

The Future of the Developmental State*

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While state involvement is blamed for stagnation and economic disarray in most regions of the Third World, it has become fashionable in the last ten years to give the East Asian state credit for playing a positive economic role. Amsden (1979) argued that Taiwan was not the model market economy portrayed by its American advisors nor the exemplar of dependence portrayed by its detractors, but a successful case of *etatisme*. Even observers with a neoclassical bent (e.g. Jones and Sakong, 1980) recognized the central role of the state in Korea's rapid industrialization. Increasingly, these states were labeled "developmental states" and held up as models to be emulated by other aspiring Third World nations.

Since coming into vogue, the concept of the developmental state has proved heuristically worthwhile. It has stimulated analysis of the structural and organizational characteristics that Northeast Asian states share and underlined the fact that it is not "the state" *per se* but a specific kind of peculiarly anti-developmental kind of state apparatus that is responsible for economic disaster in Third World basket cases like Zaire or Haiti (cf. Evans, 1989). Nonetheless, the concept of the developmental state remains in need of further development itself.

Reconsideration of the concept of the developmental state must begin by

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avoiding two pitfalls. First, it must resist the temptation to become entranced with economic performance and ignore the negative features of these states. None of these states are paragons of virtue. Politically, they have ranged from reprehensible authoritarian repression to guarded tolerance of electoral rules. Labor and other subordinate groups lack institutionalized access to political power in all of them. Both Korea and Taiwan have been characterized in addition by hypertrophy of the repressive elements of the state apparatus. Second, analysts of the developmental state must avoid the assumption that the structure and character of the state apparatus is somehow immutable. Instead, it is necessary to consider the possibility that transformation of the developmental state may be necessary both as a prerequisite to addressing a broader set of political and social goals and in order to sustain past achievements in the area of capital accumulation.

Raising the issue of the future transformation of the developmental state is the main purpose of this paper. Before talking about transformation, however, it is necessary to construct a clear picture of what it is that is being transformed. The organizational and social structural features of the developmental state must be set out clearly and the key features of its past history underlined.

The Nature of the Developmental State:

Credit for dubbing Taiwan and Korea “developmental states”, should probably go to the researchers associated with the Institute of Development at Sussex University¹⁾, but the concept itself cannot be understood without reference to East Asia’s first “NIC”—Japan. Chalmers Johnson’s(1982) account of the golden years of MITI provides one of the best pictures of a “developmental state” in action. Over the course of the eighties, Johnson’s original formulations have been criticized and revised by subsequent scholars like Samuels (1987) and Okimoto (1989).

Descriptions of the Japanese case emphasize two apparently contradictory features. On the one hand there is the meritocratically recruited bureaucracy which binds the loyalties of incumbents by providing them with long term career rewards that are predictable and attractive. The corporate coherence of this bureaucracy is reinforced by a variety of informal internal ties, most obviously the school based “batsu”. In Johnson’s description, the resulting reinforced Weberian bureaucracy is relatively autonomous actor, able to formulate collective goals, discipline private elites, and provide predictability and rationality, the most essential of all collective goods to the system as a whole.

Other analysts place more weight on the “embeddedness” of the state, the degree to which is immersed in a web of ties binding together private capital and state actors. For scholars like Samuels (1987:262) it is the “complexity and stability of its interaction with market players” more than bureaucratic competence that is the key to the success of the developmental state. Or, in Okimoto’s(1989:155)words,

it is the "maze of intermediate organizations and informal policy networks where much of the time consuming work of consensus formation takes place" that are the heart of the system. In these descriptions the developmental state sounds more like a "committee of the bourgeoisie" than an autonomous Weberian actor.

A full understanding of the developmental state requires putting these two visions together. It is precisely the unity of the apparently opposite characteristics of autonomy and embeddedness that makes the developmental state effective. The fact that the bureaucracy can produce competent assessments of economic problems from a point of view that does not simply reflect the interests of individual corporations or sectors and forcefully push for the adoption of such a view is what makes organizations like MITI useful to the other participants in the "web". Yet without, "web" organizations like MITI would never be able to gather adequate intelligence on the likely consequences of particular policies, or to ensure that any of its policies, however correct, would be implemented. It is "embedded autonomy" the synthesis of embeddedness and autonomy that makes the system work.

