

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 developmental states. Maybe the internal structures 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.

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### 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."

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 developmental state institution 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 *kwanjon minbi* (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 Kerala's 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 ETRI 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 developmental 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 make 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 transformative 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 point 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 Karosmanoglu<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 ineffectual 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 *barbuidinhos* 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 Wältz (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