major role in managing industrial policy on Taiwan.<sup>20</sup>

The punishing experience of being undercut by the particularistic interests of private speculators on the mainland led the political leadership of the KMT as well as the alumni of the NRC to harbor a fundamental distrust of private capital and to take seriously the anticapitalist elements of Sun Yat-sen's ideological pronouncements. These predilections were reinforced by the pragmatic fact that strengthening private capitalists on Taiwan involved increasing the power of an ethnically distinct, politically hostile private elite. It is therefore hardly surprising that instead of turning Japanese properties over to the private sector as its American advisers recommended, the KMT retained control, generating one of the largest state-owned sectors in the non-Communist world (see Cheng 1987, 107; Wade 1990, 302).

Instead of eschewing direct state ownership like the postwar Japanese did, the KMT has used state-owned enterprises (SOEs) as key instruments of industrial development. In addition to the banking sector, which was state-owned as in post-Rhee Korea, the state controlled a formidable set of industrial corporations. Taiwan's state-owned enterprises accounted for over half of all fixed industrial production in the 1950s, and, after falling off a bit in the 1960s, their share expanded again in the 1970s

case, the relative absence of links to private capital might seem to threaten the state's ability to secure full information and count on the private sector for effective implementation.

### Taiwan

The state has been just as central to the process of industrial accumulation in Taiwan as it has in Korea, channeling capital into transformative risky investments, inducing entrepreneurial decisions, and enhancing the capacity of private firms to confront international markets. In Taiwan, as in Korea, the ability of the state to play this role depended on a classic, meritocratically recruited, Weberian bureaucracy, crucially reinforced by extrabureaucratic organizational forms. As in the case of the Korean state, the Kuomintang (KMT) regime is built on a combination of longstanding tradition and dramatic transformation, but differences in the historical experience of the two states led to very different patterns of relations with the private sector and, in consequence, very different patterns of state entrepreneurship.

The transformation of the Kuomintang state subsequent to its arrival on Taiwan is more striking than the changes in Korea between the 1950s and 1960s. On the mainland the KMT regime had been largely predatory, riddled with rent-seeking and unable to prevent the particular interests of private speculators from undermining its economic projects. On the island it was able to remake itself. Not only was the power of the regime's problematic landlord constituency wiped out, but ties with the private capitalists that had been most powerful on the mainland were severed as well. As Gold states (1986, 59), "the most egregiously corrupt and harmful persons by and large did not go to Taiwan at all."

Using this space, the KMT transformed its corrupt and faction-ridden party organization into more of an approximation of the Leninist party-state that it had aspired to be from the beginning (Cheng 1987, 97), thus providing the state bureaucracy with a reinforcing source of organizational cohesion and coherence. Internal discipline and the application of sanctions against the pursuit of individual interests at the expense of corporate goals certainly reached levels that had never been achieved on the mainland. For example, K. Y. Yin, characterized by Gold (1986, 68) as the "one man [who] dominated and forged the broad lines of Taiwan's economic path in the 1950s," was actually forced from office for a year on grounds of his involvement with a dubious loan to a private firm.<sup>18</sup>

Within the reinforced governmental apparatus, the KMT was able to put together a small set of elite economic policy organizations roughly

strates how autonomy can enhance the effects of embeddedness. The early evolution of the textile industry offers the best illustration (cf. Evans and Pang 1987). In the early 1950s K. Y. Yin, going against the wisdom of the American-trained economists advising his government, decided that Taiwan should develop a textile industry. Yin's conviction that there was a developmentally valuable, potential comparative advantage in local textile production came well before local entrepreneurs were willing to take the risk of initiating production. Instead of setting up a state-owned enterprise to fill the gap,<sup>23</sup> Yin's textile "entrustment scheme" provided a set of supports and incentives that made textiles too attractive to ignore. Wade (1990, 79) sums up the state's role under the scheme as follows: "It supplied raw cotton directly to the spinning mills, advanced all working capital requirements, and bought up all production." In addition, it restricted local entry and restricted imports, both quantitatively and by means of tariffs. The result was a spectacular growth of local production, 200 percent in three years according to Wade (1990, 79).<sup>24</sup> By providing an assured market and raw materials, it minimized the entrepreneurial risk involved in entering the industry and successfully induced the entry of private capital. In this initial phase, the state was supportive in a classic Hirschmanian way, inducing investment decisions and stimulating the supply of entrepreneurship.

The "entrustment" scheme was unusual in the lengths to which the state was willing to go in order to ensure that entrepreneurship was forthcoming; otherwise it was very similar to the policies of most Latin American countries in the initial phases of industrialization. What distinguishes K. Y. Yin's program from typical Latin American support for import-substituting industrialization (ISI) is that it was not captured by the entrepreneurs it had created. Instead, the KMT regime progressively exposed its "greenhouse capitalists" to the rigors of the market, making export quotas dependent on the quality and price of goods and diminishing protection over time.<sup>25</sup> Thus, the state was able to enforce the emergence of a "free market" rather than allowing the creation of "rental havens." Without the autonomy made possible by a powerful bureaucratic apparatus, it would have been impossible to impose the unpleasantness of free competition on such a comfortable set of entrepreneurs.

The example reinforces the point made earlier in relation to embeddedness and autonomy in Japan. Private capital, especially private capital organized into tight oligopolistic networks, is unlikely to provide itself with a competitive market. Nor can a state that is a passive register of these oligopolistic interests give them what they are unwilling to provide for themselves. Only a state that is capable of acting autonomously can provide this essential "collective good." Embeddedness is necessary for

(Wade 1990, 78, 97).<sup>21</sup> SOEs are particularly important in basic and intermediary industries. China Steel, for example, has enabled Taiwan successfully to outcompete all Organization for Economic Cooperation and Development (OECD) steel exporters in the Japanese market (Wade 1990, 99). The state enterprise sector not only makes a direct entrepreneurial contribution but is also a training ground for economic leadership in the central state bureaucracy.<sup>22</sup>

What is striking to observers whose implicit basis of comparison is Korea and Japan is the extent to which the Taiwanese private sector has been absent from economic policy networks. Even though the current trend is to "expand and institutionalize decision-making inputs from industrialists, financiers, and others" (Wade 1990, 293) relations between the KMT state and private (mainly Taiwanese) entrepreneurs are distant compared to the tight "Korea Inc." ties that bind the state and the chaebol together in Korea.

The Taiwanese state unquestionably operates with a less dense set of public-private network ties than the Korean or Japanese versions of the developmental state. Nonetheless, its lack of embeddedness should not be exaggerated. It is hardly isolated from the private sector. The World Bank (1993, 184-85) suggests that Taiwan's extensive set of state-owned enterprises, each of which has its own set of relations with private firms, helps compensate for less-developed ties between the central state apparatus and the private sector. Networks may be less apparent, but economic policy formation in Taiwan still grows out of "a little understood but apparently vigorous policy network [that] links the central economic bureaus with public enterprises [and] public banks" (Wade 1990, 295).

Wade notes, for example, that IDB officials spend a substantial portion of their time visiting firms and are engaged in something very much like MITI's "administrative guidance" (1990, 284). He provides (281) a revealing example of the state's close interaction with private capital in his discussion of negotiations between raw materials producers and textile companies in the synthetic fiber industry. While the formal negotiations involved the downstream industry association (Man-made Fibers Association) and the upstream domestic monopolist (a state-TNC joint venture), state managers were continuously involved, making sure that neither the country's efforts at backward integration into intermediary products nor the export competitiveness of its textile producers was threatened by the outcome. Informal public-private networks may be less dense than in the other two cases, but they are clearly essential to Taiwan's industrial policy.

Despite the greater distance between private capital and the state, Taiwan not only offers useful examples of embeddedness, it also demon-



information and implementation, but without autonomy, embeddedness will degenerate into a super-cartel, aimed, like all cartels, at protecting its members from changes in the status quo.

A final, equally important characteristic of the developmental state is also well illustrated by the Taiwanese case. While it has been deeply involved in a range of sectors, the Taiwanese state is very selective in its interventions. The bureaucracy operates, in Wade's (1990, 226) words, as a "filtering mechanism," focusing the attention of policymakers (and the private sector) on sectors, products, and processes crucial to future industrial growth. Like most of the KMT's Taiwan strategy, selectivity was in part a response to previous experience on the mainland. Having experienced the disasters of an overextended state apparatus, the KMT was determined to conserve its bureaucratic capacity in its new environment.

Selectivity is not unique to Taiwan. It seems a general feature of developmental states. While benefiting from extraordinary administrative capacities, these states have restricted their interventions to strategic necessities. Johnson (1982) describes how the Japanese state, having experimented with direct and detailed intervention in the pre-World War II period, limited itself to strategically selected economic involvement after the war. Okimoto (1989, 2) notes that in terms of its overall size the Japanese state could be considered a "minimalist state." Obviously, selectivity reduces the demands on the state bureaucracy and makes efficacious performance easier.

Looking at Korea and Taiwan makes it clear that the historical embeddedness of the developmental state are likely to display a range of variations,<sup>26</sup> but the fundamental features of "embedded autonomy" are visible underneath the variation.

Corporate coherence gives these states the ability to resist incursions by the invisible hand of individual maximization. Internally, Weberian characteristics predominate. Highly selective meritocratic recruitment and long-term career rewards create commitment and a sense of corporate coherence. The sharp contrast between the Weberian character of the developmental state and the prebureaucratic, patrimonial character of the predatory state reinforces the proposition that scarcity, not surfeit, of bureaucracy underlies ineffectiveness.

By the beginning of the 1990s even the World Bank acknowledged the importance of having a well-trained, well-paid state bureaucracy. The Bank's *East Asian Miracle* report (1993, 176-77) points out that "high-performing" East Asian economies (in contrast to the Philippines, for example) have all made conscious efforts to provide their bureaucrats with wages comparable to those in the private sector, noting the contrast be-

tween Singapore (where bureaucratic salaries are 110 percent of wages in comparable private-sector positions) and Somalia (where they are 11 percent). The report also notes that the efforts of developmental states to gain the cooperation of big business would be "hamstrung without an efficient and reputable civil service" (187).

At the same time, descriptions of developmental states support "neo-Weberian" arguments that the "nonbureaucratic elements of bureaucracy" may be just as important as the "noncontractual elements of contract" (cf. Rueschemeyer and Evans 1985). Informal networks or tight-knit party organizations enhance the coherence of the bureaucracy. Whether these ties are based on commitment to a parallel corporate institution or performance in the educational system, they reinforce the binding character of participation in the formal organization structure rather than undercutting it in the way that informal networks based on kinship or parochial geographic loyalties would.

Having successfully bound the behavior of incumbents to its pursuit of collective ends, the state can act with some independence in relation to particularistic societal pressures. The "autonomy" of the developmental state is, however, of a completely different character from the incoherent despotism of the predatory state. It is not just "relative autonomy" in the structural Marxist sense of being constrained by the generic requirements of capital accumulation. It is an autonomy embedded in a concrete set of social ties that bind the state to society and provide institutionalized channels for the continual negotiation and renegotiation of goals and policies.<sup>27</sup>

"Embeddedness" is as important as autonomy. The embeddedness of the developmental state represents something more specific than the fact that the state grows out of its social milieu. It is also more specific than the organic interpenetration of state and society that Gramsci called hegemony.<sup>28</sup> Embeddedness, as it is used here, implies a concrete set of connections that link the state intimately and aggressively to particular social groups with whom the state shares a joint project of transformation.

Finally, it is worth underlining that either autonomy or embeddedness may produce perverse results without the other. Without autonomy, the distinction between embeddedness and capture disappears. Autonomy by itself does not necessarily predict an interest in development, either in the narrow sense of economic growth or in the broader sense of improved welfare. The secret of the developmental state lies in the amalgam.<sup>29</sup>

The appearance of this peculiarly effective amalgam in the developmental states of East Asia depended, of course, on a very unusual set of historical circumstances, but this does not detract from the usefulness of the concept of embedded autonomy as an analytical point of reference.

