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Bureaucratic Rationality and the Developmental State¹

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There has been a resuscitation of the view that the state can play an important role in the industrialization process. But, for states to be successful in fostering development, they need a considerable degree of internal cohesiveness, which is generally supplied by the presence of a robust, Weberian bureaucratic corps. This article argues that, while internal cohesiveness is indeed critical, bureaucratic rule following can produce results in the opposite direction, depending on the interagency relations that obtain within the state. The effect of interagency relations is demonstrated through an examination of India and Korea. Both have worked to foster industrialization, and both are endowed with relatively healthy bureaucracies. However, the Indian state was paralyzed and fragmented, while its Korean counterpart did secure the requisite internal coherence. Not only did the culture of rule following fail to generate a cohesive state in India, but it, in fact, worked against such an outcome.

BUREAUCRATIC RATIONALITY AND THE DEVELOPMENTAL STATE

The recent focus on the state among scholars of economic development has generated some significant theoretical innovations. Among these has been an emphasis on the issue of state capacity as a distinct subject of study. While development theorists have been aware for some time that in order for states to promote development they must enjoy some independence from elite control, the recent turn has stressed that even while enjoying the required autonomy, states may nevertheless lack the capacity to intervene effectively. To promote development, political elites need to not only achieve a measure of autonomy from local elites but also bolster

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the quality of state institutions. The elements that go toward enhancing state capacity are manifold, but there has been some convergence around one particular element, namely, its internal cohesiveness. In order to promote development, states need to be able to act as corporate entities with broadly collective goals, rather than as the sum of the individual strategies of their functionaries. So one way to make states “developmental” is to enhance their capacity, and the means to do that is through securing their internal cohesiveness.

The question becomes, then, how the state can secure internal cohesion or coherence. In this article, I examine the argument, made by Peter Evans and others, that the most important means for the state to secure internal coherence is for it to be endowed with an effective, rule-following bureaucracy. I will argue that this view, while not incorrect, nevertheless needs to be amended somewhat. While a bureaucratic culture does certainly enhance the state’s corporate identity, it is not enough. In order for it to be effective as a *developmental* state, bureaucratic rationality must also be structured in an appropriate apportionment of *power* among state policy agencies.²

The argument from bureaucratic rationality has the effect of focusing attention on the relation between a functionary and her station—on whether or not she attends to the formal duties attached to her position. I will argue that this microlevel focus needs to be supplemented by attending to the mesolevel concern for the relations between state agencies themselves.³ Unless the appropriate relations of power obtain within the state, the virtuous effects of a functioning bureaucracy will be blocked. Indeed, I will argue that, absent the intrastate power configuration, bureaucratic rationality can lead to decidedly *nondevelopmental* outcomes. Hence, it is not just that interagency relations add to the contribution of

² Evans has also argued persuasively that simply having a cohesive state is not enough for it to bring about developmental success. State cohesiveness has to be complemented by a dense thicket of ties between planning agencies and firms to facilitate continual transmission of information between the two actors (Evans 1995, chap. 3). In this article, I do not address the issue of the state’s links with private firms. I am concerned solely with the factors that conduce to the state’s internal cohesion.

³ It is not clear whether this argument should be seen as a criticism of Evans, who has been the most articulate proponent of the bureaucracy-centered view, or as an amplification of one part of his work. At places, he seems to veer toward the view that bureaucracy can be a double-edged sword and that its debilitating effects need to be filtered through appropriate institutional mechanisms (Evans 1995, pp. 52–53; Evans and Rauch 1999, n. 7). So the argument of this article does find an echo in his work, but the nod to interagency relations takes a backseat to the emphasis on bureaucracy in his more definite theoretical statements on state cohesiveness. In this sense, my argument could be taken as a criticism.

bureaucratic rationality; the argument advanced here is that the former mediate the *kind of effect* the latter will exercise.

The importance of interagency relations within the developmental state is illustrated through an examination of two cases, South Korea and India.⁴ The cases are of analytical importance for several reasons. First, both were exemplars of state-guided development strategies in the second half of the 20th century. For this reason, they can serve—and have served in several analyses—as good testing grounds for theories about the conditions for, and effects of, state intervention in the developmental process. Second, both were endowed with bureaucracies that functioned fairly well by the standards of poor countries. Indeed, both states have been held up in the literature as followers of formal bureaucratic rationality. Third, and crucial for our purposes, despite having well-functioning bureaucracies, the two cases are marked by a sharp divergence in outcomes. Whereas the Korean state was able to intervene effectively, and selectively, in the industrial sector, the Indian state was not. I show this by examining two very similar programs of heavy industrialization that required for their success considerable coordination between state agencies. I show that while the Korean state was able to secure this coordination, its Indian counterpart was not. As a consequence, the outcomes too were dissimilar, with Korea managing a more finely calibrated set of interventions in the industrialization process than the subcontinent. This divergence in outcomes, despite the similar bureaucratic traditions, makes them relevant for the concerns of this essay. I will argue that the Indian case exemplifies the dilemmas of a state that undertakes developmental tasks without establishing the appropriate relations of authority across policy agencies. The Korean case, on the other hand, shows the virtuous outcomes when such relations are established.⁵

⁴ For the remainder of this article, I refer to South Korea simply as “Korea.”

⁵ I should stress that the argument is not intended to imply that the difference in state capacity or cohesiveness explains the difference in development outcomes *tout court*. The actual rate and structure of development in the two countries was the product of the joint operation of many factors—the differences in agrarian relations, demography, trade patterns, geopolitics, and so on. The quality of the state was but one in this cluster of causes. Indeed, to my knowledge, no one emphasizing the role of the state has claimed that it was the only, or even the most important, factor in the development process. Nevertheless, its importance was real. The analytical task is to tease out what the state mattered *for* and the causal pathway from state quality to the phenomena it affected. I argue here that the main way that state cohesiveness affected development was by determining the state’s selectivity in allocating resources. This, in turn, had an important effect on the pattern of development in that it determined which sectors were given access to these resources. So state cohesiveness was important in that, through its effect on selectivity, it could affect the flow of capital. But its final effect on the tempo and balance of development was determined by the impact of the other, independent, factors.

In making this argument, the article adds a twist to the “state-enhancing” side of the development literature. It is now commonplace to observe that in order to be effective developmentally, the state must have the capacity to impose discipline on domestic firms. As economic planners dole out public resources to local capitalists in the form of subsidies, cheap credit, and the like, they must, in order to prevent illicit rent-seeking, have the ability to demand that these monies be invested in productive ways and in sectors that conform to policy priorities (Amsden 1989, 1992). I argue in this article that, in addition to the ability to discipline *firms*, planners need to also have the capacity to discipline other *state agencies*. There is thus a dual dimension to the kind of power relations that planners require in order to accelerate industrial transformation: power over private capitalist enterprises, as well as over other state economic policy agencies.

THE SHIFTING PLACE OF THE STATE IN DEVELOPMENT STUDIES

In the halcyon days of development planning—the first two decades following the Second World War—economists and planners evinced tremendous enthusiasm for, and confidence in, the ability of the state to make up for what markets were said to lack.⁶ This was, in part, fueled by the Keynesian revolution in the West, which gave intellectual respectability to government intervention in markets (Hall 1989); it was also, however, born of the practical experience of the war in which most economies were subjected to pervasive price, production, and distribution controls and to considerable macroeconomic coordination more generally (Milwald 1977; Hall 1986). One result of this state of affairs was that, among social scientists, the sensitivity to problems of market failure found its complement in a complacency toward the limits to state action. It was not uncommon among development economists to treat the state as a “black box,” a kind of cure-all for the limitations found in less developed countries’ (LDC) markets. As one account has recently characterized the period, development planning suffered from accepting a myth of the “omnipotent state” (Sen 1997).

Not surprisingly, the experience of the postwar period soon dispelled the unqualified optimism in state-led development. By the 1980s, critics could point to numerous cases where state-led development had led to

⁶ The main deficiency evinced by markets in the development process was their inability to solve critical coordination problems in investment and the systematic divergence between private returns and social returns in many sectors. For arguments to this effect, see Rosenstein-Rodan (1943), Scitovsky (1954), Hirschman (1958), Fleming (1955), and United Nations (1951).

clientelism, rampant corruption, overprotected and, hence, bloated local firms, and in the worst cases, predatory state practices (Bhagwati and Desai 1970; Krueger 1990). Of course, this was balanced, with considerable success, by accounts of the “miracles” of East Asia, where industrial policy had played an important role (Wade 1990; Amsden 1989; Haggard 1990; Woo 1991), but the latter cases did not alter the sobering realization that, at best, the ability of governments to accelerate the pace and quality of development was a highly contingent affair. Unless states were endowed with the institutional capacity to properly design and implement policy, the development effort could lead to the various pathologies mentioned above.

In the past decade, with the myth of the omnipotent state now behind them, scholars have turned their attention to examining the institutional factors that go into making effective developmental states. It is here that a consensus has begun to emerge: if the state is to be successful in its efforts to promote industrial transformation, a crucial precondition is that it have the *internal cohesion* necessary to carry out its policies (Evans 1995; Weiss 1998). Cohesiveness allows the state to avoid two pitfalls that have bedeviled so many developmental efforts: the slide into predatory practices by individual functionaries and the dissipation of resources through a lack of selectivity in economic policies. Internal cohesion serves the function of counteracting both of these disintegrative tendencies.