How this contradictory combination is achieved and how it functions depends, of course, on both the historically determined character of the state apparatus and the nature of the social structure in which it is embedded, as is clear if we turn to the cases of Korea and Taiwan. 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. The state in both countries looks more autonomous than the Japanese version, but the Korean and Taiwanese states diverge sharply from each other with regard to the way in which they are embedded.

The Developmental State in Korea:

In comparing the Korean bureaucracy to Mexico's, Kim Byung Kook points out(1987:101-2) 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 788AD). This tradition is vital in providing both legitimacy for state initiatives and non-material 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% 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 passees in 1972, Kim(1987:101) found 55% were graduates of Seoul National University and of these 40% were graduates of two prestigious Seoul high schools.

The most important lesson of the Korean case, however, is not the importance of a bureaucratic tradition. The most important lesson is that such a tradition is insufficient. Under Rhee Syngman, the civil service exam was largely by-passed, only about 4% of those filling higher entry level positions came in 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 is, 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, forthcoming: 15a). Rhee's dependence on private sector donations to finance his political dominance made him dependent on clientelistic ties with individual businessmen and, not surprisingly "rent-seeking activities were rampant and systematic"(Cheng, 1987:200).

Only with 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 both on service experience and close "batsu-like" network ties originating in the military academy²). The super-imposition of this new brand of organizational solidary 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 entry level positions filled with Haengsi examinees quintupled and internal promotion became the principal means of filling the ranks above them (except for the very highest ranks, like Minister and Vice-minister which continued to be treated as political appointments) (B.K.Kim, 101-108).

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 coordin-

ate 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.³⁾ As in the Japanese case the existence of a "pilot agency" does not mean that policies are uncontested within the bureaucracy. The EPB and MTI are often at loggerheads over industrial policy⁴⁾. 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 regimes'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 be, not just insulation from private capital, but complete dominance over it. Criminal trials and confiscation were threatened and the leaders of industry were marched through the street in ignominy as corrupt parasites. This soon changed as Park realized that he needed to harness private entrepreneurship, managerial expertise, in order to achieve his economic goals (see E.M. Kim, 1987; M.S. Kim, 1987). 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 environment⁵⁾. 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, forthcoming:10-33), 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 the industrial transformation that constituted its primary project and the basis for its legitimacy.

The ties between the regime and the largest chaebol (giant conglomerates) 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 Cumings, 1987:73). The embeddedness of the Korean state is a more "top down" affair than the Japanese prototype. "Amakudari" is not unknown but it is less common than in Japan⁶⁾. While business organizations are important (e.g. the FKI), the network of intermediary associations linking the state and the private sector seems less well-developed than in Japan and state-private ties are focused on a much smaller number of 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 does not limit the sectoral scope of the shared project of accumulation, but the number of corporate actors involved is still small.

Because the Korean state could not claim the same generalized institutional relation with the private sector that the MITI system provided it never fully escaped the danger that the power of interests of individual firms might lead back in the direction of catering to particularistic interests and allowing the resurgence of unproductive rent seeking. Nonetheless, even in the eighties the structure of relations between the state and private capital in Korea retained the corporate coherence necessary for embedded autonomy. Analysts comparing state–capital ties in Korea with those described in the United States have been struck by the limited degree to which the leaders of the chaebol undertake formal roles at the top of the state apparatus.⁷ Conversely the top rungs of the state apparatus, instead of being people with prominent private sector figures as in the United States remains largely recruited from inside the bureaucratic apparatus of the state. Over 80% of the Ministers and Viceministers selected during the Chun regime came from the bureaucracy or the military, while only one of 290 came from the corporate elite (Suh, 1989:126–127).

Korea is pushing at the limit to which embeddedness can be concentrated in a few ties without degenerating into particularistic predation. The opposite—a situation in which the relative absence of links to private capital might seem to threaten the ability of the autonomous state to secure full information and count on the private sector for effective implementation—is represented by the region’s other major NIC, Taiwan.

The Developmental State in Taiwan:

In Taiwan, as in Korea, the state has been central to the process of industrial accumulation, 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 extra–bureaucratic organizational forms. As in the case of the Korea state, the 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 Koumingtang state subsequent to its arrival on Taiwan is more striking than the changes in Korea between the fifties and the sixties. 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 puts it (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 much more powerful and stable than could have been provided by military organization alone. 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 lines of Taiwan's economic path in the 50s" was actually forced from office for a year on grounds of his involvement with an dubious loan to a private firm.⁸⁾

Within the reinforced governmental apparatus, the KMT was able to put together a small set of elite economic policy organizations roughly similar in scope and expertise to Japan's MITI or Korea's EPB⁹⁾. 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 lies somewhere between MITI and the Economic Planning Agency" (Wade, forthcoming:7-5). 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 the country's elite university (Taiwan National) (Wade, forthcoming: 7-34).