Having seen how the amalgam works in archetypal cases makes it easier to spot the partial appearance of its features in other states and to appreciate their implications. The analytical features of developmental states provide benchmarks for assessing the confused and contradictory reality of intermediate states.

### Intermediate States

Most developing states offer combinations of Zairian predation and East Asian "embedded autonomy." The balance varies over time and from organization to organization within the state. Brazil and India are good examples. Neither can be simply dismissed as predatory. There is no record of decades of consistently declining GNP as in Mobutu's case. India amassed a remarkable record of industrial growth in the 1950s and early 1960s while Brazil was considered a state-led "economic miracle" in the late 1960s and early 1970s. Their internal structures and relations to society are, like their performance, hard to describe in unambiguous terms. They have been described as "strong" and as "weak." Depending on the analyst's prism, they may appear as "autonomous" or "captured."

After looking at the internal structures and state-society relations that characterize predatory and developmental states, what would we expect to find in Brazil and India? Presumably, there should be some semblance of bureaucratic organization, but not the degree of corporate coherence enjoyed by developmental states. Consequently, the contradictory balance of embedded autonomy will be hard to maintain. Imbalance could take the form of either excessive clientelism or an inability to construct joint projects with potential industrial elites. Inconsistency is another possibility. Joint projects may be possible in certain sectors or certain periods but degenerate into clientelism or isolated autonomy in other sectors or other periods. Analyzing internal organization and state-society relations in these cases will almost certainly require a more complicated diagnosis, one whose contours will have to be constructed from the historical specifics of the two countries.

### Brazil

Brazil's state apparatus has been described in a series of detailed field studies and telling interpretive analyses, both historical and contemporary.<sup>30</sup> The differences between the apparatus that they describe and the ideal typical "developmental state" begin with the simple question of how people get state jobs. Barbara Geddes (1986) chronicles the difficulty

that Brazil has experienced in instituting meritocratic recruitment procedures. Unusually extensive powers of political appointment complement lack of meritocratic recruitment. Extending Johnson's (1982, 52) comparison of Japan and the United States, Ben Schneider (1987a, 5, 212, 644) points out that while Japanese prime ministers appoint only dozens of officials and U.S. presidents appoint hundreds, Brazilian presidents appoint thousands (15,000 to 100,000 by Schneider's estimate). It is little wonder that the Brazilian state is known as a massive source of jobs (*cade de emprego*) populated on the basis of connection rather than competence and correspondingly inept in its developmental efforts.

Unable to transform the bureaucracy as a whole, political leaders try to create "pockets of efficiency" (*bolsões de eficiência*) within the bureaucracy (Geddes 1986, 105), thus modernizing the state apparatus by addition rather than transformation (see Schmitter 1971; Schneider 1987a, 45). The National Economic Development Bank (BNDE), favored especially by Kubitschek as an instrument of his developmentalism in the 1950s, was, at least until recently, a good example of a pocket of efficiency.<sup>31</sup> Unlike most of Brazil's bureaucracy, the BNDE offered "a clear career path, developmental duties, and an ethic of public service" (Schneider 1987a, 633). Early in its institutional life (1956), the BNDE started a system of public examinations for recruitment. Norms grew up against arbitrary reversal of the judgments of the bank's technical personnel (*opinião do técnico*) by higher-ups. A solid majority of the directors were recruited internally, and a clear esprit de corps developed within the bank (Willis 1986, 96-126).

Agencies like the BNDE<sup>32</sup> were, not surprisingly, more developmentally effective than the more traditional parts of the Brazilian bureaucracy. According to Geddes (1986, 116) those projects in Kubitschek's Target Plan that were both under the jurisdiction of Executive Groups or Work Groups and under the financial wing of the BNDE fulfilled 102 percent of their targets, whereas those projects that were the responsibility of the traditional bureaucracy achieved only 32 percent. Because the BNDE was a major source of long-term investment loans,<sup>33</sup> its professionalism was an impetus to better performance in other sectors. Tendler (1968) notes, for example, that the necessity of competing for loan funds was an important stimulus to the improvement of proposals by Brazil's electrical power generating companies (see Schneider 1987a, 143).

Unfortunately, the pockets of efficiency strategy has a number of disadvantages. As long as pockets of efficiency are surrounded by a sea of traditional clientelistic norms, they are dependent on the personal protection of individual presidents. Geddes (1986, 97) looks at the way in which the Department of Public Administration (DASP)<sup>34</sup> (created by Getúlio Vargas to oversee professionalization of the civil service) declined

contrary, the traditional symbiosis that connected traditional oligarchs to the state has been reinforced by a perverse "modernization."

As Hagopian (1986, 1994) has carefully documented for the state of Minas Gerais, the traditional exchange in which landowning families delivered political support in return for the fruits of state patronage has become tighter rather than looser over time. As the state expanded its role, descendants of Minas's old "governing families" moved into direct control of leading political positions and came to rely more and more on access to state resources as their principal source of power and wealth.<sup>38</sup>

The fusion of traditional oligarchic power with the modern state apparatus distorts any possible joint project between the state and industrial capital. Projects of industrial transformation become additional opportunities for the traditional oligarchy, now encapsulated within the state, to pursue its own clientelistic agenda. At the same time, relations with industrial capital have been complicated by the early and massive presence of transnational manufacturing capital in the domestic market.<sup>39</sup> Disciplining domestic capital, as K. Y. Yin did in the Taiwanese textile industry or as Amsden sees the Korean state as doing, becomes very difficult when transnational capital is the probable beneficiary of any "gale of creative destruction."

Problems of internal organization and problems of state-society relations are mutually reinforcing. The lack of a stable bureaucratic structure makes it harder to establish regularized ties with the private sector of the "administrative guidance" sort and pushes public-private interaction into individualized channels. The persistent political power of the traditional oligarchy not only distorts attempts at transformation but also undercuts attempts at internal reform. Both internal and state-society problems have proven remarkably invariant across changes in political regimes.

The military regime, which had, at least initially, greater internal corporate coherence,<sup>40</sup> proved unable to construct an "administrative guidance" kind of relationship with the local industrial elite. The regime was "highly legitimate in the eyes of the local bourgeoisie, yet unconnected to it by any well-institutionalized system of linkages" (Evans 1982, 221). Instead of becoming institutionalized, relationships became individualized, taking the form of what Cardoso (1975) called "bureaucratic rings," that is, small sets of individual industrialists connected to individual bureaucrats. As Schneider (1987b, 230-31) points out, the ad hoc, personalized character of these linkages makes them both undependable from the point of view of industrialists and arbitrary in terms of their outcomes. They are, in short, quite the opposite of the sort of state-society ties that are described by Samuels (1987) and others in their discussions of the developmental state.

once Vargas's presidential protection was gone. Willis (1986) emphasizes the dependence of the BNDE on presidential support, both in terms of the definition of its mission and in terms of its ability to maintain its institutional integrity.

Reform by addition makes strategic selectivity harder. Uncoordinated expansion is the more likely result. Having entered power in 1964 with the hope of shrinking the state by as much as 200,000 positions,<sup>35</sup> the Brazilian military ended up creating "hundreds of new, often redundant, agencies and enterprises" and watching the federal bureaucracy grow from 700,000 to 1.6 million (Schneider 1987a, 44, 109, 575). Trying to modernize by piecemeal addition also undercuts the organizational coherence of the state apparatus as a whole. As the pieces are added, an ever more baroque structure emerges. The resulting apparatus has been characterized as "segmented" (Barzelay 1986), "divided" (Abranches 1978), or "fragmented" (Schneider 1987a). It is a structure that makes policy coordination difficult and encourages resort to personalistic solutions. As Schneider (1987a, 27) puts it, "personalism . . . is now made indispensable by bureaucratic fragmentation."

The fragmentation of the structure is complemented by the character of the careers that take place within it. Instead of being tuned to long-term gains via a series of promotions based on organizationally relevant performance, Brazilian bureaucrats face staccato careers, punctuated by the rhythms of changing political leadership and periodic spawning of new organizations. Every four or five years they shift agencies.<sup>36</sup> Since the top four or five layers of most organizations are appointed from outside the agency itself, long-term commitment to agency-relevant expertise has only a limited return. Construction of an ethos that can act effectively to restrain strategies oriented toward individual gain is correspondingly difficult.<sup>37</sup>

Just as the internal structure of the Brazilian state apparatus limits its capacity to replicate the performance of the East Asian developmental states, the character of its "embeddedness" makes it harder to construct a project of industrial transformation jointly with industrial elites. As in the case of the East Asian developmental states, embeddedness must be understood in historical terms.

While the Brazilian state has been an uninterruptedly powerful presence in the country's social and economic development since colonial times, it is important to keep in mind what Fernando Uricoechea (1980), Jose Murilo de Carvalho (1974), and others have emphasized: "The efficiency of government . . . was dependent . . . on the cooperation of the landed oligarchy" (Uricoechea 1980, 52). Reactionary rural elites were never dramatically swept from the stage as in the East Asian cases. To the

The Collor regime, democratically elected at the end of the 1980s, is perhaps the best single monument to the obdurate internal and external problems that plague the Brazilian state. Hailed by Washington and the Brazilian media as a representative of "modernity," Collor was in fact an archetypal representative of the kind of symbiosis of traditional oligarchic privilege and state power that is described by Hagopian. Scion of a leading landowning family in one of Brazil's most backward states, Collor adeptly combined a "typical oligarchic career" (Schneider 1991, 323) with media flair and convincing neoliberal affectations.

Collor's program provided a brilliant, if brief, demonstration of how the neoliberal attack on the state could be combined with the preservation of traditional oligarchic rule. Schneider (1991, 329) sums up his impact on internal state structures as follows:

Collor's across-the-board cuts were indiscriminate, affecting the best and the worst of agencies alike. Consequently, Collor alienated productive bureaucrats—many of whom are responsible for implementing other modernizing policies—without visibly improving efficiency. By the end of 1990, although the government had eliminated less than a third of the 360,000 jobs it promised to cut, it had nonetheless managed to lower morale, motivation, and productivity throughout the executive branch.

At the same time, the Collor regime disdained the other side of embedded autonomy, evincing "a liberal aversion to organized capitalism" and talking pride in "verbal abuse of business leaders" (Schneider 1991, 332). Finally, of course, Collor's apparent passion for neoliberal reform was combined with a level of corruption unprecedented even in Brazil, thus undercutting the state's legitimacy along with its effectiveness.<sup>41</sup>

Overall, it is easy to understand Schneider's (1987a, 4) lament that "the structure and operation of the Brazilian state should prevent it from fulfilling even minimal government functions." What is surprising is that, despite its manifold problems, the Brazilian state has managed historically to play a major role in fostering both growth and industrialization. From its aggressive provisions of financing for railways and other infrastructure at the end of the nineteenth century<sup>42</sup> through its direct involvement in high-technology ventures like aircraft manufacture in the postwar period, the Brazilian state has played a central role in what has overall been an impressive record of industrialization.<sup>43</sup> How is this possible given the problems I have just finished describing?

First of all, Brazil's experience is testimony to the fact that it takes only a very rough approximation of the Weberian ideal type to confer advantage. Even developmental states are only approximations of the ideal type, but intermediate states show that the basic bureaucratic model can be stretched further and still deliver. Despite pervasive flaws and distortions,

tions, bureaucracy in the Weberian sense can still be found in a wide spectrum of state agencies. Brazil is not Mobutu's Zaire.

Second, it must be remembered that while pockets of efficiency have failed as seeds for a more general renovation of the state apparatus, they have still provided the basis for a number of successful projects of sectoral transformation. In certain sectors during certain periods something close to embedded autonomy has been achieved. Each of these cases has to be understood by looking at the characteristics of the sector and the specific role that the state tried to play within it, a task better left for the next chapter. Nonetheless, it is worth noting here that the elements that come together in these sectoral scenarios evoke strong echoes of the patterns found in developmental states.