How is state cohesion to be achieved? In this regard, the central mechanism on which scholars have poured their attention is the role of an effective bureaucratic tradition. A proper bureaucracy secures state cohesiveness, the argument goes, through two mechanisms. First, it generates norms of comportment for state functionaries and, in doing so, channels their actions away from individualistic and predatory practices. This it does by putting into place abstract and clearly specified rules and ensuring that functionaries' decisions are guided by such rules, rather than by their own private interests (Evans 1995, pp. 29–30, 48–49). The commitment to rule-following is compounded by a second mechanism crucial for state cohesiveness, namely, the adherence to clearly specified norms of recruitment and career mobility. The establishment of such criteria for bureaucratic promotion reinforces one of the effects of proper rule-following: they orient functionaries away from personal gain and toward the duties attached to their station. They also, however, generate a kind of esprit de corps within the bureaucracy: the knowledge that they belong to a highly select “club,” with similar qualifications and rare skills, creates a corporate culture among functionaries, which, in turn, secures state cohesiveness (Evans 1995, pp. 49, 71; Evans and Rauch 1999, pp. 751–52; Cheng, Haggard, and Kang 1998).

Since the robustness of these bureaucratic traditions clearly varies

across countries, the capacity of the state to secure the cohesion necessary to foster industrial transformation can also be treated as a variable (Evans and Rauch 1999). Hence, far from the omnipotent state, the new literature now offers us a much more nuanced picture of the developmental setting in which states may or may not be able to handle the tasks that rapid development thrusts upon them (Gereffi and Wyman 1990; Haggard 1990; Maxfield and Schneider 1997; Aoki, Kim, and Okino-Fujiwara 1997; Weiss 1998; Woo-Cumings 1999). In doing so, it has generated a burst of research on the patterns of state-building in developing countries, with particular attention to the mechanisms that secure, or block, the consolidation of an effective bureaucratic backbone to the state (Geddes 1994; Schneider 1991; Woo 1991; Kim 1988).

BUREAUCRATIC RATIONALITY AND STATE COHESIVENESS

At the heart of the new work on the developmental state, as outlined in the preceding section, is the issue of institutional capacity. A critical component of this capacity is state cohesiveness, and the mechanism that purportedly secures the latter is a robust bureaucracy: states can foster development if their functionaries' goals are shaped by the duties of their station, rather than by a calculus of personal gain. In this section, I argue that while internal state cohesion is indeed absolutely critical to a developmental state, bureaucratic rationality per se cannot suffice to secure it. This is because bureaucracy is in fact a double-edged sword. While it is instrumental in orienting functionaries around goals other than personal gain, bureaucracy also generates a host of other effects that can impede and even reverse state cohesiveness. If these negative effects are to be counteracted, it requires adjustment at the level of state agencies, not in the orientation of the functionaries serving within the agencies. The internal constitution of the state, therefore, does not simply *add* to the otherwise *independent* effect of bureaucratic rationality, rather, the former *mediates* the impact of the latter on state cohesiveness. Hence, while it is indeed important for the state to be staffed by rule-following bureaucrats, this will lead to a stable and cohesive developmental state only in the presence of an appropriately coordinated state apparatus. In the absence of the latter, not only will bureaucratic rationality be less effective, but it can actually become a weapon *against* state cohesiveness.

From Bureaucrats to Bureaus

Why would bureaucratic rationality lead to state cohesiveness only in the presence of disciplinary coordination? The need for disciplinary coordi-

nation stems from the very nature of the task that the developmental state sets for itself, namely, increasing the pace of industrial transformation. In order to foster industrialization, economic planners within the state have to mobilize massive resources toward development projects, within an environment of overall resource scarcity. This means that resources are directed away from other activities and, hence, away from those state agencies charged with administering them; second, these projects frequently cause temporary macroeconomic dislocations—external imbalances, inflation, fiscal deficits—and generate economic returns only after long gestation periods.

Given this state of affairs, planners face two sources of conflict. First, there will be competition between state agencies for the scarce resources mobilized for development plans. The conflict need not be driven by self-interest on the part of functionaries in other agencies; it can just as well arise from genuine disagreements over developmental priorities. In such settings, each ministry or policy agency finds that policy formation becomes an intensely contentious process, despite the commitment to bureaucratic rule following. A second source of conflict between state agencies are the dislocations caused by large developmental plans. As pointed out by Albert Hirschman (1968) and others, rapid development often occurs with temporary, albeit acute, imbalances in the macroeconomy, but it is the assigned function of key state agencies to avert these very imbalances, a task that is given normative backing by prominent economic doctrines that favor balanced growth (Cypher and Dietz 1997). Thus, for example, planners initiating “big push” initiatives—as happened in both Korea and India—often find themselves in conflict with central banks and ministries in charge of maintaining the external balance since these initiatives can give rise to surges in inflation and deficits in the trade account (Ahn 1992; Hanson 1966).

These considerations lead to the conclusion that, in a developmental setting, bureaucratic rationality is perfectly compatible with interagency rivalry and conflict.⁷ These maladies do not arise because functionaries are insufficiently “Weberian” rule-followers. The conflicts arise because the state is a complex amalgamation of agencies, charged with distinct

⁷ One response to this argument would be to redefine bureaucratic rationality so that it included, as one of its components, the appropriate interagency coordination. This would block the criticism that bureaucratic rationality can be frustrated by interagency conflict and rivalry since the melioration of these problems would be built into the definition of a rational bureaucracy. But this would not erase the substance of the criticism offered here. The fact is that, as it stands, the literature defines bureaucratic rationality at the microlevel, at the level of the functionary and his goal orientation. In keeping the mesolevel issue of interagency relations out of the definition, I am simply following convention.

functions, having domains that are frequently overlapping, and often compelled to compete for resources. Hence, interagency conflicts will arise as a consequence of following the rules that govern their reproduction, not because of a departure from the rules.

Coordinating Agencies and Nodal Agencies

I have argued here that for state cohesiveness to be attained, it requires something over and above bureaucratic rationality. If states are to become developmental, they must be endowed not only with rule-following bureaucrats but also with a mechanism for resolving the conflicts that arise from the dynamics described above. In the development literature, scholars who recognize this sometimes call for a coordinating agency that has the function of resolving intrastate conflicts (Wade 1990). Such agencies act as clearinghouses for information, as hubs for policy design, as informal lobbies to push ministries toward maintaining the long-term goals of industrial policy, and as mediators in interministry disputes. In so doing, they are supposed to lend coherence to what could otherwise become a fractured policy apparatus, as suggested in the preceding section.

The call for coordinating agencies has much to recommend it. However, as I shall demonstrate through an examination of the Indian case, it cannot be assumed that the simple installation of a coordinating agency will be sufficient to lend coherence to the policy apparatus. Consider again the situation of each ministry. Each one is assigned responsibility for overseeing particular sectors of the economy and particular industries; each ministry is under pressure to demonstrate performance and success in implementing policy; in cases of failure, it is expected to provide reasons for the underperformance, and it is likely to find its status in the policy process declining. Further, in order to capture more resources in the budgetary process, each ministry has to make a case for itself, not only for the importance of its sector but also in the ministry's ability to administer the quantum of funds it is seeking.

The need to account for its performance, and to "make a case" for itself, makes each ministry place a very high premium on controlling flows of information. Indeed, this is the natural accompaniment to the rational, rule-following bureaucracy. As Weber argued, with the rise of the modern bureaucracy comes the phenomenon of the "official secret," the tendency for state functionaries to use control over information as a source of power in intrastate wranglings (Weber 1968, pp. 990–93). Each ministry, therefore, has an interest in maintaining a tight grip on the information flow into and out of its offices; concretely, this means maintaining a grip on the means through which the information is transmitted, namely, the ubiquitous "office files."

The natural tendency toward territoriality and secretiveness in inter-ministry relations can easily translate into a suspiciousness of and resentment toward outside interference in ministerial affairs. This makes it especially difficult for official coordinating agencies to perform their functions within developmental states. As I shall demonstrate through the discussion of the Indian case, such agencies will be viewed as interlopers, as looming threats to ministerial autonomy. Coordinating bodies, therefore, will have their offers of assistance rebuffed, their requests for information delayed, and their exhortations to follow plan directives ignored.

The simple installation of a coordinating body, as just another agency or ministry within the state apparatus, should not be expected to generate state coherence. For any such body to function properly, it has to find a way of overcoming the resistance and rivalry that are likely to be offered by other state agencies. The most obvious means toward this end, which this article will highlight, is for the coordinating body to be endowed with *power over* other state agencies. In other words, it must be able to demand information and compel adherence to plan priorities, so that other agencies are institutionally obliged to comply. This can be achieved most directly if coordinating bodies, for example, planning boards, enjoy the personal backing of powerful political figures such as the president or prime minister; another mechanism is for the planning agency's power over other ministries to be institutionalized in the rules themselves, so that it does not depend primarily on the chief executive's personal backing. Either way, coordinating bodies need to have the ability to not only suggest cooperation but also to extract it, on pain of sanctions or censure of some sort.

In sum, we should not expect that state cohesiveness is a straightforward outcome of bureaucratic rationality. Bureaucratic rule following is perfectly consistent with interministerial deadlock and bitter interagency rivalries over resources. The installation of coordinating agencies is, therefore, an important component for enhancing state strategic capacity. These agencies, however, cannot be expected to be effective if they are simply grafted onto the existing state policy apparatus. The same dynamics that generate interagency rivalry will also generate an insularity and resentment of "outside" interference. Economic coordinating agencies, therefore, will be effective if they enjoy some degree of power over other policy agencies to compel performance from them. Hence, just as developmental states have to be able to impose discipline on actors (firms) outside the state, planning agencies have to be able to enforce performance within the state. In the rest of this article, I shall refer to this as a "nodal agency," as distinct from a mere "coordinating agency."

