

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

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

### 3

## States

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

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

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

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



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

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

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

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

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

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

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

### Zaire as the Archetype of the Predatory State

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

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

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

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



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

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

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

### The Archetype of the Developmental State

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Ties between the bureaucracy and private powerholders are reinforced



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

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

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

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

### Variations on the Developmental State

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

#### Korea

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

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

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

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



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

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

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

Without a deep, thoroughly elaborated, bureaucratic tradition, neither

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

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

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

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

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



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

### *Taiwan*

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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



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

### Intermediate States

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

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

### Brazil

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

### India

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

### Structural Types and Developmental Dynamics

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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