A few illustrations will suffice. The creation of electricity-generating capacity in the 1950s and 1960s was a state project that spoke to the needs of a burgeoning industrial sector whose growth was being choked by lack of reliable electric power. Tendler (1968) shows how this "joint project" of the state and industrialists was accomplished by surprisingly efficient state organizations.<sup>44</sup> The implantation of the auto industry, which eventually became one of Brazil's major exporters, was a joint project of the state and the TNCs. Shapiro (1988, 1994) describes how the interagency organization set up to oversee the industry's implantation, the Grupo Executivo para Indústria Automobilística (GEIA), served as a sectorally specific "mini pilot agency," providing the predictability and coordination necessary to reassure risk-shy TNCs. In the 1970s construction of a local petrochemical industry was also made possible by a sectorally specific version of embedded autonomy. Petrobrás, the state-owned oil company universally acknowledged as one of the most competent and coherent organizations within the ambit of the state sector, provided the anchoring point for a dense network of ties that bound local capital and TNCs together around a remarkable joint project of sectoral transformation (see Evans 1979, 1981, 1982, 1987).

None of these sectoral successes should be taken as an excuse for playing Pollyanna. In a changing global division of labor, temporary successes in a selected set of modern sectors are not laurels on which to rest. Built primarily around the goal of replacing imports, Brazil's industrial successes are not necessarily competitive in the current global context. At the same time, the decay and dismantling of state institutions insures that examples of embedded autonomy will be harder to find in the future.

The public passion with which Brazil rejected Collor's corruption in 1993 was a strong signal that Brazilians will fight to avoid becoming a replica of Zaire, but the four years of Collor's combination of neoliberal attack and traditional corruption left deep wounds in the already problematic Brazilian state. If a coherent, effective state apparatus is a

necessary element in responding to the challenge of the global economy, Brazilians have little cause to be sanguine. At the same time, Brazil's deeply divided social structure makes the pursuit of any collective agenda extremely difficult. Still, Brazilian state managers can be grateful that they do not face the level of social structural complexity and contentiousness that their counterparts in India have confronted since independence.

### *India*

The vast and sprawling state apparatus of India is even more ambiguously situated in the space between predatory and developmental states than is Brazil. The Indian state's harsher critics (e.g., Lal 1988) see it as clearly predatory and view its expansion as perhaps the single most important cause of India's stagnation. Others, like Pranab Bardhan (1984), take almost the reverse point of view, arguing that state investment was essential to India's industrial growth in the 1950s and early 1960s and that the state's retreat from a more aggressively developmental posture has been an important factor in India's relatively slow growth in the 1960s and 1970s. Still others, like Rudolph and Rudolph (1987), talk of the "weak-strong" Indian state and argue that economic policies have ceased to be oriented around a project of transformation, becoming instead simply responses to pressure from mobilized "demand groups."

No one denies that India has a venerable bureaucratic tradition. At the time of independence, the Indian Civil Service (ICS) represented the culmination of a tradition that stretched back at least to the Mughal empire (see Rudolph and Rudolph 1987). Its 1,100 members formed a prestigious elite, and it was considered "the best possible career for a nice middle class Brahman boy" (Taub 1969, 11). For two hundred years it had provided "the steel frame of empire," serving as a model not just for other colonial administrations but for England's own civil service as well (Taub 1969, 3). Its successor, the IAS (Indian Administrative Service), carried on the tradition. Entry is primarily via a nationwide examination that is at least as competitive as its East Asian counterparts. Of twelve thousand candidates who take the exam, only eighty will be given places in the IAS.<sup>45</sup> While educational training is not concentrated in a single national university in the way that it is in East Asia, solidary networks are enhanced by the fact that each class of recruits spends a year together at the National Academy of Administration.<sup>46</sup>

This is not to say that India's bureaucracy is without defects. First, the British traditions that the IAS inherited were by no means unambiguous assets. Assimilation of the culture of the imperial power was an important criteria of acceptance into the ICS. Even after the English had departed,

IAS exams still had three parts: English, English essay, and general knowledge, and even the last was slanted toward knowledge of "Western civilization" rather than Indian political economy or relevant technical skills.<sup>47</sup> Thus, the exam has traditionally been very attractive to humanistically oriented members of the "literary castes" (Lal 1988, 314).

Unfortunately, there is a discrepancy between the kind of generalist education rewarded by the exams and the technical jobs that passées are increasingly expected to do. An intelligent generalist might perform well, if career patterns provided the opportunity for the gradual acquisition of relevant skills on the job. Careers seem, however, to be characterized by the same kind of rapid rotation that characterizes the Brazilian bureaucracy. Rudolph and Rudolph (1987, 34) report, for example, that chief executive officers in the petrochemical industry have an average tenure in office of about fifteen months.<sup>48</sup>

In addition to problems of the IAS tradition itself, the Indian state, like Brazil's, has experienced difficulty in sustaining its institutional integrity. While none of the advocates of neoliberal dismantling has had the charisma of Brazil's Collor, the IAS can no longer claim to be the preeminent institution that it once was. Rudolph and Rudolph (1987, chap. 2) argue that there has been an "erosion of state institutions" at least since the death of Nehru. The cultural stigma attached to private-sector jobs has dissipated, making it harder for the state to count on attracting the "best and brightest." Contemporary field studies, like Wade's (1985) study of irrigation, have found corruption endemic. The "steel frame" has definitely corroded over the course of the last thirty years. As one former member of the IAS put it, "There was a time when we were proud to say that there is corruption in the country but the IAS is incorruptible. You can't say that any more" (Gargan 1993).

Despite all this, India's bureaucratic apparatus still seems a better rough approximation of the Weberian ideal type than Brazil's, and not a qualitatively worse one than the bureaucracies of the developmental states. If a historically deep tradition of solid state bureaucracy is an important element in producing a developmental state, why is the Indian state so often characterized as predatory and so rarely as developmental? The principal answers to this conundrum lie in state-society relations. They begin with the recalcitrant challenges of India's social structure and are exacerbated by the way the bureaucracy has defined its relation to society.

In India, problems internal to the bureaucracy are dwarfed by those generated by the societal context. In a "subcontinental, multinational state" (Rudolph and Rudolph 1987), state-society relations are qualitatively more complex than in the East Asian cases. Ethnic, religious, and regional divisions add to the administrative nightmare of trying to govern

and common vision on which to found a common project left the exchange of material favors as the only alternative to hostile stalemate.<sup>51</sup>

The kind of embeddedness that might allow state managers to provide information dissemination, consensus building, tutelage, and cajoling to potential entrepreneurs seems almost entirely absent from the Indian scene. Nor is it easy to find an example of a sectorally specific network comparable to the one that binds together the state and private capital in the Brazilian petrochemical industry. Unlike the developmental states, the Indian state cannot count on the private sector either as a source of information about what kind of industrial policy will "fly" or as an effective instrument for the implementation of industrial policy. Without a "policy network" that incorporates the expertise of private capital, civil servants are deprived of a crucial source of information that might compensate for their generalist backgrounds.

Lack of selectiveness in the state interventions further increases the burden on the bureaucracy. The "license, permit, quota raj" has attempted to enforce detailed control over the physical output of a broad range of manufactured goods. At the same time, the state is directly involved in production of a greater variety of goods than even relatively expansive states like Brazil have attempted. Indian SOEs produce not only computers but also televisions, not only steel but also automobiles.<sup>52</sup> Expansion of the state enterprise system has been sufficiently explosive to warrant being labeled "cancerlike" by its critics (Lal 1988, 256). The state-owned share of corporate assets moved from one-sixth to one-half between 1962 and 1982 (Encarnation 1989, 185) as the number of state enterprises grew from five in 1951 to 214 in 1984 (Lal 1988, 257). This unselective expansion has created an intense strain on state capacity and may well have contributed to the "erosion of state institutions" (see Rudolph and Rudolph 1987).

Despite all this, the Indian state has still made a developmental contribution. State investment in basic infrastructure and intermediary goods was a central element in maintaining a quite respectable rate of industrial growth in the 1950s and early 1960s. Even Deepak Lal (1988, 237) admits that infrastructural investments and the increase in the domestic savings rate, both of which depended largely on the behavior of the state, were "the two major achievements of post-Independence India." State investment in basic agricultural inputs (primarily irrigation and fertilizers) played an important role in increasing agricultural output. The state has also invested effectively (in the sense of increasing output), if not always efficiently (in the sense of getting maximum possible output per unit of input),<sup>53</sup> in basic and intermediate industries like steel and petrochemicals, and in certain cases in more technologically adventurous industries

(say nothing of develop) a country of eight hundred million people. Given the diseconomies of scale inherent in administrative organizations, it would take a bureaucratic apparatus of truly heroic proportions to produce results comparable to those achieved on an island of twenty million people or a peninsula of forty million.

From the time of independence, the political survival of Indian regimes has required simultaneously pleasing a persistently powerful rural landowning class and a highly concentrated set of industrial capitalists. The shared interests of larger landowners and the millions of "bullock capitalists" in the countryside give agrarian elites daunting political weight (see Rudolph and Rudolph 1987). The role of rural powerholders may not be quite as overwhelming as it was for the KMT on the mainland, but, even more than in contemporary Brazil, it complicates any attempt to construct a project of industrial transformation. At the same time, the large business houses like the Tatas and Birlas must be kept on board. They are dependent on the state in many ways, but they are also the largest contributors to both the Congress party and the opposition (Encarnation 1989, 136-38). Since business houses and landowners share no "encompassing" developmental project, the divided elite comes to the state in search of particularistic advantage. They comprise, in Bardhan's (1984, 70) terms, "a flabby and heterogeneous dominant coalition preoccupied in a spree of anarchical grabbing of public resources."<sup>49</sup>

Even leaving rural powerholders aside, the Indian state's relation with industrial capital was quite the reverse of the combination of support and discipline that Amsden (1989) postulates for Korea. The "license, permit, quota raj," as it has been pejoratively labeled (see Encarnation 1989), restricted private capital onerously in the abstract, but it was in practice the linchpin of a profitable "anti-Schumpeterian" bargain. With their "embassies" in Delhi and their hoarded licenses, the big business houses could rest assured that capacity restrictions would prevent Schumpeter's "gale of creative destruction" from threatening the lucrative "rental havens" that the custodial state had bestowed on them (see Encarnation 1989, 133-46).<sup>50</sup> What private capital lost in autonomy they gained in security, but their gain was at the expense of the overall dynamism of the industrial sector.

Traditionally, the micro politics of state-private interactions have further diminished the possibility of the state providing organizational coherence to a developmental project that would serve to induce private investment and focus it in strategic sectors. The stereotypical IAS veteran was an Anglophile Brahmin of Fabian socialist ideological leanings. The private capitalists with whom he dealt were likely to be of lower caste, different cultural tastes, and opposing ideology. Lack of shared discourse

scarcity, not excess. It is the absence of bureaucratic structures that leads to the utilitarian nightmare of the state as a collection of self-interested incumbents using their offices for purposes of individual maximization. Ineffective states are characterized precisely by the lack of predictable, rule-bound, bureaucratic norms and relations within the state apparatus. Most states, even more effective ones, must struggle to maintain bureaucratic norms and structures.

The comparative historical evidence also reaffirms the modifications of the Weberian frame suggested in chapter 2. Just as Smith overstated the "naturalness" of markets, Weber overstated the "inevitability" of bureaucratic rule. Long-run tendencies toward the growth of bureaucracy do not mean that supply and demand will be in equilibrium. Constructing an effective bureaucracy is an arduous task whose results appear only with a lag. Furthermore, permanence cannot be taken for granted even when construction seems successfully achieved.

In the absence of deeply rooted bureaucratic traditions, as in Zaire, construction is a task of generational dimensions. Even in the presence of such traditions, as in India, effective state bureaucracies are vulnerable institutions, much easier to undermine than to sustain. When inherited traditions are not as thoroughly articulated, as in the case of Brazil, successful bureaucracies are even more precarious. With centuries-old foundations and a propitious immediate conjuncture, as in Korea, bureaucratic traditions may be revitalized in relatively brief periods, but even then bureaucratic norms are subject to erosion.