A comparison of the Indian and Korean cases illustrates both of the

propositions advanced in the preceding section. First, while bureaucratic capacity may be a necessary condition for the emergence of a developmental state, it cannot, in itself, suffice. The Indian and the Korean states inherited bureaucracies from their colonial pasts that were, by most standards, admirably effective and stable (Potter 1986; Kohli 1994; Evans 1995). This did not generate the cohesiveness—or state strategic capacity—that effective industrial policy required: this remained true for India throughout its period of *dirigisme* but was also the case with Korea during the 1950s. Second, the comparison shows that what made Korea different after the ascension of Park Chung Hee in 1961 was not the installation of a coordinating agency per se in the form of the Economic Planning Board (henceforth EPB). The key was that the EPB was created with the institutional power to discipline other state agencies, so that they could not block, override, or ignore its recommendations. This point is sharpened through a consideration of the Indian case, where, too, a coordinating agency was created in the Planning Commission (hereafter PC), but because it lacked any real power over other agencies, it found itself shunted aside in the policy process. The result was that, despite having an effective bureaucracy and a coordinating agency, the Indian state still lacked internal cohesiveness.

The immediate consequence was that the Indian state was far less able to intervene effectively in the development process. In particular, it was less able to achieve selectivity in the allocation of resources and in the tasks it took on. Evans (1995, pp. 69, 70) has prominently brought attention to the inability of the Indian state to be selective in its interventions. This was critical since the very purpose of industrial planning was to funnel capital into targeted sectors, which would otherwise fail to attract investment. If industrial planning was to succeed, it required a deft coordination of state economic agencies for two tasks in particular: the identification of industrial sectors that were critical for economic growth and a successful channeling of investable resources to those very sectors. However, if the state was unable to achieve internal cohesiveness, then economic ministries acting independently of each other could be expected to allocate resources in a more or less haphazard fashion, taking as their signals the demands of firms, rather than the dictates of state policy. In a comparison of two very similar programs of heavy and chemical industrialization in the two countries, I shall show that this was the very dimension on which the two diverged. In India, the priorities of the five-year plans, as laid out by the PC, were overwhelmed by the logic of state fragmentation, while in Korea, a cohesive state was able to achieve selectivity in its pattern of intervention and, hence, ensure that it was the targeted sectors that, in fact, received new investment.

THE INDIAN CASE: BUREAUCRATIC RATIONALITY WITHOUT STRATEGIC RATIONALITY

Prima facie, India would seem to have been well poised to initiate an ambitious development agenda upon gaining independence from the British in 1947. It had a well-functioning bureaucracy, a political leadership committed to economic development, and was soon equipped with a coordinating body—the PC—to oversee industrial policy and planning. However, as we shall see, these factors did not suffice to generate the requisite state cohesiveness for policy design and implementation. The combination of an effective bureaucracy and a nominal coordinating agency in the PC did not suffice to generate the state cohesion that industrial policy required; to the contrary, bureaucratic procedure became a weapon that other state agencies used against the PC, in defense of their autonomy.

The Installation of the Planning Commission

In its initial design, the PC was intended to go beyond being merely an advisory body and have actual power over the extraction and allocation of resources. When the Indian National Congress (hereafter INC) came to power in India in 1947, it had behind it almost a decade of serious internal debate and discussion over the policy apparatus that would be installed after gaining independence from the British (Chattopadhyay 1985; Chibber 1999*b*). As early as 1939, eight years before Independence, the INC had put together a National Planning Committee to discuss the contours of economic policy once the British departed. It was agreed that future economic policy would be coordinated into some kind of planning regime that would be overseen by a body called the Planning Board (later to be called the Planning Commission). Further, while the specifics of the PC's design and structure were never laid out in detail during the discussions leading up to independence, its design was seen as including extensive power over the actual implementation of economic plans (Shah 1948).

Once the INC came to power, however, and did install the PC, its actual position within the state turned out to be something less than had been intended. In the critical years immediately after independence, when the INC put into place the policy apparatus that has governed Indian development through the postwar period, supporters of the PC found themselves facing stiff opposition within the state (Chibber 1999*b*, chap. 6). The ministries composing the existing economic policy apparatus were none too pleased with the prospect of a new body that would have power over the planning process. To the ministries, such power held the danger

of also endowing the PC with power over *them*—an accurate perception. Led by the finance minister John Matthai, incumbent ministers voiced strong opposition to the PC's coming in as a "superministry" and insisted that it not be given any special powers (Gopal 1979, p. 102). Opposition such as this would have been important in any setting. What made it especially effective in the immediate years of independence was that it was coeval with a drastic economic downturn, which made Nehru and his party especially concerned to maintain whatever stability they could in order to revive investment.⁸ They were already hesitant to overhaul the policy apparatus around the PC, fearing that it would disrupt recovery programs. The added pressure from within the state sealed the matter.

As a consequence, when the PC was finally installed in 1950, it was simply grafted onto the existing policy apparatus as an advisory body, with no real powers over any other ministries (GOI 1950). The PC's prerogative was confined to devising comprehensive Plans and "[making] recommendations to the cabinet," with the further stipulation that in framing its recommendations, "the Commission will act in close understanding and consultation with the Ministries." Critically, "recommendations" and "consultations" had no binding power (GOI, par. 6).⁹ They would depend instead on the degree to which the commission could either mobilize powerful coalitions behind its recommendations or, instead, persuade the parties involved of the merits of its decisions. But there was no institutionalized mechanism for making policy agencies accountable to the PC in any way, either in making information available or in adequate plan design, or in following through on matters of implementation. All such efforts would depend on the voluntary cooperation of the ministries or continual intervention of powerful patrons such as the prime minister. This diminution of the new body to advisory status was a concession that Nehru made to his colleagues, hoping that the PC's simple presence in relevant policy debates and committees would give it sufficient

⁸ Elsewhere (Chibber 1999b, chap. 6), I have argued that ministerial resistance to the new agency was made effective because it rode the crest of a massive wave of business opposition against a disciplinary planning apparatus. By the time the issue of the PC and its powers came to the cabinet, the debate had already been shaped by almost two years of attack by business organizations demanding that the state scale back its regulatory ambitions. Recalcitrant cabinet members were thus able to break away and claim that a strong PC would only further exacerbate business opposition and, hence, dampen the investment climate.

⁹ The cabinet tried to put a positive spin on the decision, asserting that the task of organizing a plan "can be best achieved through an organization free from the burden of the day to day administration but in constant touch with the Government at the highest policy level" (GOI 1950, par. 2). But it was left entirely unclear how being "in constant touch" would ensure that plan allocations and decisions were in fact implemented.

moral authority to coordinate policy (Chibber 1999*b*). However, as we shall see in the next section, moral suasion could not compensate for institutionally sanctioned power.

The Planning Commission at Work

State cohesiveness with respect to industrial policy would have required, minimally, an effective coordination between policy agencies—economic ministries and the PC—to formulate economic priorities, embed them in a policy package, and then agree on instruments to implement that package. This, in turn, required, as a critical mechanism, the smooth flow of information between individual ministries and the coordinating body, the PC, at both “ends” of the planning process, namely, plan formulation and implementation. Functionaries in the PC would have to possess adequate information about the various sectors of the economy at the stage of plan formulation, which could only come from the ministries that administered the relevant sectors. In implementing the plan, the PC would again have to be kept apprised of progress in various projects in order to make required adjustments and to evaluate progress. In fact, however, the economic ministries resisted all attempts by the planners to achieve these ends. Instead, each ministry strived for autonomy from the PC, using as its chief weapon, nothing other than the rules of bureaucratic procedure themselves.

Autonomous agencies, dispersed information.—In theory, the PC was supposed to have been the coordinating agency in all three key components of the policy process: plan formulation, implementation, and evaluation. For this to have been possible, it would have required the setting up of some kind of machinery for the routine transmission of information from the ministries. As it turned out, the ministries never allowed the establishment of any such machinery, even though they were clearly enjoined to do so. To do so would have meant, in effect, giving the PC the means to form an independent judgment about the administrative and economic competence of each agency and, hence, for the latter to become dependent on the former for its access to resources. From the start, ministers and high-ranking bureaucrats resisted efforts to create an arterial system of information transmission running across the state economic apparatus (Gopal 1979, p. 102; Frankel 1978).

The weapon that recommended itself for this resistance was none other than the rules of bureaucratic procedure. Hesitant to openly call for the dissolution of the PC, the ministries resorted instead to exercising a vice-like grip on all flows of information to and from their offices. Thus, any request by the PC to relevant sections of a ministry had to be funneled through the ministry’s secretariat, which meant its being passed back and

forth between several uninterested bureaucrats before seeing the light of day (GOIARC 1968a, pp. 41). Similarly, any request for information by one agency from another was subject to the same process. So, for example, if the secretary of the Commerce Ministry wanted information from the Industry Ministry, he would have to submit a formal request to the latter and wait while it did the rounds of its filing system. As one report concluded, "proposals made by these organizations on matters of importance . . . are minutely processed at all levels in the secretariat of the ministry concerned" before reaching their target, and then again before making it back to the initiating party (GOIARC 1968a, p. 41; emphasis added).

On the one hand, the result of this kind of operational dynamic was that planners did not ever have any basis for forming an informed judgment about economic matters and, hence, lacked the power to really coordinate policy as an ongoing matter. On the other hand, every ministry had the ability to cripple the implementation of a policy with which it did not agree by simply holding up files interminably in the bureaucratic maze. Even when high-level bureaucrats were able to pinpoint where resistance was coming from, or the source of a particular delay, there was little they could do. As one high-ranking planner complained to a parliamentary investigative committee when asked why policies were not followed through:

If a policy decision has to be taken in another Ministry at the ministerial level and . . . it is not taken, neither I nor my minister can really force them to do it quickly. We can only ask them, cajole them and prod them. Beyond that, I really do not know what we can do. . . . We can go on writing to them and reminding them. But, we have no administrative authority over these matters. We can only request or press them. (GOI 1971-72, p. 134)

The general environment in which policy was made was thus one in which bureaucracy and procedure were actually used as a means of reproducing ministerial autonomy, not state cohesiveness. What made this possible was the lack of legitimate authority on the part of the PC to demand compliance. Each ministry was handed its tasks, and no other agency had the power or authority to demand performance. Hence, each ministry was a state within a state. With this as the general state of affairs, it is no surprise that in the three key areas of industrial policy—plan formulation, implementation, and evaluation—the ministries were able to keep the PC at arms length, hence, radically reducing its ability to actually fulfill its coordinating role.