Without negating the fundamental transformation in the character of the Koumingtang 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 which could be reformed, but there was also an economic bureaucracy with considerable managerial experience. For example, the National Resources Commission, founded in 1932, had a staff of 12,000 by 1944 and managed over 100 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 with in the mainland regime and its alumni eventually came to play a major role in managing industrial policy on the island¹⁰⁾.

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 anti-capitalist 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 advisors recommended, KMT retained control, generating one of the largest state-owned sectors in the non-communist world (see Cheng, 1987:107; Wade, forthcoming, 10:2).

Instead of eschewing direct state-ownership like the post-war Japanese, 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 industrial corporations which has consistently accounted for over half of all fixed industrial investment from the 50's through the 70's (Wade, forthcoming: 4-9)¹¹. SOE's are particularly important in basic and intermediary industries. China Steel, for example, has enabled Taiwan to successfully out-compete all OECD steel exporters in the Japanese market- (Bruce, 1983 and Thorpe, 1983, cited in Wade, forthcoming). The state enterprise sector not only makes a direct entrepreneurial contribution, but is also a training ground for economic leadership in the central state bureaucracy¹². Thus, economic policy formation in Taiwan grows out of "a little understood but apparently vigorous policy network which links the central economic bureaus with public enterprises, public banks..." (Wade, forthcoming 9-55).

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, forthcoming: 9-53), historical relations between the KMT state and private (mainly Taiwanese) capital have been sufficiently distant to raise the question of whether "embeddedness" is really a necessary component of the developmental state.

The Taiwanese state unquestionably operates effectively 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. Wade notes, for example, (forthcoming 9-36) that IDB officials spend a substantial portion of their time visiting firms and are engaged in something very much like MITI's "administrative guidance". He (forthcoming 9-37) provides a revealing example of the state's close interaction with private capital in his discussion of negotiations between raw materials pro-

ducers 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-MNC 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.

In addition to defining the limits to which embeddedness can be reduced, the Taiwanese case highlights the symbiotic relationship between state autonomy and the preservation of market competition. The role of state autonomy in preserving market relationships is also crucial in Korea and Japan, but it is most apparent in the case of Taiwan.

The evolution of the textile industry offers the best illustration (cf. Evans and Pang, 1987). In the early fifties, K.Y. Yin, going against the wisdom of the American trained economists advising his government, decided that Taiwan should develop a textile industry. The result was the textile "entrustment scheme" which, by providing an assured market and raw materials, 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" way¹³⁾, inducing investment decisions and stimulating the supply of entrepreneurship (see Gold, 1986:70; Pang, 167-9).

The "entrustment" scheme in itself is unusual only in the extremity of 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 is unusual is that the entrustment scheme did not become the instrument of 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.¹⁴⁾ Thus, the state was able to enforce the emergence of a "free market" rather than allowing the creation of "rental havens" (cf. Evans and Pang, 1987). Without the autonomy made possible 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 which is a passive register of these oligopolistic interests give them what they are unwilling to provide for themselves. Only a state which is capable of acting autonomously can provide this essential "collective good". Embeddedness is necessary for 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 words (forthcoming: 7.46) as a "filtering mechanism", focusing the attention of policy makers (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 husband its bureaucratic capacity in its new environment. Selectivity would, however, seem to be a general feature of the developmental state. 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 (1982:2) notes that in terms of its overall size the Japanese state could be considered a "minimalist state".

Developmental states have benefitted from extraordinary administrative capacities, but they also restrict their interventions to the strategic necessities of a transformative project. Given the combination of exceptional capacity and careful restraint, it is hardly surprising that they are more effective in accomplishing their goals than other Third World States. In order to understand how this felicitous combination emerged, however, it is necessary to set the developmental state in the context of a historical process of social change.