Surprisingly, focusing on bureaucratic scarcity also reveals some common ground with those who see bureaucracy as the problem. Rejecting neo-utilitarian notions that states must be "shrunk" because market ties are the only effective form of large-scale social organization does not mean rejecting the idea that the modern state's reach exceeds its grasp. Plans for state involvement that assume that the supply of bureaucracy will naturally increase to meet demand are utopian. Without stringent attention to selectivity, overwhelmed bureaucracies deteriorate into developmental impediments or pools of patrimonial self-interest. Without the resources necessary to sustain rewarding career paths and build esprit de corps, eviscerated state apparatuses devolve into exactly the rapacious nightmares that neo-utilitarians fear. Developmental strategies must be concerned with conserving state capacity even more than with conserving fiscal or natural resources.

The traditional Weberian perspective takes bureaucracy too much for granted in another way as well. The "nonbureaucratic elements of bureaucracy" are as important to state apparatuses as Durkheim's "non-contractual elements of contract" are to markets. Solidary groups, like the Japanese *batsu*, built on an amalgam of meritocratic selection, inten-

like electrical equipment manufacture (see Ramamurti 1987). The main difference between India's industrial efforts and those of Brazil is that India's initiatives are less likely to foster the emergence of new private-sector counterparts.

Overall, the Indian and Brazilian states share many of the same problems. Internally, they have bureaucracies that are not patrimonial caricatures but still lack the corporate coherence of the developmental ideal type. Organizationally consistent career ladders that bind individuals to corporate goals while simultaneously allowing them to acquire the expertise necessary to perform effectively are not well institutionalized. These intermediate apparatuses confront more complex and divided social structures with less well developed bureaucratic capacity and less well organized external ties. Yet both states were less selective in the tasks they undertook.

Less internal capacity, more difficult environments, and less carefully defined agendas of involvement combined to put embedded autonomy of the sort that characterizes the developmental state out of reach. Worse still, the resulting inability to deliver effective developmental performance created structural pressure in the direction of further decline. State managers in both countries experienced serious losses in their real standards of living during the 1970s and 1980s.<sup>54</sup> Maintenance of even existing levels of capacity and competence were in doubt as the 1990s got under way.

If the developmental states highlight the advantages of effective bureaucracy, these intermediate states underscore the fact that the reproduction of bureaucratic organizations cannot be taken for granted. Bureaucratic organization, once in place, does not necessarily reproduce itself. There is no inexorable tendency for the supply of bureaucracy to meet the demands that are put on it. State capacity is not only in scarce supply in intermediate states. It is a wasting resource.

### Structural Types and Developmental Dynamics

Predatory, developmental, and intermediate states are not just associated with different degrees of developmental success. They are also characterized by different internal structure and external ties. Comparing them confirms the usefulness of the basic categories of institutional analysis that were introduced in chapter 2.

Basic Weberian ideas on the usefulness of the bureaucratic frame to capitalist development have been amply validated by these cases. Popular and scholarly identification of the problems of Third World states with "excessive bureaucracy" is a misspecification. Real bureaucracy is in

Brazil's industrial successes involved dense ties, not insulation. Pockets of efficiency within the state apparatus sometimes had sufficient cohesion and coherence to draw industrialists into joint projects with impressive results.

In India the balance was different. The norms and ideology of the bureaucracy were designed to avoid the pitfalls of being too closely tied to a social structure full of contradictory demands. "Inventing" the private counterparts necessary for dynamic industrialization was correspondingly difficult. The state's apparent successes tended to come in areas where autonomous action could produce results, like constructing dams or building basic industrial capacity in the 1950s. When it came to building ties that would induce new industrial entrepreneurship from the private sector, India could boast nothing comparable to the "miraculous" Brazilian industrialization of the early 1970s.

As the 1980s drew to a close, there was a negative sort of convergence between the two cases. In Brazil, the Collor regime evidenced little interest in shared projects and even less in trying to spread the characteristics of the old pockets of efficiency more widely through the bureaucracy. In India, the coherence and cohesiveness of the bureaucracy were on the wane, and the possibility of constructing a more effective pattern of state-society ties seemed even more distant. In both cases, declines in the state's ability to perform as a coherent corporate actor and erosion of effective state-society ties went hand in hand, demonstrating once again that capacity depends on putting autonomy and embeddedness together.

One thing remains clear: variations in internal state organization and state-society relations create differential degrees of developmental capacity. Having become convinced of this, the next step is to explore in more depth how capacity (or its lack) is reflected in action. Developmental outcomes depend on what states do with the capabilities they have, what roles they play, and how their would-be counterparts respond. Looking at what states do, as opposed to what they are like, is easier when the focus is narrowed to particular sectors. Therefore, the next chapter builds on the comparative lessons of this one by shifting the focus from structures to roles and from societies to sectors.

sive socialization, and quasi-primordial ties, play a central role in the internal cohesion of effective bureaucracies. Their presence provides critical reinforcement for the compliance to organizational norms and sanctions that Weber took for granted. Their absence makes it harder to prevent devolution into individual maximization and the "marketization" of state offices.

Just as it helps elucidate the role of variation in internal structures, comparing different types of states vindicates the idea that connectedness complements autonomy and that it is the balanced combination of the two that makes for efficacy. Simplistic notions of the virtues of insulating state from society must be rejected. Some degree of "insulation" is inherent in creating a cohesive collectivity, but real effectiveness requires combining internal loyalties with external ties.

Zero-sum visions in which the state's ability to behave as a coherent corporate actor varies inversely with its connectedness to civil society set us on the wrong track. Internal cohesiveness and dense external ties should be seen as complementary and mutually reinforcing. Efficacious states combine well-developed, bureaucratic internal organization with dense public-private ties. The recipe works only if both elements are present. Complementarity and mutual reinforcement are also clear at the other end of the spectrum. The incoherent despotism of the predatory state combines undisciplined internal structures with anarchic external ties ruled by the "invisible hand" of clientelistic exchange relations.

Embedded autonomy and its opposite both feed on compatible social structures and play a role in the emergence and preservation of their societal counterparts. Each kind of state helped foster the emergence of complementary social groupings or classes. Developmental states played a central role in producing the organized industrial classes they needed as counterparts. The Zairian state also helped produce the counterpart that it needed: a disorganized and divided civil society incapable of resisting predation.

The intermediate cases, Brazil and India, help flesh out the picture of how different blends of autonomy and embeddedness can play themselves out against disparate societal backgrounds. In each country the balance of embeddedness and autonomy was different, and in each case problems with one element of the combination made it harder to realize the benefits of the other.

Despite its pervasive presence, Brazil's state apparatus lacked the overall coherence and cohesiveness. Consequently, embeddedness was problematic. The tight symbiosis between the state and the traditional oligarchy turned modernizing projects into sustenance for traditional power. Yet if embeddedness was part of the problem for the Brazilian state on a societal level, it was often central to the solution in particular sectors.



occurred. Groups brought to life in part by state policies developed interests that undercut the very policies and agencies that helped create the conditions for their emergence.

If successful state involvement in the information technology sector helps generate new entrepreneurial structures that makes future state involvement more difficult, what are the implications for state-society relations more generally? Is there a more general contradictory dynamic that undermines political support for states that successfully promote transformation?

Looking back, the interplay in information technology does seem to parallel patterns of state-society relations in other contexts. It echoes, for example, the changing relations between Nasser and the middle peasants during the process of land reform that were taken as paradigmatic in my initial discussion of state-society relations.<sup>2</sup>

The sectoral results demand further exploration of the idea that transformative states help create actors who then recreate the conditions under which future state involvement takes place. If successful state action at the sectoral level produces new agents and conditions that make it hard to sustain involvement, then why shouldn't the same be true for industrial transformation overall? The idea is particularly relevant to developments that characterize developmental states and state-society relations that characterize developmental states are less robust than they seem. In short, looking closely at the information technology sector forces a rethinking of embedded autonomy.

## 10

### Rethinking Embedded Autonomy

AS THE 1980s drew to a close, Seoul's ultramodern subway system was one of Korea's most prized pieces of new infrastructure, symbolic of the developmental state's efficacy. In March 1989 the Seoul subway briefly became a different kind of symbol, a dramatic reminder that, along with infrastructure and new industrial prowess, the state had helped bring to life social forces that it could not always control.<sup>1</sup>

On March 16, six thousand subway workers went on strike, paralyzing Seoul's new transportation system and turning the city's morning rush hour into chaos. Three thousand workers occupied the round house from which subway locomotives were dispatched. The workers were demanding that the Seoul Subway-system Public Corporation live up to an agreement the company had made with them earlier to restructure the organization, modify methods of payment and get rid of the company president. It was a strike over control and power, not economic survival.<sup>2</sup>

The government of former General Roh Tae Woo responded with the full repressive power of the state. Over 6,000 police swarmed over the locomotive roundhouse and took more than 2,300 of the occupying workers off to the police station. Within a few days the strike was crushed and the subway system resumed the impressive efficiency of its normal operations, but crushing the strike could not erase the social and political changes that lay behind it.

Defeating individual strikes was well within the state's capacity, but neither the repressive power of the state nor the coercive abilities of the government-sponsored Federation of Korean Trade Unions (FKTU) seemed capable of stopping the growth of insurgency among Korea's workers in the late 1980s. Insurgency mushroomed as impressively as the country's industrial output. According to the International Labor Organization, workdays lost to strikes in the last three years of the decade totaled more than eighteen million, almost a two-hundred-fold increase relative to the first three years of the decade (E. M. Kim 1992, 14, table 4).

By the end of the 1980s, Korea's workers looked more militant than their supposedly more politically powerful Latin American counterparts (cf. Deyo 1989). Their militancy helped reshape the process of industrial transformation. Strikes like the bitter dispute that shut down Motorola

Korea Ltd.<sup>3</sup> helped push export strategies away from the old focus on low-wage, low value-added components. The new militancy was also a challenge to the developmental state. It challenged political legitimacy along with economic strategy.

At first glance, rising labor militancy and the shifting strategies of Korean IT firms discussed in the last two chapters may seem unconnected. In fact, they are arguably part of the same general phenomenon. In both cases, state policies helped effect industrial transformation that brought new actors onto the social stage. Once there, these actors developed their own agendas, reshaping the process of industrial transformation and challenging the state itself. Having delved at length into the dynamics of a single sector, it is time to look at the logic of change on the societal level.

This chapter will begin by speculating on the future prospects of the developmental state, arguing that its transformative success threatens the stability of the state-society coalition that made success possible to begin with. Re-examining the developmental state means rethinking embedded autonomy. In developmental states, connectedness has meant ties with industrial elites. Can embedded autonomy also be built around ties to other groups? Are alternative constructions more or less politically stable than the original version? What sort of joint projects fit with different kinds of state-society links? The next section explores these questions, using the improbable combination of Kerala and Austria to illustrate alternative forms of embedded autonomy. The basic argument in this section is that expanding the scope of state-society links to include a broader range of groups and classes, however difficult that might be to accomplish, should result in a more politically robust and adaptive version of embedded autonomy.

Having made this argument, I will consider the implications of the analysis for intermediate states like Brazil and India which, after all, constitute the bulk of Third World states. Finally, I will close the chapter with a brief reprise highlighting the overall contributions of this study to the analysis of states and industrial transformation.

### The Future of the Developmental State

State and society are not just linked together: each helps constitute the other. Sometimes they reinforce each other. Mutual reinforcement, it was argued in chapter 3, lies at the core of the developmental state's success. A robust and coherent state apparatus facilitates the organization of industrial capital; an organized class of industrialists facilitates a joint project of industrialization, which in turn legitimates both the state and industrialists.