Plan formulation and implementation.—The ministries' resistance to the PC's efforts to monitor their performance and to coordinate policy was most starkly in evidence in the process of plan formulation and

implementation. In the initial stage of plan formulation, the state of the economy and of particular sectors was to be appraised by setting up various sectoral working groups, housed in the economic ministries, which would submit reports to the PC (GOIARC 1968*b*, pp. 13–14). On the basis of these reports, the PC would then begin the process of sectoral target-setting for the next plan. Once the overall targets for the five years had been worked out in aggregate terms for each sector, they would have to be translated into annual plans and, within each annual plan, operationalized as particular investment projects. The funding for these projects would come from a portion of the annual budget known as the capital budget. In theory, each year the economic ministries were to submit projects to the finance ministry, which would check to ensure that they were within the limits of the annual budget, and these would then be sent to the PC to be vetted, so as to ensure their conformity with the plan targets (GOIARC 1967*c*, pp. 13–15). The *Five-Year Plan* would thus structure the annual working of industrial policy under the overall direction of the PC.

In practice, however, the planners were made marginal at all but the broadest level, as the ministries simply ignored them. The working groups, which were supposed to transmit sectoral and firm-level information to the PC at the plan formulation stage, were, at best, a patchy affair. Planners found it difficult to elicit the desired effort by ministries to gather and collate information much less submit it to the PC. The latter would lay down deadlines by which reports would have to be submitted, only to find the ministries' working groups dragging their feet and offering excuses for being unable to comply (GOIARC 1968*b*, p. 13). Hence, the plans came to be based on information gathered by outside statistical organizations or through the PC's own staff. In sectors that were highly concentrated, this did not present an insuperable problem because the collection of information from a small number of undertakings was, in many cases, manageable. This meant that, with regard to heavy industries such as steel, oil, heavy machinery, and so forth, planners could have some reliable information. However, in the case of the more dispersed light industry, information gathering was far more unlikely and unreliable. This made it exceedingly difficult to be sure of the intersectoral consistency of plans because while knowledge of production in heavy industry was somewhat reliable, its linkages with other sectors could not be ascertained with any confidence (Gupta 1971).

These problems at the plan *formulation* stage were even more pronounced at the level of operationalization. To translate five-year plans into actual policy, there needed to exist a means of breaking them down into annual plans and then into firm-level undertakings. This is where the state machinery broke down conspicuously. First, setting up the ma-

chinery for translating five-year plans into annual plans was delayed for more than 10 years, so that it was not formally set up until toward the end of the Second Five-Year Plan (GOIARC 1967*b*, p. 12). Even after that, despite its formal launching, the actual issuing of annual plans was very erratic (GOI 1972). Hence, through the 1960s and even into the 1970s, there was no institutionalized mechanism for the PC to have a hand in concretizing a particular five-year plan into annual investment and budgetary outlays. However, even after that, once the procedure for annual budgets was put into place, the planners were often left out in the cold. Theoretically, once the ministries had submitted project proposals to the finance ministry to operationalize the annual plan, they were to be vetted by the PC. In practice, the finance ministry often gave final approval to the projects without consulting the PC (GOIARC 1967*b*, p. 15). Even when the PC offered suggestions at the microlevel on which investment projects merited government approval and assistance and how much revenue ought to be allocated toward them, bureaucrats in the administrative ministries who had authority over their implementation would ignore the PC with impunity (Shourie 1967). On paper, all ministries were to have installed "planning cells" in their secretariats, which were to be in direct contact with the PC and enable it to monitor progress on its programs, but ministries rarely complied (GOIARC 1968*b*, p. 16).

So at both stages of the planning process for industrial policy—the formative and the final—the planners' lack of authority in the overall process left them without the information necessary for effective plan formulation and operationalization. On paper, Indian five-year plans were among the more sophisticated in the developing world, using the most advanced forecasting and statistical methods (Hanson 1966; Chakravarty 1987). But the plans were formulated on an exceedingly narrow informational base and, more important, without the administrative means to translate them into coherent, and consistent, policy.

With the policy apparatus fragmented in this fashion, we should expect that the state would find it exceedingly difficult to allocate resources, or to guide investment decisions, strategically. In the next section, we turn to examining how this fragmentation in the policy apparatus affected the actual quality of state intervention. Specifically, I will show that the lack of cohesiveness made it exceedingly difficult for the state to achieve *selectiveness* in the allocation of resources to industries.

State Selectivity and Developmental Outcomes

With the onset of the Second Five-Year Plan in 1955, the Indian government announced the launching of what amounted to a strategy based on heavy and chemical industrialization. While the first plan had focused

mainly on agriculture and light industry, its successor aimed to focus on basic goods, which were expected to have dense forward linkages with downstream sectors, ease (in due course) the import burden (and with that the strain on foreign exchange), and increase India's technological self-sufficiency. The key sectors prioritized in these plan documents were steel, heavy machinery, petroleum, chemical industries, and fertilizers. This strategy was also carried over into the Third Plan (GOI 1956, 1961), making the decade from 1955 to 1965 a discrete episode in Indian industrial policy.

The goals of the plans were, in a qualitative sense, very ambitious. They amounted to using the policy apparatus to change the Indian industrial structure from one dominated by light and consumer industry, to one with a significant local base in heavy industry. The chief mechanism for the channeling of investment in Indian planning—and also, for that matter, in the Korean case—was the granting of investment licenses to firms. This function was carried out by a group known as the Licensing Committee, which was an interministerial body housed in the Industry Ministry. In theory, the Licensing Committee was a kind of executive arm of the PC: On the basis of the sectoral targets worked out in the PC's plan documents, the committee was to invite applications from potential investors and, if the candidate met the requirements, allow the initiation of the projects (GOI 1969, pp. 30–33); the committee could also act in concert with planners if the latter had already arranged with known producers to invest in targeted lines. The coordination of the two bodies would ensure that the allocative priorities worked out by the PC would be brought to fruition. Firms whose investment plans were in line with industrial plans would be granted licenses, while those out of sync would be denied them. The acquisition of licenses was then to act as the ticket to acquiring finance and permits for imported inputs such as capital goods and raw materials.

For this mechanism to work as designed, it required, first, that the PC be equipped to formulate detailed sectoral plans and, second, that it have the authority to ensure that executive bodies carry them out. As we have seen in the preceding section, planners' capability was exceedingly weak along both of these dimensions. Because of the noncooperation of economic ministries, planners lacked the information to set down microlevel production estimates and hence were not able to provide any annual plans or short-term guidelines to the Licensing Committee until the launching of the Third Five-Year Plan (GOIARC 1967*b*, p. 12). This made the Second Plan a tenuous undertaking at best. Furthermore, even when the PC did start issuing such plans, its lack of authority in the policy apparatus made it unable to ensure that licensors would actually grant investment licenses on its basis.

So the Licensing Committee was handed the task of implementing industrial policy in line with the *Five-Year Plans*, but the PC was unable to translate the targets of these plans into shorter-term project recommendations. This created the following situation: on the one hand, directives in the plan document were hazy at best since they did not give clear directions for short-term investment priorities or how the allocation was to be phased. On the other hand, *actual* applications for investment licenses would be piling up at the committee's door, as firms moved ahead on their own investment plans. These applications would not uncommonly be for projects that exceeded the national targets in the plans or in sectors that were deemed low priority, such as luxury consumer goods (Chandrashekhar 1994). In a setting where the state's basic mandate is to accelerate the investment process, it seemed irrational to licensors that they should deny these applications on the basis of a plan document that had little of value to them. It meant denying real investments in the hope that other, more desirable, investors might make an appearance, and officials were loath to deny applications as they appeared, precisely because they could not be certain that the prevailing level of business confidence would be maintained over time.

The response of the Licensing Committee was, increasingly, to give short shrift to the plan document and, instead, to grant licenses as they saw fit, on a vague criterion of "project feasibility." That is, licenses were granted if the project seemed technically sound and generally worthwhile (Hazari 1966, p. 19). However, this meant, in turn, that licenses were being granted less on the normative criteria laid out in the plan document and more in reaction to the actual investment preference of private firms (GOI 1969, chaps. 3, 4). This was selectivity of a sort but not the kind that was called for if the plan ambitions were to be fulfilled. Key executive agencies were allocating resources and economic rents selectively but not on criteria that would steer investment in the required direction.

In this fashion, the Licensing Committee increasingly carved out its own domain, much like other agencies within the state. The PC became aware of the licensors' independence by the final years of the Second Plan but lacked both the ability and the legitimacy to rein them in. Hence, much of the time, planners were simply not aware of the progress being made on their targets or whether the latter were influencing licensing decisions at all. Calls made to the committee by planners for information or justification met with the same kind of delays or obstructionism used by other policy agencies (Shourie 1973). Or, in other cases, Licensing Committee members openly rebuffed the PC, arguing that their own rules of thumb were better guides than plan targets.¹⁰ Note the causal dynamic

¹⁰ This was confirmed in a number of interviews that I conducted with high-ranking

at play here: the refusal of ministries to cooperate with the PC made it difficult to provide licensors with project recommendations; this, in turn, made it possible and rational for the Licensing Committee to act independently of the PC, further decreasing the authority of the planners. Lack of cohesion in one dimension generated further lack of cohesion in another.