The Historical Dynamics of Developmental States:

While the developmental state may have come to the attention of the West only in the last ten to fifteen years, it is a phenomenon deeply rooted in the experience of the region. Deep legacies of bureaucratic tradition, not just of the Confucian variety but also of the Prussian type as translated by the Japanese and imposed through colonial rule in Korea and Taiwan, set the stage. Experience in direct economic intervention prior to World War II provided some valuable negative lessons on the feasibility of detailed management of industrial transformation. World War II and its aftermath provided a catalytic environment. 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 (see Johnson, 1982; Pang, 1987), qualitatively enhanced the autonomy of these states vis a vis private domestic elites. The combination of historically accumulated bureaucratic capacity and conjuncturally generated autonomy, placed them in an exceptional historical position.

At the same time, the state's autonomy was constrained by the international context, both geo-political and economic. These states were certainly not free to make history as they chose. The international context excluded military expansion. The imposition of American hegemony, reinforced by the threatening alternative of expansionary Asian communism, left them no choice but to rely on private capital as the primary instrument of industrialization. The international environment conspired to create the conviction that rapid, market-based industrialization was necessary to regime survival. Small size and lack of resources made the place of export competitiveness successful industrialization obvious.

Commitment to industrialization motivated these states to promote the growth of local industrial capital. Their exceptional autonomy allowed them to dominate (at least initially) the formation of the ties which bound capital and the state together. Out of this conjuncture the kind of "embedded autonomy" which characterized these states during the most impressive periods of their industrial growth emerged. Its emergence depended on existence of a project shared by a highly developed bureaucratic apparatus and a relatively organized set of private actors who could provide useful intelligence and decentralized implementation¹⁵.

There was, of course, nothing in the external environment or inherited configuration of natural resources that made this result inevitable. The path of stagnation or decay is always open to small countries, as the modern history of most of the Third World demonstrates so painfully. In the 1920s, Argentina and Uruguay were impressive examples of development in the periphery just as Korea and Taiwan are today. Today's miracles have no assurance that historians in 2050 will not be chronicling their descent from miracles to disasters. Embedded autonomy is a vulnerable social construction. It is by its very nature dynamic not static. In fact, one might even argue that embedded autonomy is its own gravedigger, undercutting, by the very success of its economic project, the social and ideological bases of its own position and helping to generate a newer and more difficult set of demands upon itself.

The Decline of the Developmental State?

Dramatic social and economic change has made preserving past structures of state power impossible as well as undesirable. Trying to force a transformed society to accept the patterns of state-society relations that prevailed in the past would risk the kind of impasse and agony that the People's Republic of China seems currently doomed to endure. Yet, the most likely trajectories of future transformation seem to lead in the directions that would undermine the state's ability either to prolong its past contributions to economic growth or to undertake a new set of tasks.

A variety of factors currently conspire to erode the state's capacity to behave as

a coherent Weberian actor. The capacity of state apparatus to command the loyalties of the “most talented graduates of the best universities” is naturally undercut by the expansion of careers opportunities in the private sector. Wade (forthcoming, table 7.1, 7–37) notes that the proportion of Masters and Ph.D’s entering government service in Taiwan has dropped substantially while the share entering the private sector has risen, which is not surprising given the increasing salary differentials between the public and private sector. In Korea in the fall of 1989 (9/25), the *Kungmin Ilbo* noted that “the gap [in salaries] between civil service and private sector salaries has been conspicuously widened”, leading the paper to speculate that “superior manpower’s refusal to join the state bureaucracy would be accelerated” and that “worries about corruption and other deviant behavior by civil servants become more realistic.” Recent figures from Korea’s Ministry of Government Administration (1986:54) show the salaries of top civil servants to be less than half those of the upper management of big private companies.

Changes in attitudes complement changes in the external social environment. Internally, elite technocrats have absorbed the globally dominant ideology of “liberalization”. If they acknowledge the contribution of past state involvement, it is likely to be seen as anachronistic, appropriate perhaps in a transitional period but not once market forces are in place. The strongest pressure for diminishing the state’s interventive capacity comes from precisely those elite agencies, like the EPB in Korea and the CEPD in Taiwan, that were most central to the state’s past contribution to economic growth. Internal pressure toward liberalization is reinforced, albeit in a heavy-handed and often counter-productive way, by the NICs most important trading partner and essential military ally, the United States. The increasingly powerful private sector is also likely to echo the rhetoric of liberalization, since liberalization implies in the mind of private managers untrammelled freedom to pursue the interests of their firms.