Mutual reinforcement is not the only possibility. State strategies can also create social groups whose agendas conflict with the state's original project. The relation between labor militancy and the developmental state in Korea is one good example of such a process, but it is not the only one. Seidman (1994), for example, argues for a very similar process in both South Africa and Brazil. State-led efforts to "deepen" industrial development helped produce factories that "manufactured militance" along with their other products.<sup>4</sup>

Viewed this way, the Korean state's role in producing militant workers brings to mind Marx's vision of the bourgeoisie as "calling forth its own gravedigger" in the form of the proletariat. In Marx's view, the bourgeoisie needed an industrial working class to accomplish its project of accumulation. It therefore had no choice but to produce a group whose interests and agenda conflicted with its own. The same could be argued in the case of the developmental state and the social constituencies that it helps bring into being.

Successful transformation, not failure, is what produces gravediggers. Korea, as a successful developmental state, is more susceptible to the gravedigger problem than Zaire as a stagnant predator. The subway workers are products of the state's successful efforts to create new infrastructure, but industrial growth has produced other gravediggers as well. Marx assumed that gravediggers and their creators came only in dyadic pairs, but the challenges to the developmental state are multiple. They include not only workers, who might be considered an inadvertent product of the state's transformative project, but also industrial capital, whose strengthening was one of the state's central aims.

Korea's 1992 presidential campaign offered a perfect symbolic representation of this other challenge. Among the most outspoken of the opposition candidates for president was Chung Ju Yung, the founder of Hyundai, one of Korea's largest chaebol. The growth of Hyundai was no less clearly an example of the transformative success of the developmental state than was the Seoul subway system. Yet Chung Ju Yung did not consider himself a "creature of the state" any more than the leader of the Seoul subway workers' union did. To the contrary, he styled himself explicitly as a gravedigger, running on the slogan "Get government out of business."<sup>5</sup>

A third sort of challenge came from within the state apparatus itself. At the end of the 1980s some of the strongest pressure for diminishing the state's interventive role came from precisely those elite agencies, like the Economic Planning Board, that had been most central to the state's past contribution to industrial transformation. Incumbents in these agencies, often American-trained economists, far from being "statists," tended to embrace neoliberal policy prescriptions, even if they did not necessarily

subscribe to neo-utilitarian theories of the state. Kim Jae-ik, acknowledged prior to his untimely death to be one of Korea's most brilliant economic bureaucrats, was simultaneously a state manager and a tireless crusader for reducing the state's role. He provides a symbolic representative of the internal challenge in the same way that Chung Ju Yung represents the industrialist as challenger.

The existence of challenges does not necessarily mean that the state's institutional character will change. Inertia alone makes rapid change implausible. Change could be limited to adopting new roles without restructuring either the internal organization of the state or the fundamental nature of its relations with society. Nevertheless, if state and society are mutually constitutive, having changed society the developmental state itself must change. The question is what form the state's own transformation will take.

The most fundamental challenges would be those aimed at reducing the state's capacity to behave as a coherent corporate actor. If successful, such challenges would dismantle the developmental state. It might seem that dismantling should be a fate reserved for apparatuses that have failed in their own terms, like the government of the former Soviet Union, but the gravedigger argument suggests that success as well as failure creates pressure for dismantling. It is a prospect that needs to be taken seriously.

Taking dismantling seriously means analyzing the forces and motivations that might drive the process. The connections between social transformation and pressure to dismantle are most obvious at the bottom of society. As long as the bottom consisted primarily of the peasant beneficiaries of land reform, serious political opposition from below was improbable. As the ranks of industrial workers swelled, their level of organization increased as well, despite (or perhaps because of) the repressive political climate in which industrialization took place (cf. Yun and Folk 1990). The eventual result was the politically militant unionism described at the beginning of the chapter—eighteen million workers on strike during the last three years of the 1980s.

From the point of view of industrial labor, which now outnumbered what is left of the peasantry,<sup>5</sup> the drive to dismantle the developmental state makes sense. Workers may benefit from the state's ability to provide predictable rules and collective goods, but for them the most salient form of state action is repression. Its organizational capacity is manifested in the ability to mass six thousand police at a moment's notice. For those who must face six thousand policemen, separating state capacity in general from repressive capacity is an unlikely intellectual exercise. Since exceptional repressive capacity is a cost, not a benefit, challenges from below are likely to take the form of calls to dismantle state capacity.

Not only the state's internal coherence but also its external networks are a disadvantage from the point of view of those at the bottom. These networks are remarkable not only for their density but also for their narrow focus. Capital is connected, labor is excluded. The apparent connections provided by government-sponsored trade union confederations are more means of repressive cooptation than channels for pursuing collective goals.<sup>6</sup> Viewed from the perspective of conflict between labor and capital, embedded autonomy increases the coherence of capital at labor's expense.

In Korea, a combination of repression and rising real wages served to forestall pressure for dismantling.<sup>7</sup> Developmental success diminishes the potency of both. The increasing difficulty of relying on repression has already been discussed. Sustaining the real wage increases that were possible during the transition from peasant agriculture to manufacturing jobs or during the initial movement to more capital- and technology-intensive forms of production is equally difficult. A period of adjustment during which real wages grow more slowly is eventually unavoidable.

There are manifold reasons for predicting that the developmental state will be under increasing pressure from below, but states are rarely dismantled from the bottom. The vulnerability of the developmental state comes not so much from the militancy of the subway workers as from their implicit coalition with Chung Ju Yung and the ghost of Kim Jae-ik.

The idea that industrialists might end up on the side of dismantling seems at first to contradict the very description of the developmental state. Entrepreneurial groups are thoroughly included in the networks of embedded autonomy. The operation of the developmental state has unquestionably worked to their advantage. Why should they be anything other than dedicated supporters? The evolution of the information technology sector provides the obvious answer. Successful industrial transformation makes industrial capital less dependent on the state and opens up options for alternative alliances.

Accounts of the general trajectory of state-capital relations suggest that the informatics sector is not a special case.<sup>8</sup> Even the World Bank notes (1993, 183) that in the Korea of the late 1980s and early 1990s "relations between government and business have become more distant and the meetings [between them] less frequent." Firms that were dependent on the state to channel foreign loans in their direction in the early 1970s could go after them directly at the end of the 1980s (cf. Woo 1991). The growth of international marketing channels and overseas production facilities made the chaebol less dependent on the domestic market to which the state could control access. At the same time, the domestic market power of large firms expanded tremendously. In the mid-1970s the combined sales of the top ten chaebol amounted to 15 percent of

Korea's GNP; in the mid-1980s they amounted to 67 percent (Amsden 1989, 116).

The degree of autonomy that characterizes developmental states is the product of historical circumstance rather than a social pact between capital and the state. It has already been well argued that the extraordinary weakness of local capital following thirty-five years of colonialism and a devastating civil war was a precondition for the degree of autonomy enjoyed by the developmental state.<sup>9</sup> Barring this kind of weakness, individual industrialists always prefer a state less able to infringe on managerial prerogatives. At the same time, the propensity of entrepreneurs to see economic success as derived from their own virtues makes them less likely to see diminished state capacity as threatening to the process of accumulation.

None of this is to say that capital is unambivalently opposed to the existence of a powerful state apparatus. Even if corporate leaders dismiss the importance of the state in promoting accumulation, they are likely to find value in its ability to promote their interests vis-à-vis other social groups, like labor. The same repressive face that makes the developmental state an anathema to labor makes it useful to capital. Useful, that is, as long as traditional repressive methods work. Once labor gains enough power to make peace depend on more sophisticated forms of industrial relations, the absence of legitimate ties to labor becomes a disadvantage. The developmental state may begin to look more like an albatross than a valued protector of entrepreneurial interests.<sup>10</sup>

What about Kim Jae-Ik? Challenges to the state from within its own ranks make no sense at all from the point of view of neo-utilitarian theory. Self-interested bureaucrats should cling to the preservation of state privilege at any cost. Kim Jae-Ik's behavior is, however, quite consistent with the character of the state technocrats as it was revealed in the IT sector. For state technocrats in the IT sector, pursuing a long-term project was as important as enhancing their power or perquisites. Technocrats who are also economists, especially those trained in the United States, are likely to share their mentors' conviction that minimizing the state's role is the best way to promote development. Reducing the scope of state involvement is a long-term project for them just as initiating local informatics production was for the barbudinhos, the BARC group, or the Blue House group.

None of these challengers to the developmental state is necessarily arguing for dismantling. Internal challengers may well see themselves as promoting strategic reduction of the state's role as the best route to increasing the state's efficacy. Industrialists like Chung Ju Yung may also see their criticisms as aimed at reducing the state's intrusiveness but not necessarily its capacity. Even the subway workers may see themselves as

only trying to reduce the state's capacity to repress the interests of the majority of the population. It is the combination of challenges and changing context that produces the possibility of dismantling.

Spreading elite perception that the state is superfluous and increasingly fierce popular rejection of *kwajon mimbi* (the government's primacy over the people) as an odious vestige of colonial ideology combine to undercut one of the most important incentives to choosing a career in the civil service. If the bureaucratic apparatus of the state is not an instrument for the realization of national goals but an impediment to their achievement, then "bureaucrat" becomes synonymous with opprobrium rather than prestige.

Social structural changes reinforce ideological ones. The dynamic growth of private capital has undercut the material incentives for the best and the brightest to choose a career within the state. In September 1989 the *Kookmin Ilbo* noted that "the gap [in salaries] between civil service and private sector has been conspicuously widened." Figures from Korea's Ministry of Government Administration (MGA 1986, 54) confirmed the observation, showing that the salaries of top civil servants were already less than half those of the upper management of big private companies in 1986.

Without prestige and remuneration, job security becomes the principle incentive to undertake a civil service career, not the best incentive for recruiting individuals capable of formulating and implementing a collective project of transformation. In this scenario, the bureaucratic apparatus of the developmental state is transformed into an "American-style" civil service. Instead of a coherent, attractive career that attracts the "best and the brightest," the bureaucracy becomes either a second best option for the risk-averse or a temporary exercise in diversification for what are really private-sector careers.

Diminished material rewards also increase the possibility of corruption. This at least was the *Kookmin Ilbo's* conclusion. The paper speculated (September 25, 1989) that as a result of the changing incentive structure, "superior manpower's refusal to join the state bureaucracy would be accelerated" and "worries about corruption and other deviant behavior by civil servants become more realistic."

If the quality of the civil service erodes, the ability of state institutions to perform their current roles must erode with it. Deteriorating performance reinforces perceptions that the state is superfluous and therefore parasitic, further lowering the prestige of the civil service, making it harder to justify investing in bureaucratic salaries, and propelling a vicious circle of dismantling.

From some theoretical perspectives, of course, the circle is not vicious at all. Instead, dismantling is "functional" to future transformation. Just

as Marx assumed that the bourgeoisie, having played its role in creating the forces of production, had to be done away with in order for further progress to take place, so critics of the developmental state may assume that, having created the conditions for the emergence of new forces of production, the state must now be dismantled in order for industrial transformation to proceed further.

Looking at the information technology sector was a nice way of exploring this hypothesis. If there were compelling evidence for the obsolescence of state involvement at the sectoral level, information technology was certainly the sector in which it should show up. My conclusion was different. Despite diminished political support, state involvement remained crucial to the continued progress of local industries. This conclusion is consistent with the impressions of those who have focused at a more general level. There is nothing in the analysis by Amsden and Wade and their ilk to suggest that industrial transformation has made state involvement anachronistic—more difficult and politically sensitive perhaps, but still central to the process of seeking a more desirable niche in the global division of labor.

If dismantling is a bad idea, then reconstruction moves to the fore of the theoretical agenda. If society has changed too much for the state to remain the same, are there paths for reconstructing state-society relations that avoid the prospect of dismantling? Reconstruction must involve rethinking embedded autonomy, particularly the nature of the networks that connect state and society.