The subordination of plan directives in granting investment licenses was further exacerbated by the recalcitrance of another key agency, namely, the Commerce Ministry. Throughout the Second and Third Plans, commerce functionaries refused to turn away firms requesting licenses for imports, which were typically inputs going into the firms' own investment plans. Further, the ministry did so with little regard for the effects this would have on the plan targets, through imbalances in the country's balance of payments and, more critically, on its foreign exchange holdings (Chibber 1999*b*, chap. 8). The immediate result was that within two years of the launching of the Second Plan, it was thrown into crisis by the onset of an acute foreign exchange shortage, brought about by a massive and uncontrolled inflow of imports (Frankel 1978). With the onset of the crisis, plan outlay had to be reduced several times, eventually reaching 20% of the original allocations (Kidron 1965, pp. 140–42). The sectors hardest hit were the heavy and chemical industries, which, being larger and slower in getting off the ground, were deprived of the foreign exchange that quicker projects were able to usurp (Frankel 1978, pp. 148, 152). While the 1957 crisis triggered enormous criticism of the uncoordinated state structure (e.g., Gadgil 1962*a*, 1962*b*), it did nothing to change the basic root of the dilemma, namely, the principle of ministerial autonomy and independence. The Commerce Ministry continued to operate more or less independently, the result being that the Third Plan, too, was marked by a continuing foreign exchange shortage, as industrialists rushed to acquire all the import licenses they could, and the Ministry did little to turn them away or to phase in the licenses in coordination with other ministries (Kidron 1965, pp. 127–28).

The induced independence of the Licensing Committee was thus compounded by the willful recalcitrance of the Commerce Ministry. The result of this dynamic for the success of the heavy industrialization drive was more or less predictable. With the policy apparatus lacking cohesion, the goal of selectiveness in resource allocation remained elusive. Since licenses were typically granted on grounds of project feasibility—that is, on tech-

economic bureaucrats from the 1960s and 1970s. In one case, I was told by an ex-chairman of the Industrial Licensing Committee that he would routinely ignore the recommendations of the PC and issue licenses based on his own judgment. This elicited complaints from the commission, but he largely ignored them, and the commission had no recourse (K. B. Lall, interview by author, July 15, 1996).

nical grounds and not on the investment's conformity to the plan—the overall pattern of allocation did not adhere to plan priorities. There are two noteworthy aspects to this outcome.

First, and most important, in the core sectors of the two plans—the heavy and chemical industries—the targets worked out for the 10 years remained largely unfulfilled. As shown in table 1, installed capacity exceeded the target in only one line and met it in two others, while falling considerably short in all of the rest. Hence, state planning agencies were largely unable to steer investment toward the key targeted industries. Second, the lack of success in steering investment *toward* targeted sectors was complemented by an inability to keep investment *out* of proscribed ones. An audit of licenses granted during the Third Plan found that no less than 25% of the licenses out of a random sample were granted for investment in lines that were not only low priority but banned outright (GOIARC 1967a, app. 1). Again, this was a natural consequence of licensors acting largely independently of the PC, as were other economic ministries. In consumer industries, the pattern of licenses was fairly scattered, showing no real consistency, but there was a far greater incidence of overfulfillment of targets in these sectors, and in lines linked to them, than in the core sectors of the plans (Ghosh and Vyas 1969, pp. 230–32).

If the state policy apparatus had managed to achieve cohesion, the Licensing Committee as well as the relevant economic ministries could indeed have acted as the PC's executive arms, as planners had hoped; in this case, the state would certainly have had a greater chance of being more selective in steering investment and reaching the targets laid out for the heavy industries in the two plans. Ministries' refusal to cooperate with the PC affected the state's selectiveness through two distinct channels. It did so directly, as when the Commerce Ministry merrily handed out import licenses to firms independently of plan priorities, and in the case of the Licensing Committee, it did so indirectly. Here, the PC was handicapped by the economic ministries' antecedent refusal to cooperate. Since ministries resisted the call to form sector-specific working groups, and did not consistently install planning cells to communicate with the PC, planners found it difficult to translate their five-year targets into annual plans. The weakness of the annual planning exercise in turn made it impossible for planners to offer the licensors detailed project guidelines for translating longer plan targets into actual investments, and this, in turn, had two effects: it thrust the Licensing Committee into the wilderness in its actual decision making, such that it had to rely on its own rules of thumb to grant licenses, and it further stripped the PC of legitimacy, so that the calls that it did make to the Committee for discipline fell on deaf ears. The outcome was a consistent divergence of actual investment from

TABLE 1
INDIA: INSTALLED CAPACITY AS A PERCENTAGE
OF TARGETS AT THE END OF THE HEAVY AND
CHEMICAL INDUSTRIALIZATION DRIVE, 1965

Industry	Capacity/Target
Cement machinery	444
Machine tools	100
Aluminium	100
Pig iron	80
Cement	78
Sulphuric acid	75
Dry batteries	72.5
Heavy electricals	70
Finished steel	69
Lead	69
Caustic soda	66
Soda ash	60.8
Steel forgings	54.75
Nitrogenous fertilizer ...	49.7
Phosphatic fertilizer	45.5

SOURCE.—GOI (1969, chap. 6, table 1) and Ghosh and Vyas (1969, table 1).

policy priorities and a far slower transformation of the industrial structure than that witnessed in South Korea.

Reprise

In all of the dimensions of economic planning discussed in this section, the existence of an effective and rule-following bureaucracy did not suffice to generate state cohesiveness. On the contrary, recalcitrant ministries, resentful of the PC's attempts to coordinate policy, used the rules of bureaucratic procedure to protect their autonomy. Since the PC had no legitimate authority to demand compliance, all it could do was request that they cooperate, and in doing so, it was subjected to the full force of bureaucratic obstructionism. This inability on the part of the PC made it extremely unlikely that the state economic apparatus would be able to be selective in its allocation of resources or in its ability to steer the flow of investments. Indeed, this is precisely what happened with the heavy and chemical industrialization drive of the Second Five-Year Plan and the Third Five-Year Plan. A solution to this problem would have required a change in the power relations between the PC and other agencies, so that the former could function as a true nodal agency with the legitimate authority to override ministerial resistance. In the next section, I show

that this is precisely where the difference lay between the Indian and the Korean states.

BUREAUCRATIC RATIONALITY AND STATE COHESIVENESS IN KOREA

Like India, Korea started its ambitious project of industrial transformation in 1961 with an inherited tradition of effective bureaucratic statecraft (Jones and Sakong 1980; Kohli 1994). But if the Indian case shows the possibility of having bureaucratic rationality without state cohesiveness, the Korean case is an exemplar of a state that harnessed the former to the latter. In India, the absence of an effective nodal agency for industrial planning resulted in a policy process in which each ministry functioned as an *imperium in imperio*—a state within a state—hence undermining coherent policy (Shourie 1973). Not only was a bureaucratic culture not able to counteract this tendency, but it also served as a weapon to intensify the fragmentation: ministries were able to use bureaucratic rule-following against the PC as a means of protecting their autonomy. In Korea, this fragmentation of the state was prevented because of a very different set of power relations between the economic coordinating agency and the ministries. Unlike the PC in India, the Korean Economic Planning Board (EPB) was a genuine nodal agency, with institutionalized power to not only request cooperation but also to command it. Ministries did not have the option of simply ignoring the EPB's calls for transmitting information and implementing policies. They were therefore compelled to structure the state apparatus around the needs of planning, resulting in a dynamic much different than the Indian one.

The Syngman Rhee Years: Bureaucratic Rationality without Strategic Rationality

Korea did not emerge in the postwar era as a full-blown developmental state. To the contrary, in the initial decade following the Korean War, it resembled the picture I have drawn of the Indian state in the preceding section. Despite having inherited a functioning bureaucracy, the economic policy apparatus was crippled by the same kind of ministerial fragmentation witnessed in India. Under the rule of Syngman Rhee, authority over economic policy was shared by the U.S. representatives in Seoul on one side and the local government on the other; within the latter, policy decisions were subject to negotiations between several agencies, chief among them were Rhee himself, the finance ministry, the Central Bank, the monetary board, and the legislature (Ahn 1992, pp. 231, 281–83). This

parcelization of authority was a powerful obstacle to coherent policy, in that any of the various agencies could block policy initiatives launched by others; further, the agencies themselves were handed responsibilities that frequently came into conflict, hence increasing the likelihood that a veto *would* be forthcoming.

The real obstacles to coherent policy became more apparent toward the end of Rhee's tenure, when, in 1958, he initiated the first halting steps toward genuine planning. In 1958, at the prodding of the United States, he put into place an Economic Development Council (EDC) as a research arm to the Ministry of Rehabilitation, with the ostensible task of starting work toward the formulation of an economic plan. The initiative was never very serious, being more window dressing to placate U.S. advisors and nail down a continuing flow of aid. Nevertheless, it was deemed enough of a threat for the finance ministry to launch a counter attack against the EDC, isolating it from sister bodies and preventing the requisite flow of resources to the nascent body (Kim 1988, pp. 240–44).

The move to scuttle the body, it should be noted, was not simply driven by bureaucratic rivalry, though that was also important. It was just as much the product of genuine conflicts of responsibility and, hence, of priority. The finance ministry deemed fiscal responsibility and monetary caution as central to economic policy, while the young EDC was more committed to high-growth and, hence, cheap-money policies and more willing to countenance some inflation and sectoral imbalances (Kim 1988, p. 244). Functionaries in the EDC were handed responsibilities that would necessarily conflict with those of the finance ministry—it was a conflict legitimately arising from the very nature of their duties. Further, the “big push” strategy that the Korean state ultimately chose meant that, in this dispute, the ability of finance to block the planners' initiatives would have to be diluted.

