

## **Chapter 3**

# **Embeddedness and State Capacity in International Perspective**

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This chapter outlines our approach to studying the role of the states in developing countries. We find it expedient in this context to briefly review the earlier debates on the relative and embedded autonomy of states. This review is presented in the first section where we also argue in favour of a differentiating and empirically based approach that will guide our studies of the selected Asian countries. The second section broadens the perspective to include external influences on policy-making and state interventions. The positions taken by both 'globalists' and 'sceptics' are presented here. Finally, the last section of the chapter looks at conditions and factors that are particularly important for shaping states' capacities to manage development and international economic integration.

### **Relative and Embedded Autonomy Revisited**

Broadly speaking, it may be argued that most of the variation concerning views on the degree of state autonomy could be attributed to the approaches and perspectives applied, rather than to the findings of empirical analyses. Actually, state autonomy was rarely posed as an empirical question. Consequently, it may be helpful in an attempt to acquire an overview of the competing conceptions and fragments of theories of state autonomy to relate these backwards to the more basic conceptions of the state.

At a high level of abstraction, the state - as political institutions in general - can be described with the help of four analytical dimensions (cf. Martinussen, 1997, Ch. 16). A particular state conception may correspond to one of these dimensions, or to a combination of two or more of them. The four dimensions are the state as:

- a *product* of conflicting interests and power struggles, possibly also as a reflection of a many-sided dominance which makes it an agenda- and discourse-setting institution;
- a *manifestation of structures* which lay down the framework for the state's mode of functioning and impose a certain order on both the state and its interaction with the rest of society;
- an *arena* - or forum - for interaction and conflict between contending social forces; and
- an *actor* in its own right which by its form of organisation and mode of functioning exert a relatively autonomous influence on outcomes of conflicts and other processes in society.

The two first-mentioned analytical dimensions resemble each other in that they both focus on the state as extensively embedded in society. When a distinction is proposed between the two it is to highlight that the first dimension focuses primarily on the role of social and political actors in shaping state formation and policy-making, whereas the other pays more attention to the economic structures and their direct determination (or 'limitation' in the case of less deterministic conceptions) of the form and mode of functioning of the state.

We may use these four dimensions to describe and compare different state conceptions in connection with a fundamental distinction between, on the one side, society-centred approaches, and on the other, state-centred approaches.

A *society-centred* approach a priori assigns primacy to societal structures and social forces - economic structures, social classes or interest groups, depending on the type of conceptualisation of society. A society-centred approach rests on the assumption that societal structures and social forces have a greater impact upon the state than the state upon society, although some kind of interplay or dialectic relationship is implied. The focus is on the embeddedness of the state and its 'infrastructural power' (in the terminology proposed by Michael Mann; cf. Mann, 1986; and Evans, 1989, 1995).

A *state-centred* approach, on the other hand, is a mode of inquiry that focuses on the actual behaviour of the state apparatus and the autonomy exercised by that apparatus and its personnel. The approach

need not imply an assumption about the state as having a greater impact upon society than society upon the state. Without minimising the importance of societal actors and variables, the proposition implied is merely that the state can advantageously be accorded *analytical* priority (Clark & Dear, 1984). Although some of the state-centred approaches investigate the relations between society (or economy) and politics without assuming a high degree of state autonomy, it remains a general feature of the whole approach to look for autonomy and autonomy-enhancing conditions and actions - rather than for state-external factors and their modes of shaping state institutions and interventions. The state is regarded as an independent actor, rather than as a product of conflicting interests and power struggles. The emphasis is on the capacities of state agencies to enforce rules and to elaborate and implement development strategies. The conception of power, however, need not be confined to what Mann has called 'despotic power'. Most state-centred approaches also look at aspects that come under Mann's concept of 'infrastructural power'.

In this study we propose to combine the two approaches by addressing both autonomy-enhancing factors within the state apparatuses and conditions that increase the infrastructural power of the state. At lower levels of abstraction it should be possible to combine to some extent the two perspectives (a) by posing the degree of autonomy that may be attributed to state institutions and their personnel as *an empirical question*, and (b) by viewing the role of the state as part of a process. This latter approach would imply disaggregating the interaction between state and society into component processes, analytically ordered into sequences such as interest articulation and aggregation; decision making; implementation; and impact achieved.

The important matter in this context is not the exact conceptualisation of the processes of policy formulation and implementation, but rather the emphasis on state-society interaction as continuous interactive processes, circular or spiral depending on the outcome. If this is combined with an open-minded empirical approach, it would lead to investigations of actual degrees and types of autonomy, not only at the aggregate analytical level of the state but also at the level of specific state institutions and, moreover, concerning different policy areas and the various stages of the policy process.