### Variations on Embedded Autonomy

For developmental states, connections with society are connections to industrial capital. Since the growth of industrial production is the overriding goal, this makes sense. Indeed, it was argued in chapter 3 that other kinds of state-society ties, like those to traditional agrarian powerholders in Brazil, undermine the state's capacity for transformation. Connections that privilege industrialists allow the developmental state to focus on a project of industrial transformation, to keep its involvement selective, and to avoid having its bureaucratic capacities overwhelmed in the way that those of intermediate states have been overwhelmed. Be this as it may, the social consequences of industrial transformation have increased the political liabilities associated with this kind of embeddedness. Exclusionary links limit what the developmental state can do and contribute to pressure for dismantling.

The most obvious alternative, and the one that Korea is currently attempting to emulate, is Japan's "Liberal Democratic party (LDP) model."

The aim is to complement the embedded autonomy that connects industry and bureaucracy with a political network, based on a single, broad, conservative party. This strategy reflects the increased power of private industrialists in relation to the state. The political network provides additional channels of elite influence, changing the relative weight of autonomy and embeddedness. It increases connectedness at the expense of insulation. Yet at the same time it provides some possibility of connection for nonelites, especially farmers, and dampens pressures from below for dismantling.

The LDP model gives the political side of the developmental state a softer face, but it is remodeling rather than reconstruction. Since it increases the ability of elite groups to push their bargain with the state in an anti-Schumpeterian direction, it does little to enhance economic dynamism. Since connectedness remains very skewed in favor of elite actors, it offers little in the way of increased external scrutiny to compensate for diminished insulation. Degeneration in the direction of clientelism is a potentially serious problem.

Japan's problems, both political and economic, in the early 1990s have discredited the LDP model (along with the LDP itself) but some would argue that it remains the only real alternative to explicitly exclusionary politics. In a market society, the argument goes, the state can only be linked to capital. Such arguments are plausible. They may well offer a descriptively accurate gloss for most of the comparative evidence. Nonetheless, there are at least a few cases that suggest the generalization is not a law, that embeddedness does not necessarily take the form of exclusionary ties to entrepreneurial elites. The best illustration comes from an unlikely quarter—the Indian state of Kerala.<sup>11</sup>

### Kerala

Levels of social welfare that belie its economic impoverishment and intense social mobilization are Kerala's two claims to fame. The connection between the two runs directly through a form of embeddedness that is almost the mirror image of the developmental state. Kerala's accomplishments reflect the difference.

Kerala is not a developmental state if development is defined narrowly as economic growth. Its levels of per capita income, which are about a third lower than India's overall average, locate it in the developmental vicinity of Chad or Burundi. Only if the definition of development is weighted very heavily on the side of welfare can Kerala claim success. Infant mortality runs less than half the level of Brazil and a third the levels of the rest of India, almost at the same level as Korea. Life expectancy is

likewise closer to Korea than to Brazil or the rest of India. Birthrates are low, literacy is high, especially among women. In short, Kerala's success in welfare terms is no less striking than that of the East Asian NICs in terms of industrial transformation.<sup>12</sup>

In most accounts, Kerala's welfare results are seen simply as a consequence of its historically high levels of mobilization. Franke and Chasin (1989, 63), for example, emphasize that advances in land reform were not produced "simply as a result of enlightened government" but required "the organized and activist strength of large numbers of people with dedicated leaders and a willingness to struggle."

From the Moplah Rebellions of the nineteenth and early twentieth centuries through the bloody Alleppey general strike of 1938, the peasants and workers of Malabar gained a reputation for combativeness (see Herring 1991, chaps. 1-2). Peasants' associations, like the Kerala Karshaka Sangham (KKS), led by Congress party militants turned Communist, channeled the energy of peasant "jacqueries" into an institutionalized movement for structural change. The eventual consequence of institutionalized political mobilization was to transform Kerala's class structure. The land reform of 1969 and other reforms, such as the Kerala Agricultural Workers Act of 1974, decimated the old landlord class, created a new class of peasant proprietors, and gave new rights to landless laborers.

While the centrality of mobilization to Kerala's gains is undeniable, Kerala also demonstrates why mobilization is not sufficient in itself. Without adequate state capacity, neither the changes in Keralan social structure nor the construction of new welfare institutions would have been possible, regardless of the level of protest. Mobilized constituents cannot, by themselves, deliver the reforms and services they have fought for, no matter how militant they might be. They require an administrative apparatus.

Kerala's welfare performance cannot be understood without looking at the institutional and administrative infrastructure that underlies it. Lower infant mortality and longer life expectancy depend on high levels of state expenditure on health care, which is in turn reflected in a much more effective network of local health care facilities than most Third World countries enjoy. Kerala has more health centers per capita than the rest of India and about eight times the hospital beds per capita in its rural areas (Franke and Chasin 1989, 42). Even more important, it has a health delivery system that actually functions, with doctors at their posts serving clients rather than enjoying their professional perquisites elsewhere.<sup>13</sup>

Nutrition, another pillar of improved health, is supported by a network of government-organized ration or fair-price shops.<sup>14</sup> These shops redistribute the rice levy collected from larger farmers and ensure that the

poorer segments of the population have access to food grains.<sup>15</sup> In addition, the state provides free hot lunches for primary school children and for mothers and infants at local village nurseries (Franke and Chasin 1989, 29). Obviously, the state is also responsible for providing educational facilities and other infrastructure like roads and post offices, which Kerala has in abundance relative to the rest of India.

Delivery of these services, like the original execution of the land reform, depends on the existence of a competent bureaucratic apparatus. Most Third World countries would find it impossible to administer the range of services provided in Kerala given the strict resource constraints under which the state must operate. One can easily imagine what would happen to a rice levy in Zaire. Even in Mexico, keeping Conasupo, whose functions are similar to those of the fair-price shops, from being itself consumed by the clientelistic tendencies of the Partido Revolucionario Institucional (PRI) regime has been a constant struggle (see Grindle 1977).

Fortunately for Kerala, it was in a position to put the relatively well developed bureaucratic autonomy that characterized the Indian system as a whole together with its own brand of embeddedness to produce a quite different combination. The result was an idiosyncratic version of "embedded autonomy," extremely well suited to accomplishing a transformative project aimed at increased levels of welfare.

Kerala's Communist-led regimes made full use of the competence built into the Indian civil service. When they first gained office in Malabar in the early 1950s, they received several distinctions from Nehru for good administration of local government (Herring 1991, 1-15). At the same time, the government's mobilized constituencies, whose relation to the state was institutionalized through the various Communist parties (and eventually their competitors on the left and right who were forced to recognize the advantage of having an organized base), enforced new standards of performance on the state apparatus.

Just as researchers at ERI are rapidly made aware when their efforts are considered ineffectual by local industry, likewise those who run Kerala's social services are rapidly made aware when their systems are not delivering. According to one researcher (Mencher 1980), "if a PHC [Primary Health Center] was unmanned for a few days, there would be a massive demonstration at the nearest collectorate [regional government office] led by local leftists, who would demand to be given what they knew they were entitled to." Likewise, officials in the agency in charge of dealing with land reform openly affirmed to Herring (1991, V-4) that, "without mass pressure and exposures of fraud and bureaucratic misbehavior, implementation might well have moved in the sluggish and corrupt manner typical of subcontinental [Indian] reforms."

"Embeddedness Kerala-style" is clearly crucial to insuring the state's performance. It should not, however, be taken to imply that the state in Kerala is simply a "passive register," responding directly to the interests of peasants and workers in a mirror image of "the capitalist state" as conceived by "instrumentalists."<sup>16</sup> In fact, the structure of relations between state and society in Kerala provides a solid basis for autonomy, from subordinate groups as well as elites.

Autonomy in relation to subordinate groups is provided in part by the fact that the bureaucracy itself is subject to the rules and authority of the national bureaucratic apparatus. Central government funds form an important part of the state budget. In those agencies that are subunits of national ministries, administrators who simply did what constituents told them to do (as opposed to being pressured by constituents into doing what they were supposed to be doing in the first place) could find themselves subject to transfer or even, in theory, demotion. Neither local bureaucrats nor leftist politicians can afford to ignore political opponents for whom leverage at the national level is a principal weapon. Providing grounds for charges of "corruption" risks bringing intervention from the center.

As in the East Asian cases, autonomy also grows out of the social origins of the bureaucrats themselves. Local recruits into the bureaucracy are likely to be ideologically committed to the state's redistributive project, given the long-standing ideological hegemony of left-wing ideas among the local university population, but they are less likely to be of peasant origin themselves. Historically, at least, there was also a certain amount of social distance between those who were recruited into the state apparatus and those who dominated the local agrarian structure, the former often being the less privileged Nairs and the latter being the high-caste Brahmin Namboodiripads (Herring 1991, III-13).

Overall, state-society relations in Kerala embody the same sort of contradictory combination of close relations with a particular social constituency and insulation from it that characterizes the ideal-typical developmental state. Given that Kerala's "redistributive state" is almost the mirror image of the East Asian "growth states," the analogy is surprising. Looking at the way state-society relations evolve over time reveals additional parallels.

Even more obviously than in the East Asian NICs, state and society in Kerala are mutually constitutive. The existence of a mobilized class of tenant farmers and landless laborers was a precondition for changing the character of state action. In turn, state action in the form of land reform transformed the class structure. It not only destroyed the old rentier agrarian class, it also created a new class of small property holders—the "former tenants." The class structure that emerged as a result of state action changed, in its turn, the political conditions of future state action.

As in East Asia, the results of successful midwifery make future pursuit of the transformative project problematic. Herring (1991) demonstrates how the state-assisted emergence of new classes threatens to undermine the political foundations of the state that made class transformation possible in the first place. What had been, for political purposes, a single unified class composed of agrarian tenants and landless laborers became two separate groups with conflicting interests. After land reform, landless laborers, instead of being the tenants' allies against landlords, became their adversaries in agrarian struggles and the principle advocates of further state intervention. Further redistribution in favor of landless laborers now comes at the expense of the new class of small proprietors. Correspondingly, former tenants, having received their land as a result of state action, became convinced that an active state was irrelevant to their interests even more quickly than did East Asian capitalists who achieved industrial preeminence.

As in East Asia, state-sponsored transformation diminished the loyalties of the groups that had benefited from the transformation and created new groups whose social and economic agendas were more difficult to respond to. In the East Asian NICs, a state with an agenda of capital accumulation served as midwife to the emergence of two groups: a class of industrial entrepreneurs, which then came to prefer its own quest for profitability over a state-directed project of accumulation, and a working class increasingly determined to give redistributive goals priority over state-sponsored accumulation of capital. In Kerala, a state with redistributive aims was midwife to a class of small proprietors. Assured of their own position, small proprietors then opposed redistribution from themselves to the agricultural laborers.

The limits of further redistribution were clear. In the 1980s the average agricultural laborer was already working less than 150 days per year. Alleviating underemployment by expanding the acreage of cultivated land would have meant intensifying a process of ecological degradation that had been under way for some time.<sup>17</sup> Increasing agricultural productivity has proved difficult. The former tenants have not been motivated to make new, productivity enhancing investments. In fact, the productivity of paddy land stagnated completely during the 1980s (see Herring 1991, table 6.1). To make matters worse, the new class of former tenants proved a more politically formidable opposition than the old landlords since "they are both more numerous and better connected in the villages than were the rentiers" (Herring 1991, II-26).

Future improvements in welfare must be grounded in accelerated accumulation, including industrialization. Yet the existing pattern of embeddedness makes it difficult for the state to take on such a project. The problem of adding a project of accumulation to a redistributive agenda is even more daunting than the problem of adding a redistributive agenda to

a project of accumulation. At least in the case of the developmental state, a potential political constituency for a new redistributive project, the industrial working class, was generated by the old accumulation-oriented strategy. In the case of Kerala, the decimation of the old agrarian elite was accomplished without opening space for the emergence of a class of industrial entrepreneurs. Calling forth such a group at this point would require a radical reconstruction of state-society relations.<sup>18</sup> In short, Kerala in its own very different way demonstrates the contradictions of ties that connect the state with only one constituency.