The Park Regime and the Installation of the Economic Planning Board

It was only with the coup of 1961, which brought Park Chung Hee to power, that a political settlement was forged that allowed for an appropriate revamping of the state apparatus. Soon after consolidating his rule, Park put into place the EPB, which quickly became the apex body for economic policy and planning (Kim 1997, p. 34; Haggard, Kim, and Moon 1991, p. 860). Where economic policy making had previously been dispersed across a number of agencies, it now came to be centralized in the EPB. The new body took charge of statistical operations (previously housed in the Ministry of Home Affairs), the all-important budgetary operations (previously the provenance of the finance ministry), and overall plan coordinating authority (previously in the Ministry of Reconstruction;

Chibber 1999a). In doing so, it directly came to control some of the key functions in the planning process.

Unlike the Indian case, where the new economic coordinating agency was simply grafted onto the existing state apparatus and had to adjust itself to the existing distribution of power, the outcome in Korea after 1961 was one in which the intrastate power relations were transformed to accommodate the mandate given to the new agency. Not only did the EPB exercise direct control over critical elements in the policy process, but just as important, it was able to command authority over the functioning of other ministries, so that they were answerable to it on an ongoing basis. This ensured that, in contrast to the Indian case, where the flow of information was episodic and fragmented, Korean planners were able to monitor the performance of other agencies and, hence, more effectively oversee the formulation and implementation of policy. I shall now examine the mechanics of this process in more detail.

The Planning Apparatus at Work

The absence of red tape?—One of the enduring myths of the Korean state is that it was more cohesive than others because industrial planning was implemented through a policy apparatus that was relatively free of administrative red tape and the discretionary autonomy of bureaucrats, that firms had direct and easy access to policy managers, and that rules were transparent and nondiscretionary (Jones and Sakong 1980, chap. 4). This is then contrasted to the “license-permit raj” of India, where the proliferation of controls and discretionary autonomy is understandably pointed to as the culprit behind policy failure. This leads to the conclusion that the Korean state was more successful because it simply minimized the scope for bureaucratic malfeasance.

In fact, this picture of the Korean experience is off the mark. The planning regime from the 1960s to the 1980s was laden with controls, rules, and discretionary autonomy that do not appear any less dense than their Indian counterpart. Like India, Korea also relied heavily on a system of industrial licensing to control the private investment of capital (Amsden 1989, pp. 14, 17, 73, 103; Kang 1996, pp. 40–42). Firms had to get a license to start new operations, as well as to expand existing capacity, just as in India (Kang 1996, p. 42). Formally, firms had a maze of administrative hurdles to cross before they were allowed to set up operations. In the mid-1980s, anyone wishing to start a new industrial plant had to solicit as many as 310 approvals and process as many as 312 documents before permission was granted (Song 1990, p. 96). In 1987, the Korean Federation of Industries complained that it took 530 days and 62 steps to establish a new undertaking (Amsden 1989, p. 133, n. 17). It was not just that new

undertakings had to cross a plethora of hurdles before setting up. The markets in which they functioned were also heavily regulated. As late as 1986, the prices of 110 commodities, which included capital as well as consumer goods, were set administratively (Amsden 1989).

Discretionary controls were the most crucial component on the external front as well. It is true that short-term credit for exports was often given on a nondiscretionary basis. But Yeonmi Ahn has argued that this accounted for only a small portion of all total credit allocation—60 billion won out of 828 billion won in 1970, or 7.2% (Ahn 1992, pp. 287–88). Long-term credit (with a maturity of more than three years) still remained discretionary. This has been given more force by Dani Rodrik, who has confirmed that the Korean experience was one that relied on a highly selective and discretionary regime of export incentives (Rodrik 1995, 1997).

What set the Korean political economy apart, then, was not that it abjured the kind of elaborate controls that seem to have bedeviled other countries. The difference lay in the nature of the state that implemented them, in the quality of interagency relations that it established. Unlike the Indian case, bureaucratic procedure was never allowed to overwhelm the aims of industrial policy and the superordinate position of the nodal agency. Two particularities of the Korean state allowed it to avoid the Indian fate—*first*, the establishment of clear lines of authority within the state, which allowed a clear enunciation of priorities, and *second*, smooth and steady flows of information between state agencies to facilitate monitoring.

Authority within the state.—The EPB was not only the fount of the formation of industrial policy, it also enjoyed supreme control over the annual budgetary process and allocation of credit. This meant that the same agency that made annual plans also made the annual budget without having to get parliamentary permission or the agreement of the finance ministry (Ahn 1992, pp. 183–84, 281–83). In fact, the Finance Ministry had no power to override the decisions of the EPB. The nodal agency also had supreme power over the allocation of credit and foreign aid (Woo 1991). Ministries were made responsible for implementing the Board's decisions, submitting their spending estimates to it for approval, and then also reporting regularly on project implementation (Kuznets 1990, pp. 666–68, 671). The upshot of this setup was that the different strands of industrial policy were effectively coordinated through the establishment of an agency whose task it was to render them consistent and, then, to enforce them. The key, it should be noted, was not that all relevant tasks were the sole provenance of the EPB—that would have most likely been beyond the ability of any bureaucratic agency. The key was that the

various units working in the overall field were compelled to submit to its authority and to conform to the overall direction of priorities.

Plan formulation and implementation.—If any agency is to enforce compliance on others, there must be an efficient system of monitoring and information gathering in place. There were two critical aspects to the flow of information in the Korean case: first, it was made certain that the various state economic agencies and the EPB were in steady communication, so that progress on policies was ably monitored by the latter, and it was, in turn, able to prod better compliance or make policy adjustments in light of the incoming reports; second, Park Chung Hee, the moving force behind industrial policy, established his own independent access to information, so that, if confronted with bureaucratic resistance, he could bypass normal channels when necessary.

For the translation of medium-term (five-year) plans into actual policy, they were broken down into annual plans—embodied in the annual fiscal budget—that were the bailiwick of the EPB. The latter supervised the allocation of funds to various ministries for their projects, which were also subject to its approval. The ongoing expenditures and allocations made by ministries during the course of the year were reported by them to the Finance Ministry every month, which, in turn, submitted them to the EPB for scrutiny (Kuznets 1990, pp. 665–66). Project evaluation was handled by the ministries and reported to the Office of Planning Coordination within the EPB on a monthly basis (Kuznets 1990, pp. 665–66). These were, in turn, consolidated into quarterly reports and submitted to the president's office for perusal. Apart from the formal interministerial communication of this sort, there were the well-known monthly and weekly meetings to monitor the progress of policy implementation (Brown 1973). Many of these were informal, but perhaps the key institutional vehicle was the monthly export promotion meeting in which firm-level progress on export targets was monitored by industry representatives, bureaucrats, and Park (Rhee, Ross-Larson, and Pursell 1984).

Apart from being present in many of the interbureaucratic meetings, Park also established independent channels of information for himself. The most important of these was probably the Planning and Control Offices (PCO), located in each ministry. While the PCO started as an experiment within the EPB in July 1961, reporting to Park the progress on policy implementation (Haggard et al. 1991, pp. 860–61), a cell was soon established in every ministry and had to report quarterly to the Office of Planning Coordination, which was located *not* in the EPB but in the president's office (Kuznets 1990, p. 666). Park did not rely on such institutional channels alone—he also took a direct interest in many key

projects, bypassing established channels and insisting that relevant agents report directly to him.¹¹

The picture that emerges from this examination of the state is that the organizational setup was molded and remolded to be adequate to the task of fostering development. State institutions were compelled to surrender their autonomy to the directives of a nodal agency, and so overwhelming was the drive for coherence that the nodal agency (the EPB) was subject to the supervision of Park. This is more than just a robust, rule-following bureaucracy. What we see here is not a bevy of punctilious clerks pushing files from one agency to another, driven by the logic of rationalization. We see, instead, the formal logic of rule-driven action subordinated to the attainment of particular *ends* and the rules themselves negotiated in light of these ends. What made it work was the clear enunciation of desired ends by powerful authorities and the accountability of the agencies to these authorities if the ends were not attained.

This is the essential difference between the Korean and Indian states. Recall that in the Indian case, the PC tried to put mechanisms in place much like those just discussed: regular reportage of policy implementation by ministries as well as “planning cells” that were to be liaisons between the latter and the PC. So it is certainly not the case that such initiatives were outside the comprehension of Indian planners. The difference was that the PC was never able to overcome the handicap of its “advisory” status in the policy apparatus. Whereas in Korea ministries were compelled to structure their functioning around the authority of the EPB, in India all the PC could do was “go on writing to [the ministries] and reminding them” (GOI 1971–72, p. 134).

The ability to achieve effective state cohesiveness made for a very different kind of outcome with respect to industrial policy. Since in the Indian case, state fragmentation undermined planners’ ability to steer investment toward desired channels selectively, we should expect quite different results in the case of a more cohesive state. In the following section, I move to demonstrate this argument by examining an attempt by the South Korean regime to implement an industrial development plan quite similar to the Indian one.