The banner of liberalization covers, of course, a variety of possibilities with quite different implication. On the one hand, liberalization may simply imply less “micro-management” and petty intervention. To the extent that this is the effective interpretation, liberalization is consistent with the NICs’ past emphasis on highly selective and strategy intervention. It could help avoid the trap of over-extension which has been the undoing of so many Third World States (cf. Evans, 1989) and help preserve effectiveness. To the extent, however, that liberalization is seen to require ensuring diminished intervention by dismantling the state’s capacity to intervene the consequences could be very different.

Attempts to “Americanize” the developmental state, that is to replace a powerful, professional bureaucracy with a relatively ineffectual one along the lines of the U.S. civil service, could lead in the direction of the same sort of vicious circle that has plagued other Third World countries. The declining calibre of the

bureaucracy makes it more difficult for the state to play an effective role and therefore to justify the resources assigned to it. This in turn diminishes both intangible prestige associated with incumbency in the state apparatus and the material rewards that accrue to individual incumbents, making it still harder to recruit competent public servants and increasing the attractiveness of individual "rent-seeking" relations with particular private sector interests.

Again it is worth recalling the lessons of K.Y. Yin and the textile entrustment scheme. Large firms have no natural love of the cold winds of competition; the construction of rental havens makes for a much more comfortable life. Without a bureaucratically strong, relatively autonomous state, it may be very difficult to resist the natural propensity of private actors to look for rental havens. Thus, if a dismantling posture is adopted the result may be precisely the opposite of that desired by advocates of "liberalization". An expansion of the scope for rent seeking may result instead of tighter market discipline.

Pressure for the "Americanization" of the developmental state is also likely to come from below, for different reasons but with equally ironic consequences. Most social groups confront the state primarily as a repressive apparatus rather than as a developmental one. Embeddedness is deeply suspect because the networks in which the state is embedded are so thoroughly biased toward private capital (or in the case of Korea toward a few giant representatives of private capital). Autonomy is even more suspect since it signifies the ability to impose a repressive project rather than the ability to deliver collective goods.

Given the undeniable hypertrophy of the repressive apparatus and the indisputably biased way in which it has been utilized, it is hard to disagree with this analysis. Indeed, reducing the repressive apparatus and making whatever is left accountable must be part of the reconstruction of the developmental state. Nonetheless, the anti-repressive agenda and the liberalization agenda converge too easily around generalized dismantling or Americanization. Such convergence would have especially ironic consequences for subordinate groups. Having watched the state apparatus deliver the collective goods to privatized capital, they would see its capacity to deliver disappear just at when the political system showed hints of opening enough to allow them to press some of their own demands. In fact, if a more socially responsible state is the goal, dismantling or Americanization would be the worst possible strategy. The experience of both developed and developing countries shows that improved delivery of social services and more effective redistributive policies requires a state apparatus more competent and sophisticated than one designed simply to assist in the process of accumulation (cf. Rueschemeyer and Evans, 1985).

This is a convergence of social forces pushing the future transformation of the developmental state to take the form of dismantling or Americanization. To the extent that it takes this path it is reasonable to talk of the decline of the develop-

mental state. A dismantled developmental state has no chance of meeting the expanded demands that a more politically mobilized society is likely to raise and, as the United States itself has discovered over the course of the past fifteen years, an Americanized state lacks the capacity to foster the kind economic transformation necessary to keep abreast of a rapidly changing international economy. The question is then, "When other trajectories of transformation are possible?"

Reconstructing the Developmental State?

The discovery of a more positive trajectory will depend primarily on indigenous inventiveness, just as the original construction of the developmental state. Nonetheless, some clues as to how it might be done may be found in an unexpected place. Recent analyses of the small social democracies of Northwestern Europe seem surprisingly relevant to East Asian aspirations. While these countries cannot claim the spectacular growth rates of the East Asian NICs, they have confronted a rapidly changing, often hostile international economic environment with a surprising degree of success (see Katzenstein, 1984, 1985; Garrett and Lange, 1986; Hicks, 1988). In addition, they have already tackled the broader social agenda that the East Asian NICs currently confront. Like the developmental states of East Asia, these states have been characterized by a kind of "embedded autonomy." Like East Asian states, they are highly developed as bureaucracies. Also like the East Asian states they are deeply enmeshed in a dense set of networks which connect them to civil society. There is, however, one crucial difference. The networks in which they participate involve ties to a broad range of social groups, including labor as well as capital.