This is not to say that Kerala's version of embedded autonomy is collapsing. Just as East Asia's embedded autonomy continues to make prospects for future industrial growth much brighter than they are in India or Brazil (to say nothing of Zaire), so Kerala's version of embedded autonomy remains a vast improvement on the deterioration of state institutions that characterizes most Indian states (cf. Rudolph and Rudolph 1987). Compared to the rising tide of communal violence and political disarray that characterized some other Indian states at the beginning of the 1990s,<sup>19</sup> Kerala has been relatively calm, despite its religious and ethnic diversity. Furthermore, Kerala's political leadership has already had some success in using its deeply institutionalized connections with industrial and agricultural workers to increase levels of labor peace (Heller 1994). As in East Asia, embedded autonomy, however skewed, is better than its absence, but, as in East Asia, moving forward will require reconstruction.

Kerala contributes two important general propositions to the debate over the possible futures of the developmental state. First, it demonstrates that the embeddedness is not necessarily restricted to connections with industrial capital. Second, it shows that being linked to a single group is problematic, whatever the group. In short, the Kerala case reinforces the idea that reconstruction must involve a more encompassing definition of embeddedness.<sup>20</sup> What Kerala does not offer is guidance on how embedded autonomy might be built on ties to constituencies with diverse interests. For clues as to how a more encompassing embeddedness might work, small European social democracies are an obvious site. Peter Katzenstein's (1984, 1985) description of Austria during the 1970s provides one of the best illustrations.

### Austria

Like the East Asian NICs, Austria has a highly organized private industrial sector closely linked to the state apparatus. Large industrialists are united in the Federation of Austrian Industrialists (VÖI), while business more generally is brought together under the umbrella of the Federal Eco-

nomic Chamber (Katzenstein 1984, 60). As in the model of the developmental state, this highly organized class confronts a sophisticated state apparatus that enjoys an exceptional degree of economic leverage.

Like the East Asian NICs, Austria inherited a formidable bureaucratic tradition. During the post-World War II period, the state bureaucracy expanded steadily and became more technocratic in character (Katzenstein 1984, 63, 69). As in the case of Taiwan, nationalization of the property of former occupying powers (in this case Germany and the Soviet Union) left the Austrian state in control of the commanding heights of industry. In fact, Austria had a higher level of public ownership than its Communist neighbor, Yugoslavia. State-owned banks and federal and regional authorities accounted together for about two-thirds of all joint stock companies in the country, whereas local private capital accounted for only 13 percent.<sup>21</sup> The state's role as a producer explained, however, only part of its importance vis-à-vis private capital.

As in Kerala, embedded autonomy did not entail the marginalization of subordinate groups. To the contrary, the links between labor and the Austrian state were as intricate as those that connected the state and capital. The Austrian Trade Union Federation (ÖGB) matched the industrialists' federation in comprehensively uniting those who worked in major firms, and represented about 60 percent of the overall work force (Katzenstein 1984, 36). The ÖGB was in turn inextricably linked to the Socialist party (SPÖ), which not only shared electoral hegemony with the more conservative People's party (ÖVP), but had influence via the thorough penetration of the bureaucracy by its members (Katzenstein 1984, 76). When the organization of labor is combined with the strength of the state-owned sector, capital looks less than overwhelming despite its high level of organization. Katzenstein's own conclusion (52) is that "Private business plays a subordinate role compared to both Austria's vast nationalized sector and its trade union."

Even more clearly than Kerala or the East Asian developmental states, Austria exemplifies the way in which the state and classes mutually constitute each other. The existence of a coherent state apparatus helps call forth an internally organized entrepreneurial class in Austria just as it does in the developmentally organized states. The existence of a comparably organized working class reinforces the process. If labor cannot be marginalized or ignored, a dependable arena for centralized bargaining between capital and labor is essential. A competent, corporately coherent state apparatus provides that arena. Far from making the state irrelevant, the comprehensive organization of class interests makes it essential. As actors in civil society become more organized, a solid and sophisticated state apparatus becomes more rather than less necessary.

Being connected to multiple groups does makes the state's autonomy



ambiguous. In the Austrian case this ambiguity is epitomized by the Joint Commission, which serves as a state-sponsored forum for translating the interests of capital and labor into policies. According to Katzenstein (1984, 67), everyone agrees that the Joint Commission is the linchpin of policy formation, but diametrically opposed views of its character coexist. Some see it as "an executive organ of the government's economic policy," others as the crystallization of interest group politics.<sup>22</sup>

Once the state is connected to all major social actors, the image of independent bureaucrats forging their own project and imposing it on society becomes implausible. At the same time, the notion that reformative projects are forged independently of the state apparatus becomes even more implausible. Since any strategy for change must reconcile conflicting interests, the necessity of a strong mediating institution is obvious. The state's independent influence depends on a balance of forces in civil society, but the balance is actively constructed rather than the result of exogenous stalemate.

But what is this intriguing structure good for? Katzenstein is quite clear about what encompassing embeddedness achieved during the period on which he focuses. During the 1970s Austria, like most of Europe, was threatened by adjustment problems far more serious than those currently facing the East Asian NICs. Austria's encompassing embeddedness gave it the capacity to respond adaptively. The costs of a more competitive international environment were borne in a way that improved the country's prospects for competitiveness in the future and did not threaten its political stability.

To be sure, Austria's adaptation was not neutral. According to Katzenstein, it involved "substantial losses in the relative share of gross domestic product accruing to labor" (1984, 39). Nonetheless, this loss must be balanced against the fact that capital's share of income at the beginning of the decade was "by far the lowest among the OECD States" (49). It must also be balanced against the fact that the strategy adopted produced an unemployment rate of only 2 percent combined with high rates of growth in "the technological competitiveness of its export products, total exports, real annual investment, productivity, real economic growth, and the growth of per capita income" (34-35).

It may, of course, be argued that the model Katzenstein describes is already outmoded in its countries of origin. Streeck and Schmitter (1991, 144) talk about the "demise of national corporatism in the early 1980s." Most analysts would agree that the rise of the European community puts national political institutions like Austria's in jeopardy. Pontusson (1992) makes the additional argument that the "post-Fordist" evolution of industrial production undercuts the labor solidarity that is the backbone of Social Democracy.

All of this may well be true, but it is somewhat beside the point. The problem is that the skewed version that currently prevails in East Asian developmental states is not the only possible version of embedded autonomy. Neither dismantling the current developmental bureaucracy and replacing it with a weak American-style civil service nor the quiet LDP-style descent into clientelism is the only alternative to the status quo. More radical reconstruction is possible, at least in theory.

If reconstruction of the developmental state occurs, it will undoubtedly take the form of an indigenous innovation. Implausible institutional innovation is, after all, central to the process that produced the developmental state to begin with. A sober, knowledgeable analyst of East Asia at the end of World War II would have seen the future in terms of a debilitating blend of the formally imposed norms of Anglo-American liberal democracy and the informal persistence of traditional Asian authoritarianism. The creatively eclectic combination of market capitalism and state bureaucracy that emerged instead only makes sense in hindsight.

Awareness that more encompassing forms of embedded autonomy exist may provide useful clues for the reconstruction of the developmental state, just as rumors of Chinese bureaucracy inspired the original European bureaucrats and glimpses of Prussian administration served as a source of new ideas for the renovators of the Tokugawa state. As in the past, exogenous inspirations will no doubt build on indigenous institutional foundations. Future forms will build on current institutions in unexpected ways, just as current developmental states made old antimarket bureaucratic traditions into unexpectedly effective weapons in dealing with the challenges of global markets.

Equally important, looking at variations on the theme of embedded autonomy should remind intermediate states that they cannot allow their visions of reconstruction to become transfixed by East Asian models. Reconstruction is a desperate need, but the starting point is different. The flawed combinations of embeddedness and autonomy found in intermediate states do not provide the same institutional foundation on which to build, and there is no decades-long history of unparalleled economic success to cushion the problems of a transition. What then do arguments about different kinds of embedded autonomy have to offer states like India and Brazil?

### Implications for Intermediate States

For intermediate states like Brazil and India, the dismantling scenario is not a worrisome compilation of potential problems; it is a description of decay well under way. The vicious circle has been in operation for some

time. Local combinations of internal organization and societal ties produced only partial transformation. Performance could not keep up with demands, and the shortfall discredited the state. The neo-utilitarian vision, with its conviction that the health and capacity of state organizations were irrelevant, made the problem worse.

The evidence from Korea argues that an imbalance of demands and capacity is not inevitable. Greater initial capacity, conserved by strategies that reduced demands, allowed the Korean state to escape the discrediting gulf between demands and capacity that plagued its counterparts in Brazil and India. This was true both in the informatics sector and more generally.

For intermediate states, replicating the embedded autonomy of the developmental state would represent a giant step forward. Someday they might eventually have to confront the challenges that developmental states currently confront, but these would be problems of success, problems that it would be a pleasure for Brazil and India to have to confront. The assertion of World Bank Vice President Karaosmanoglu<sup>23</sup> that the developmental state's successes at industrial transformation are worth trying to emulate is vindicated. What remains to be answered is how.

Would-be emulators must begin by recognizing that full replication is unlikely. The East Asian amalgam depends on special historical circumstances. The concept of embedded autonomy is a useful analytical guidepost, not an engineering formula that can be applied, with a few easy adjustments, to states in other regions and historical periods in the same way that the formula for a suspension bridge can be applied regardless of where a river or chasm is located. Nevertheless, ignoring potential comparative lessons would be foolish.

Some things are obvious. Selectivity makes sense. Decisions about what roles to adopt must always assume that state capacity is in short supply. In this respect, neoliberal ideologists can be allies. At the same time, increasing capacity must be an explicit goal. Even with rigorous selectivity, demands on intermediate states will exceed current capacities. Efforts to increase state capacity must go along with selectivity. Meritocratic recruitment and reward systems with incentives for the long-term pursuit of collective projects are essential. It is hard to make bureaucracies effective even when bureaucrats are the best and the brightest; it is impossible when they are incompetent cousins and nephews. Building (or in some cases rebuilding) robust, coherent bureaucracies is a daunting task but an essential one for intermediate states.

Connecting state and society is the more difficult problem. Embeddedness is essential. Capacity without connection will not do the job. Yet the model of the developmental state becomes hardest to follow when it comes to the special kind of state-society connectedness that is rooted in East Asia's unique historical experience.

East Asian developmental states began the post-World War II period with legacies of long bureaucratic traditions and considerable prewar experience in direct economic intervention. World War II and its aftermath in the Pacific region produced a very special kind of "massive societal dislocation."<sup>24</sup> Traditional agrarian elites were decimated, industrial groups were disorganized and undercapitalized, and external resources were channeled through the state apparatus. The outcome of the war, including, ironically, American occupation,<sup>25</sup> qualitatively enhanced the autonomy of these states vis-à-vis private domestic elites. The combination of historically accumulated bureaucratic capacity and conjuncturally generated autonomy placed these states in an exceptional position.

At the same time, the state's autonomy was constrained by the international context, both geopolitical and economic. Their political leaders were certainly not free to make history as they chose. The end of World War II left Japan, Korea, and Taiwan caught between a powerful Communist giant, China, as their immediate neighbor and the world's military hegemon, the United States, as their occupier and patron. The international context precluded military expansion, leaving economic expansion the only basis for shoring up legitimacy.

The imposition of American hegemony, reinforced by the threatening alternative of expansionary Asian communism, also left these states no choice but to rely on private capital as a primary instrument of industrialization. The environment conspired to create the conviction that regime survival depended on rapid, market-based industrialization. Their small size and lack of resources made the necessity of export competitiveness obvious.<sup>26</sup> Commitment to industrialization made a joint project with local industrialists plausible. Initially, exceptional autonomy allowed the state to dominate the alliance with private capital. Later, increasing involvement with international markets helped discipline local industrialists and provided a brake on the descent into clientelism. Embedded autonomy was by no means an inevitable outcome, but the circumstances were certainly propitious for its emergence.