State Selectivity and Developmental Outcomes

Soon after the termination of Korea’s Second Plan, in early 1973, Park announced the launching of an ambitious project centering around heavy and chemical industries (HCI). The industries central to the HCI drive

¹¹ Perhaps the most famous involvement was with the building of the Posco steel plant (see Clifford 1994, chap. 5).

were iron and steel, nonferrous metals, machinery, electronics, chemicals, and shipbuilding. Up to this point, the Park regime had relied mainly upon light and consumer industries for its first few years of growth, a strategy that had been tremendously successful. The announcement of the HCI drive in the Third Plan thus amounted to an attempt at a rapid and quite drastic transformation of the industrial sector. In this respect, Park's gambit was directly reminiscent of the Indian attempt in its Second and Third Plans, which, too, had attempted to transform the domestic structure in the direction of heavy and chemical industry. As in the Indian case, targets were laid out for the core industries, which were intended to be reached within 8–10 years (Kim and Leipziger 1993). Only, in this case, the goals were, if anything, more ambitious—not only were quantitative targets laid out for domestic production, but they were also set for export success: the share of the HCI sector in domestic production was supposed to increase from 35% in 1972 to 51% in 1981 (Jang 2000, p. 210); further, it was announced that the share of HCI in Korean exports would have to increase from 23% in 1973 to 50% by 1980 (Kim and Leipziger 1993, p. 25).

In order for the HCI drive to be successful, state cohesiveness was of the essence to ensure that policy agencies allocated resources in a manner that was consistent with plan priorities. Here, the actual instruments used were basically similar to those utilized in India; a system of investment licensing was the chief means of channeling the flow of capital, backed up by state-directed finance (Amsden 1989, pp. 14, 73, 103). Firms seeking to make new investments were required to first seek a license from the state, which was then the gateway for also acquiring the necessary credit and imported inputs (Kang 1996, p. 40). Hence, to work, the HCI strategy required effective coordination between planners, licensing authorities, banks, and trade officials. The Korean state was, from the outset, much better equipped for this endeavor than its Indian counterpart. As observed in the preceding section, the EPB was endowed with considerable authority to impose discipline on relevant policy agencies, but with the launching of the HCI drive, Park initiated a commensurate restructuring of the state economic apparatus in order to further strengthen its appropriateness to the task at hand.

The most important institutional change that came with the HCI drive was the creation of a new body to oversee the project, called the Committee for the Promotion of Heavy and Chemical Industrialization (CPHCI). The CPHCI was composed of nine members, seven of whom were ministers from the chief economic ministries and two technocrats, but even more important, the CPHCI was institutionally situated in the president's Economic Secretariat, giving it the direct backing of Park and his top staff (Rhee 1994, p. 60–61). In a sense, the CPHCI took over some

of the tasks that had hitherto been assigned to the EPB. The EPB was not dissolved, but it was understood that its responsibility would continue to lie with the broad management of the macroeconomy, such as the implementation of the Five-Year Plans generally; it was the responsibility of the CPHCI to ensure that the heavy and chemical component of the plans were pushed through (Rhee 1994).

It is significant, however, that the creation of the new committee was not motivated by purely technical concerns. The idea of the HCI drive had met with some skepticism from the EPB, which considered it too ambitious a scheme (Choue 1988, pp. 252–57). Park created the CPHCI in part to impose a superordinate authority atop the EPB in order to ensure that the erstwhile nodal agency did not become a site for resistance to the new initiative (Rhee 1994, p. 64). The EPB now had to report to the new committee on matters pertaining to the HCI drive. Just as economic ministries had had planning cells attached to them as a direct link to the EPB, the latter now had new bureaus attached to it as direct links to the President's Secretariat (Lee 1991, p. 443). This did not amount to an evisceration of the Planning Board by any means; in fact, some of its institutional responsibilities and powers were even strengthened, such as the power to control foreign loans and monitor the progress of investment projects. However, this latter kind of bolstering bore the imprint of the new responsibilities: on matters relating to HCI, the EPB was turned into a kind of executive arm of the CPHCI, and those powers that were reinforced were intended to better serve this function. The design of the program was to rest with the new committee, while the responsibility to ensure implementation and monitor progress rested with the Planning Board.

With the new agency in place, the revamped state apparatus was now put to the service of the industrialization drive. In the Indian case, there had been two routes through which state fragmentation undermined the selectiveness of the allocation process: first, through the direct noncooperation of economic ministries such as the Commerce Ministry, which refused to abide by plan priorities, and second, through enfeebling agencies such as the Licensing Committee, which, even if it wanted to, did not have the capacity to operationalize the plans since the PC was unable to provide it with sufficient guidance. In the Korean HCI drive, the dynamics turned out to be very different on both counts. First, direct resistance was not very likely because of a powerful nodal agency in the EPB, to which the CPHCI was added. The difference made in the sinews of the state apparatus by the presence of such an agency was reviewed in the preceding section.

Second, unlike the Indian case, planners in the HCI drive were able to provide executive agencies with detailed guidance and instructions on

how to turn plan targets into annual investment plans and project undertakings. This was a natural consequence of the dense network of communication and reportage that the EPB established, which ensured that not only were administrative agencies closely monitored by higher ones but also that the former were provided with constant feedback from planners. As a consequence, the HCI drive was not only divided into smaller phases, but targets for each industry were broken down to an even more microlevel, down to a specific type of plant, its location, and managerial staff (Jang 2000, p. 209). Administrative agencies were, therefore, provided with the informational resources that were critical for implementing the program, which was precisely what their Indian counterparts had lacked.

With the organizational and informational resources mobilized for the drive, the regime moved to ensure that the financial resources would also be available. The state already controlled the domestic financial system, which had been put to the service of the development plans in the 1960s (Woo 1991). For the new initiative, the regime created in 1973 an entirely new credit pool mainly for HCI investments, under the designation of the National Investment Fund (NIF; Woo 1991, chap. 6). In addition to resources from the NIF, funds from commercial banks—chief among them was the Korean Development Bank—were also mobilized for the HCI initiative under the designation of “policy loans.” These were loans that were specially earmarked for targeted sectors and offered at subsidized rates (Woo 1991, pp. 162–64). Together, the NIF and policy loans from domestic banks constituted the two main sources of finance for the industrialization drive. Firms able to acquire investment licenses would be granted automatic access to these funds.

For the scheme to work, however, it was critical that the resources allocated for the HCI initiative actually be channeled toward the relevant industries. Following the flow of funds is, therefore, a good indication of the state’s ability to intervene selectively, itself a consequence of the cohesiveness of the policy apparatus. As the following two tables show, the results are impressive. The NIF consistently provided the bulk of its loans to the HCI industries (table 2), between the years 1974 and 1980, which received an average of 61% of the total for the period (Lee 1991, p. 445). As for the rest of the banking sector (including the Korean Development Bank), it is instructive to observe the change in its direction of lending immediately after launching the HCI drive. As table 3 shows, within one year, the relative positions of the HCI industries and light industry were literally reversed and hovered at that level for the duration of the drive (see also Jang 2000, pp. 212–15). This suggests that the allocation of investment licenses and the funds that accompanied them followed plan priorities very closely. In stark contrast to the Indian case, where not only

TABLE 2
 SECTORAL SHARES (%) OF NIF FUNDING IN KOREA, 1974–80

Sector	1974	1976	1978	1980
HCI	54.9	56.5	62.5	60.8
Electricity ...	27.1	22.5	25.4	27.5
Rural	18.0	15.4	4.7	4.9
Other	0	5.6	7.4	6.8
Total	100	100	100	100

SOURCE.—Lee 1991, p. 445, table 17.5.

did policy agencies stray from such directives but even allocated a sizable proportion of licenses to sectors that were to be avoided altogether.

Korea's greater ability to channel resources selectively found its natural accompaniment in greater success at reaching plan targets. By 1981, HCI firms accounted for more than 50% of manufacturing production, as originally targeted, up from the 35.2% of 1972. Furthermore, the share of HCI in exports came very close to the target of 50% in 1980—reaching 47.6% (Lee 1991, p. 452)—and surpassed it in two more years (World Bank 1987, vol. 1, p. 45). This stupendous transformation was not without short-term costs. Between 1972 and 1979, upward of 62% of all investment in manufacturing went to the heavy and chemical industries (Jang 2000, p. 218), diverting funds from the hitherto dominant light industries and, hence, impeding their growth. It also created enormous strains in the intersectoral balance of material flows, leading to low-capacity utilization in key sectors. This has led some neoclassical economists to criticize the drive for its overambitiousness (Yoo 1990; Stern et al. 1992). But the strains brought about by the drive were short term. After a recession in 1980–82, the Korean growth machine took off again, and as an authoritative World Bank study has concluded, “most of the distortions [caused by the drive] proved reversible” (Kim and Leipziger 1993, p. 25; see also World Bank 1987, vol. 1, p. 45).

On the side of the state, there were also some costs as well. Park's single-minded determination to transform the Korean industrial structure pushed the state to its limits. In some cases, bureaucratic assignments and promotions were adjudged solely on the basis of the functionary's commitment to the HCI drive, not on the usual criteria of promotion (Rhee 1994). Further, Park at times overrode the decisions of his economic agencies or simply chose the ones that were closer to his own preferences. All this had the effect of lowering the morale of the bureaucracy and politicizing the decision-making process, leading some commentators to see the HCI drive as the point that eroded the Korean state's integrity.

There is no doubt that the drive did inflict some damage to the state.

TABLE 3
SECTORAL SHARES OF INCREMENTAL CREDIT ALLOCATION BY COMMERCIAL BANKS AND
THE KDB IN KOREA, 1974–80

Sector	1974	1976	1978	1980	1982
Heavy industry ...	32.2	60.0	55.7	59.8	68.4
Light industry	67.8	40.0	44.3	40.2	31.6

SOURCE.—Lee 1991, p. 446, table 17.6.

NOTE.—Heavy industry includes chemical, petroleum, coal, basic metal, and equipment; light industry includes food, textile and apparel, wood and furniture, paper, and nonmetal mineral products.