Reconstructing East Asian embeddedness in a manner analogous to the small European social democracies would not be easy. The past salience of the state's repressive face makes the building any kind of constructive relations with a broad spectrum of social groups difficult. In Korea, the problem is further exacerbated by the fact that even relations with capital have been dominated by a very small group of firms. Civil society will not be convinced overnight that the state apparatus is a legitimate interlocutor. Nor is the transformation of state-society relations sufficient to produce a reconstructed embeddedness. Civil society itself must change. Without organized counterparts in civil society, it is impossible to construct ties to subordinate groups equivalent to those that already exist in relation to capital. A deep historical tradition of union and programmatic party organization lies at the core of European embeddedness. East Asian States have no such tradition to draw on. Removing repressive barriers to the construction of new social organizations would be an important first step, and, in Korea at least, there is some foundation on which to build, but the emergence of real "encompassing" (in Olson's sense) counterparts is likely to be painfully slow.

However daunting the difficulties, reconstructing remains an appealing goal.

From the point of view of those within the state apparatus it may represent the only way of effectively resisting Americanization or dismantling. From the point of view of political actors outside the state, it is an excellent way of insuring that those in power do not decide to pursue regime survival at the expense of the rest of society. From the point of view of society at large, reconstructing the developmental state may well be the only way of preserving a project of economic growth and rising real standards of living in the context of an expanded political arena.

Whether or not reconstruction of the developmental state along these lines is feasible remains a matter for speculation. Two things, however, can be said with some confidence. First, looking at the future transformation of the East Asian state as a challenging exercise in reconstruction is much more likely to produce positive results than looking at it as an exercise in dismantling or Americanization. Second, any process of reconstruction must start from the premise that autonomy and embeddedness are inextricably connected. The character of the state as a corporate actor cannot be changed without also changing the character of the networks that bind it to civil society.

Notes

- 1) See White and Wade (eds.), 1984, which later appeared in revised form as White (ed.), 1988.
- 2) See for example Kang's (1988) description of the Hanahoe club, founded by members of the 11th military academy class.
- 3) For example, according to Choi (1987:50) "four out of five Ministers of the Ministry of Trade and Industry between December 1973 and May 1982 were former Vice-Ministers of the EPB".
- 4) Cheng (1987:231-232) claims that MTI rather than EPB dominated industrial policy making in the early seventies, but clearly by the late seventies the EPB was again dominant.
- 5) The importance first of foreign aid and then of foreign loans, both of which were channeled through the state and allocated by it was a corner stone of the state's control over capital (See E.M. Kim, 1987; Woo, 1988; Stallings, forthcoming).
- 6) Even in the 1980's less than 10% of those leaving the job of Ministers and Vice Minister went into the private sector. Most returned to the bureaucracy (Suh, 1989: 130-131).
- 7) Jae Jean Suk (1989:124-125) found large capitalists strikingly absent from government bodies. Their participation was limited to two relatively ceremonial bodies—the Peace Unification Advisory Committee and the Korean Olympic Committee.
- 8) K. Y. Yin was forced to resign in July of 1955 and returned after being cleared in court in 1956. See Pang (1987:193) for an account. While struggles between factions were obviously involved in the case and not simply questions of corruption, the fact that the taint of corruption could serve as grounds for removal of such a powerful figure is in striking contrast to mores in most developing countries.

- 9) The discussion which follows draws primarily on Wade, forthcoming.
- 10) According to Wade (forthcoming: 9–25) the pool of NRC technocrats provided among other leading economic bureaucrats, eight out of 14 Ministers of Economic affairs.
- 11) Even in the eighties, the state accounted for almost half of Taiwan's gross domestic capital formation and state enterprises accounted for two thirds of the state's share (Cheng, 1987:166).
- 12) According to Wade (forthcoming: 9–28) "most Ministers of Economic Affairs have had management positions in public enterprises."
- 13) i.e. in the fashion suggested by Albert Hirschman in his *Strategy of Economic Development* (1958).
- 14) The same strategy continues to be used. Wade (forthcoming, 7–19,20) recounts the IDB's efforts to induce local VCR production at the beginning of the 80's. Two local companies were at first given a monopoly, but when, after a year and a half, they were still not producing internationally competitive products, Japanese firms were allowed to enter the market (with local joint venture partners) despite the protests of the original entrants.
- 15) "Embedded autonomy" might also be used as a way of characterizing the small states of northwestern Europe as described by Katzenstein (1984, 1985). The comparison between these states and those of East Asia is particularly interesting since the networks in which they are embedded includes organized representation of labor as well as industrial capital.

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