Once the difficulty of replicating the historical patterns that gave rise to the developmental state is accepted, the two conventional responses are decidedly unhelpful. One is to dismiss calls for any kind of emulation as utopian. This fits nicely with traditional neoliberal policy prescriptions. Since effective states cannot be replicated, policies that presume ineffective states are a good second best. The other is to focus on political exclusion as a substitute for historical circumstance. In this case, authoritarian repression is presented as a way of insuring that embeddedness does not degenerate into clientelism.

Thinking about variations on embedded autonomy helps get beyond these unhelpful conventional responses. Kerala and Austria show how embedded autonomy can emerge from historical circumstances quite dif-

ferent from those of the original developmental states. They also offer some specific insights that apply to the problems of intermediate states.

First, Kerala and Austria show that mobilization of subordinate groups can serve as a substitute for the exogenously created weakness of elites that was so important for the balance of autonomy and embeddedness in the East Asian cases. If only capital is organized, then only exceptional external events on the order of World War II are likely to allow the state to remain autonomous while at the same time connected. Multiple organized constituencies make it easier to balance embeddedness and autonomy.

This proposition reverses the standard neo-utilitarian response to the political organizations that bring together labor or other subordinate groups. In the standard neo-utilitarian vision, these are dismissed as "distributional coalitions" interested in rents and detrimental to development (cf. Olson 1982). A more institutional perspective suggests that the organization of subordinate groups may be an important bulwark against a degeneration of narrowly focused state-society connections into an elite clientelism that is ultimately more threatening to development.

Broadening the focus of embeddedness means that bureaucratic agencies and the personal networks that grow out of them are no longer sufficient to connect state and society. In both Kerala and Austria, state-society connections run primarily through parties. If intermediate states are to follow this route they will need party organizations capable of providing coherent support for long-term collective aims.

The idea that the mobilization of subordinate groups by strong parties may provide an alternative basis for embedded autonomy will be met by skepticism in intermediate states, where electoral politics is usually associated with clientelism and the capture of the state. Parties with long-term agendas are even harder to build than state bureaucracies. Any possibility of building political organizations that are encompassing and efficacious depends first of all on finding a "joint project" that unites the state apparatus and its societal constituencies in the same way that the project of industrial transformation brought together industrial capital and the developmental state.

When specific subordinate groups, such as agricultural laborers in Kerala, are mobilized, defining a joint project is not difficult: redistribution makes sense. When mobilization includes multiple groups, as is likely in intermediate states, formulating a joint project is harder. The Austrian case offers one suggestion. Maintaining an open economy's competitiveness vis-à-vis other open economies is a joint project with an encompassing ring to it. Clearly, seeing industrial transformation in these terms was central to East Asian joint projects. Conversely, it has often been argued that continental-sized intermediate states like India and Brazil are at a

political disadvantage because of their inability to define local economic welfare as depending on competition with an uncontrollable external world. Here again, neoliberal ideology might be useful, providing, paradoxically, part of the ideological foundation for a joint project that could facilitate the construction of a more encompassing embedded autonomy.

Finally, both Kerala and Austria also reinforce the point that has been made repeatedly in relation to developmental states. Intermediate states that are successful in promoting societal transformations will inevitably face the necessity of changing the very structures that enabled them to succeed. Having provided the basis for one of the world's most successful attacks on distributional issues, Kerala must broaden its version of embedded autonomy to include industrial capital if it is to succeed in confronting problems of accumulation. Having successfully adapted to the challenge of preserving competitive openness, Austria must now confront the challenges of a more powerful form of supranational integration. In each case transformation means finding new ways to use hard-won institutional assets. If intermediate states are to succeed, they will have to do the same thing.

### Predators and Midwives

This book began with a fantasy of bureaucrats as lion fodder. The rest of the analysis contested the story's premise. Contesting the premise meant contesting simplistic neo-utilitarian visions of the state and using a comparative institutionalist approach to demonstrate the value of seeing states in a different way. Analyzing societies and analyzing sectors produced the same message: industrial transformation is possible, and states make a difference. The character of state institutions helps determine whether and how countries change their position in the international division of labor. State apparatuses are potential sites for agency. Sturdy structures make agency easier. Agency changes the structures that made it possible.

There are, of course, good reasons for sympathy with lion fantasies and neo-utilitarian theories. Predatory states justify cannibalistic dreams. Without coherent bureaucratic institutions, states do indeed reduce themselves to the horrifying caricature predicted by simplistic versions of the neo-utilitarian vision. Rules and decisions are commodities, to be sold like any other commodity to the highest bidder. Without a predictable environment of political rules and decisions, long-term investment is foolish. State power, used for capricious extraction and wasteful consumption, diminishes private productive capacities rather than enhancing them. Welfare and growth both suffer.

Extracting a larger share from a shrinking pie is not the optimal way to maximize revenues, but it may be the only way consistent with the survival of predatory states. The disorganization of civil society is the sine qua non of political survival for predatory rulers. Generating an entrepreneurial class with an interest in industrial transformation would be almost as dangerous as promoting the political organization of civil society. For predatory states, "low-level equilibrium traps" are not something to be escaped; they are something to be cherished.

The predatory state is an ideal type, but empirical approximations like Zaire under Mobutu exist. Neo-utilitarians are not wrong in pointing out the existence of predation; they are wrong in their diagnosis of its roots. For neo-utilitarians, state power is the cause of predation. Diminishing state power is therefore its cure. Predatory states are not a perverse variation; they are the ideal-typical state. Actual states will approximate the predatory ideal unless their power is curtailed. The only good state is an eviscerated one.

The ideal type of the developmental state turns this logic on its head. Developmental states show that state capacity can be an antidote to predation. To deliver collective goods, states must act as coherent entities. Institutionalized bureaucratic power keeps individual incumbents from peddling rules and decisions to the highest bidder. Being a coherent actor involves more than just reining in the greed of individual officeholders. It involves entrepreneurship as well. Developmental states help formulate projects that go beyond responding to the immediate demands of politically powerful constituents.

Autonomy is fundamental to the definition of the developmental state but not sufficient. The ability to effect transformation depends on state-society relations as well. Autonomous states completely insulated from society could be very effective predators. Developmental states must be immersed in a dense network of ties that bind them to societal allies with transformational goals. Embedded autonomy, not just autonomy, gives the developmental state its efficacy.

The power of embedded autonomy arises from the fusion of what seem at first to be contradictory characteristics. Embeddedness provides sources of intelligence and channels of implementation that enhance the competence of the state. Autonomy complements embeddedness, protecting the state from piecemeal capture, which would destroy the cohesiveness of the state itself and eventually undermine the coherence of its social interlocutors. The state's corporate coherence enhances the cohesiveness of external networks and helps groups that share its vision overcome their own collective action problems. Just as predatory states deliberately disorganize society, developmental states help organize it.

Comparative analysis leads to a vision that stands in contrast to the old

neo-utilitarian assumptions. A few of the general propositions that go with this perspective are worth reiterating.

First and most crucially, the fate of civil society is inextricably bound to the robustness of the state apparatus. Deterioration of state institutions is likely to go hand in hand with the disorganization of civil society. Sustaining or regaining the institutional integrity of state bureaucracies increases the possibility of mounting projects of social transformation.

The second proposition follows from the first. Predation is not a function of state capacity. The idea that eviscerating state bureaucracies will wipe out predators is misguided. To the contrary, constructing state apparatuses that are bureaucracies in Weber's positive sense should help prevent predation.

Finally, bureaucracy is not enough. Even the most bureaucratically coherent state cannot effect transformation without a network of ties to social groups and classes with which it shares a project. Connectedness is as important as coherence and cohesion.

The concept of embedded autonomy is useful because it concretizes the structural relations that lie behind the efficacy of the ideal typical developmental state, but it does not fully capture variations in state involvement across sectors and circumstances. States play an array of roles that work or do not work depending on their fit with specific goals and contexts. Transformation depends on turning structural strengths into the effective execution of a well-selected blend of roles.

Exploring roles and strategies in the information technology sector helped put flesh on abstract ideas about how states affect industrial change. Looking at informatics reinforced general propositions about the consequences of bureaucratic capacity, but it also led to a sharper focus on state-society relations.

The idea of the state as midwife came to the fore. States foster industry by assisting in the emergence of new social groups and interests. The consequences of midwifery were remarkably robust across countries. From the impressive institutional constructions that went with embedded autonomy in Korea to the often inconsistent strategies of Brazil and India, state efforts to generate local entrepreneurial groups committed to a local information technology industry produced results.

The findings were encouraging for those who would like to see the state as an agent of transformation, but they were also sobering. Industries emerged, but they were not the industries that had been expected. In caricature, the outcome can be summarized in a paraphrase of an old aphorism: States can make industries, but not as they choose. Nationalist initiatives ended up contributing to the emergence of internationalized industries that were, for at least some of the initiators, mirror images of what they had hoped for.

Results were sobering for a second reason. Social structural changes, even if partially put in motion by the state itself, supersede the organizations and policies that created them, forcing changes in the state itself. The reciprocal shaping of state and society is not always mutually reinforcing. Informatics agencies were transformed and sometimes marginalized by the industries they helped create. At a more general level, the social structural bases of the developmental state have been at least partially undercut by the new industrial society it helped create.

None of this negates the prospect that the state will continue to be an instrument for social transformation. New generations of *barbudinhos* undoubtedly lie in wait. State apparatuses will provide launch sites for their projects. They will find niches within the bureaucracy, and sometimes these niches will provide the leverage to make them midwives. The results of their work may well surprise them. Any successes will end up redefining the possibilities for future state action, and the cycle will begin again.

In the end, then, the lessons to be drawn from this complicated analysis are simple ones. Uniformly treating bureaucrats as lion fodder is a mistake. Disdain is often deserved, but state bureaucracies can also be homes to creative entrepreneurial initiatives. Used imaginatively, they can spark new sources of social energy. Fewer predators and more midwives should be the goal.

## Notes

### Chapter 1 States and Industrial Transformation

1. See, for example, Boli-Bennett (1980).
2. Skocpol (1985, 7). For Weber's original discussion of the state, see Weber (1968 [1904-1911], chaps. 10-13).
3. For a brief summary of the most influential version of the "neorealist approach," see Waltz (1979, chap. 2).
4. See Tilly (1985); Mann (1984, 1986, 1993); Giddens (1987).
5. Thereby achieving something analogous to what Gramsci (1971) called "hegemony."
6. Compare with Rueschmeyer and Evans (1985).
7. Cf. Rueschmeyer and Evans (1985) on the state as "an arena of social conflict."
8. For Wallerstein, of course, the existence of a single division of labor that encompasses multiple cultural and political units is what sets "world-economies" like the contemporary capitalist world-system apart from "mini-systems" and "world-empires." See Wallerstein (1974b, 391).
9. See Chase-Dunn (1989) for a recent overview of the world-system approach.
10. For a brief, accessible summary of the theory of comparative advantage, see Todaro (1977, 277-91).
11. Hamilton's (1817) "Report on Manufactures" remains a classic defense of state support for "import-substituting industrialization."
12. List (1885) set out German suspicions that Ricardian formulations of comparative advantages represented England's interests rather than "objective" economics.
13. Prebisch (1950) and his Economic Commission on Latin America (ECLA) school of economists led the earliest attacks on comparative advantage from the perspective of the contemporary Third World.
14. This is, of course, the position of the dependency approach (see Cardoso and Faletto 1979) and world-system theory. Wallerstein paints the picture with the broadest strokes. In his vision, occupying different productive roles in the world-system entails a comprehensive set of sociopolitical differences ranging from the kind of labor control to the extent of division among dominant elites to the efficacy of the state. See Wallerstein (1974a, 1974b); Chase-Dunn (1989).
15. See Vernon (1966) and Wells (1972). The idea of the "product cycle" has been expanded from the more "economic" versions of Vernon and Wells to a full blown sociopolitical schema by Kurth (1979) and Cumings (1987).
16. "Niches" do not necessarily have to be equated with sectors or products. A "commodity chain" perspective suggests that the process of production and