But it is important to emphasize that, for the most part, Park showed a remarkable consistency with respect to the treatment of bureaucratic norms. Throughout his rule and that of his successor Chun Doo-Hwan, critical elements of state coherence remained fairly secure. First, while political supporters were sometimes given preference in the promotion process and appointed to ministerial slots or key bureaucratic positions, such considerations were not used to make decisions about key economic ministries: patronage was kept to the margins of the developmental state (Jang 2000, pp. 75–78).¹² Second, appointments to the key economic agencies throughout the Park and Chun years were of longer duration than other appointments, allowing for a greater continuity and institutional stability. Last, and most important, in these years promotion into the economic ministries remained the most selective in the state and was making economic technocrats the elite core of the state (Jang 2000, p. 80–81). Hence, while Park did sometimes interfere with the normal functioning of his agencies, he did not allow political considerations to overwhelm the normal rationality of bureaucratic procedure or interagency relations. That came later, with the ascension of Roh Tae-woo (1988–92) and Kim Youg-sam (1992–98).¹³

But it is not clear whether the state's ability to withstand Park's more headstrong centralization and selective restructuring came from the preservation of its bureaucratic core or from another of its regions. Indeed, research on just why the granting of such powers to the EPB or the CPHCI did not slide into regular abuse of those powers is still only getting underway. Certainly, it presents a fruitful avenue for further research.

Reprise

Korea's vaunted developmental state was certainly helped by its having a well-functioning bureaucracy. But the preceding analysis has shown

¹² Jang's (2000) dissertation is the best synthesis of work on the Korean state's bureaucratic structure, and I rely on it for this paragraph.

¹³ See the excellent discussion in Jang (2000, chap. 2, pp. 55–110).

that what set it apart from countries like India, in which similar attempts at development planning were far less successful, was not the fact of Korea's bureaucracy but, rather, the apportionment of power between state policy agencies. Through the three decades that composed the "high period" of the country's developmental state, industrial policy was conducted under the authority of a nodal agency that had the power to circumvent, or override, the kind of bureaucratic obstructions faced by the PC in India. Whereas in India the PC had to adjust itself to the power and prerogatives of existing ministries, in Korea the ministries had to adjust themselves to the needs of disciplinary planning, as fashioned by the EPB and later the PCHCI. The consequence for the quality of state intervention in the economy was enormous. Whereas in the Indian case, achieving strategic selectivity proved to be exceedingly difficult and uneven, the Korean experience emerged as one of the most successful endeavors of its kind in the annals of development policy.¹⁴

DISCUSSION

If the presence of a rule-following bureaucracy is not enough to produce a cohesive state, what are we to conclude about its overall significance? The argument that I have presented in this article may be summarized as follows: the main limitation of the emphasis on bureaucratic rationality is that it focuses attention at the microlevel—the level of the individual functionary—while the breakdown of state cohesiveness can occur at the mesolevel—in the relations between state agencies. The dilemmas that occur at the mesolevel cannot be solved by making more robust the culture of rule-following in the bureaucracy. This is so for at least two reasons: first, as long as state agencies have to compete for resources, they have good and sound reason to employ noncooperative strategies vis-à-vis their rivals in the state; second, it is not uncommon for the responsibilities of various economic ministries to be in tension with the kinds of policies that developmental states have often followed. The problem, in this case, is that the very rules of the state agencies come into conflict with each other. The point is that both of these dynamics do not work by undermining bureaucratic rationality—they are *perfectly compatible* with it.

¹⁴ It bears repeating that I am not arguing that the quality of state intervention is the only factor that accounts for the different developmental outcomes in India and Korea. Indeed, even on the matter of the state, its internal cohesiveness is not the only factor that explains the quality of intervention. As mentioned above in n. 2, this is also decided by the nature of the state's links with firms. So, there is no intention here to promote state cohesiveness to a prime position in the list of relevant factors for development. I only argue that this is a distinct factor, with identifiable effects, and that those effects are of considerable importance in the aggregate outcome.

Because of this, as the Indian case shows, a robust bureaucracy can become a weapon *against* state cohesion.

So are we to conclude that it is a mistake to emphasize the importance of the microlevel—as much of the recent literature has—instead of the mesolevel? I believe not. Where we place the emphasis depends on the comparison that is framing the inquiry. Much of the scholarship on post-war development has been animated by the stark contrast between the abject cases of state breakdown in some countries—like Zaire and the Philippines—and the remarkable instances of state-led growth in others, like the NIC's of Northeast Asia. In comparisons such as these, what stands out is the utter inability of the state in the failed cases to embark on any kind of collective project, either because of the predation of its functionaries or because of its colonization by economic elites. Hence, an emphasis on the absence of a bureaucratic culture—an emphasis on the microlevel—is entirely appropriate. As Evans (1995) and others have argued, a robust bureaucratic tradition is critical for blocking a slide into individualistic predation by state functionaries, insofar as such a tradition directs the functionary's actions to his duty, rather than to his personal interests. Without bureaucratic rationality, the project of the developmental state cannot even get off the ground.

A focus on the microlevel is, therefore, entirely appropriate if the contrast is between predatory states and nonpredatory states because it is at this level that state cohesiveness breaks down in the former cases. But if the comparison is between different types of nonpredatory states, such as India and Korea, in which both cases are endowed with functioning bureaucracies but one of which is still unable to secure internal cohesion, the door is open to looking at other levels of analysis for the explanation. Here, it is at the level of the bureau, and not the bureaucrat, that we find the divergence in outcome. So the level at which we pitch the explanation—the micro or the meso—depends on the contrast we are trying to explain.

What a focus on the mesolevel also shows, however, is that while a culture of bureaucratic rationality can be put to the service of securing state coherence, it can also be a powerful obstacle in the latter's way—depending on the institutional setting in which it is embedded. Bureaucracy is a double-edged sword—it blocks the slide into individualistic predation, but it also generates the various pathologies pointed to in this article: interagency rivalry, secretiveness, territoriality, and so forth. For it to contribute toward state coherence, it must be nested in an institutional setting that harnesses the benefits of bureaucratic culture, while overcoming or neutralizing its negative effects. This is precisely what the Indian policy regime was unable to achieve and its Korean counterpart achieved quite spectacularly.

The singularity of the Korean achievement should not, of course, obscure the real achievements that India was able to attain. While the state was not nearly as effective in its interventions in the economic sphere, it did manage to oversee a respectable rate of growth for several decades and hold together a nation of extraordinary diversity and complexity. This is quite a distance from some of the abject cases of state failure in sub-Saharan Africa or Southeast Asia. And no doubt the Indian bureaucracy, which has been the villain of this article, has to be credited for this achievement. The distance between absolute and relative failure is wide indeed.

There are two further implications that merit discussion. First, conceptualizing the effects of bureaucracy in this way also leaves open the possibility that there may be institutional ensembles other than the Korean kind capable of harnessing its benefits. What made the Korean experiment a success was the ability of its political leadership to institutionalize mechanisms that blunted the tendency toward state fragmentation, mainly by giving the nodal agency in economic policy—whether the EPB or the CPHCI—a power over other agencies, a power to impose discipline within the state. But could there not be other means or other institutional setups for overcoming the kind of obstacles that undermined state cohesiveness in India? If we look to the two other widely recognized successes among developmental states—Taiwan and Japan—it would appear that there is a significant degree of convergence with the Korean model. In both cases, industrial policy was the provenance of nodal agencies, and these agencies had considerable power over other relevant spheres of the state (Wade 1990; Johnson 1982). But in principle, there seems no reason to insist that such a setup is the only possible route to state cohesiveness, and this could be a topic of further research.

A second issue that is noteworthy, which has not been addressed at any length here, is that of dynamic stability. I have argued that bureaucratic capacity can become an instrument against state cohesiveness, contributing to the fragmentation of the state. But a further possibility is that, once firmly established, a fragmented state apparatus can begin to eat into the integrity of the bureaucracy itself. State functionaries in a developmental setting are under constant pressure not only to oversee particular industrial sectors but also to coax performance from them. Firms, in turn, have an incentive to establish close links with the same functionaries, inasmuch as the latter often have authority over the disbursement of scarce resources. If bureaucrats in policy agencies are autonomous from a central monitoring core and, hence, free from its monitoring, then, given the close ties to their allotted sectors, there would appear to be an increased likelihood of their setting up patron-client relations with “their” firms. This appears to be exactly what happened in

India over time, as economic ministries spiraled into clientelism in the 1970s and 1980s.

So not only is a bureaucratic culture insufficient for generating state cohesiveness, but it also might be unstable over time. This can set into motion a viciously reinforcing dynamic: if bureaucratic rationality contributes to the fragmentation of the state, this fragmented apparatus over time can begin to erode the rule-following culture itself, which, once eroded, can set into motion a slide toward state predation. This, again, resonates with the experience of India, where in several states as well as in some ministries at the center the slide from clientelism into naked predation is well underway.

Hence, the central proposition of this article—that the effects of bureaucracy are mediated through the institutional setup in which it is embedded—generates a surprising set of possibilities. Not only can inter-agency relations conspire to turn bureaucracy against state cohesiveness, but they can also, if given time, begin to erode the existing rule-following culture. It follows from this that the process of state building need not be at all linear and aggregative with regard to the accretion of state capacity. States can build on an inherited tradition of bureaucratic rationality, as did Korea; they can become stuck in a groove where bureaucracy prevents a slide into predation but also contributes to the blocking of greater internal coherence, as in India during much of its postwar history; or they can sink into a slow process of degeneration as the institutional ensemble leads to clientelism and then begins to eat away at the bureaucratic culture itself—which appears to be happening in India now. These hypotheses map onto the actual experience of the developing world in the postwar period very neatly: state formation in this period has been anything but linear and aggregative. Whether the actual process of developmental and degeneration have been driven by the mechanisms adduced in this article will have to be tested through further research.

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