The conceptual framework elaborated and applied by Merilee S. Grindle and John W. Thomas may be useful in this context (cf. Grindle and Thomas, 1989; 1990; 1991). They add to the analyses of institutions and their mode of functioning a strong emphasis on the actors, particularly

those involved in formal policy-making who are referred to as 'the policy elite'. These policy-makers act with some degree of independence from societal pressure, but the options available to them are constrained by external factors. Grindle and Thomas propose to analyse the role of the policy elite in policy-making by breaking down the process into three major components, which are analytically separable but in practice interact on a continuous basis. The three components are: *agenda setting*, *decision-making*, and *implementation*. It is not the aim in the present context to review this conceptual framework, but merely to point to a few observations which have emerged from the studies made by Grindle and Thomas.

A first interesting point is that agenda setting takes place in very different ways in situations of crisis as compared with 'policy-as-usual' situations. In a crisis-ridden situation, external factors generally dominate the agenda setting and often even the prioritisation of agenda items, while in 'policy-as-usual' situations the policy elites shape the agenda or at least heavily influence it. These differences are to some extent brought forward into the decision-making phase, where the perceptions and calculations of the policy elites are generally important determining factors of outcomes but where, at the same time, the implications of misconceptions and miscalculations may be very dissimilar in crisis-ridden situations and 'policy-as-usual' situations.

External pressure groups (including international actors), even in democracies, are often prevented from exercising strong influence during the decision-making phase, but may still be able to oppose effective implementation and the achievement of intended impact. At this stage of the policy process, Grindle and Thomas introduce a distinction between reactions in 'the bureaucratic arena' and reactions in 'the public arena'. While accepting the intentions behind this distinction, we would propose treating the bureaucratic arena as an intra-state matter and thus, in institutional terms, make a qualitative separation of this arena from extra-state responses to policies and bureaucratic intervention. Or in other words: we look at the bureaucracies as part of the state and as crucial components of the institutional arrangements for policy implementation. Government personnel may interfere with the implementation of policies by selectively promoting some aspects of policies and by distorting them in other ways, but bureaucrats still in a fundamental way belong to the state and some of them even to the policy elites. In analyses of policy implementation, therefore, they should be treated differently from extra-state actors such as business associations, companies or trade unions; the underlying

assumption being that the interaction and dynamics within state apparatuses are different from interactions and dynamics between state institutions and societal actors. The latter, however, come to the forefront during the policy impact stage.

By combining the institutional perspective - with a focus on the state - with an emphasis on the policy elite as a prime actor within the state, the complexity involved in describing actual degrees and types of autonomy may be illustrated with reference to four points:

- States differ considerably with regard to their societal embeddedness; the powers and interests that shape their mode of functioning; their legitimacy and authority; their capacities - and therefore with respect to their degree of autonomy. Policy elites act with varying degrees of independence from societal pressure and thus in different ways affect policies and outcomes: Some policy elites play important independent roles, while others are narrowly constrained by state-external conditions and organised interests (including global actors - see below).
- Autonomy itself is a very complex phenomenon, referring to such diverse aspects as autonomy vis-à-vis specific societal groups and actors, and autonomy to do - to act in various fields and ways. Autonomy further takes on different kinds of meaning when related, respectively, to the state as a whole, to its constituent parts, or to the policy elites.
- There may be great differences from one policy area to another: A state may be able to act independently and effectively in certain areas, while in others it is unable to do so because of structural constraints or constraining influences from societal groups and other actors. A similar differentiation may apply to policy elites.
- Finally, considerable differences may occur when we take a closer look at the various stages of the policy process. We may not find the same degree of autonomy for policy elites at all stages from agenda setting, policy formulation through policy adoption, authorisation and implementation to impact. Particularly at the impact stage, both the autonomy of policy elites and state autonomy in a broader sense are often severely limited in the sense that intended effects cannot be brought about by state action.

Turning the issue of institutional autonomy into an empirical question does not prevent us from working with guiding principles or hypotheses regarding the balance between intra- and extra-institutional forces. Based on experience and previous research there is little doubt that, generally speaking, state institutions are strongly influenced by external conditions and societal forces and, more important, that their impact upon society is seriously limited by such external factors. But no general conclusion is warranted as to the exact balance between external and internal influences. Institutions are 'formed and fuelled' by powerful external interests, but these interests vary both with respect to their character and the amount of power sustaining and promoting the realisation of these interests. Moreover, when state institutions have existed for some time they tend to acquire some degree of independence based on the powers they organise and the resources at their disposal - they tend to become actors in their own right. Institutions further tend to become structured arenas or fora with inherent social biases, i.e. they tend to favour certain groups and at the same time disfavour others in terms of their access to decision makers and their influence on the outcomes of decision-making processes.

By conceptualising state-society interaction in this manner it is possible to combine society-centred and state-centred approaches into more open-minded guidelines for research which can also pave the way for differentiating among states and state institutions.

The actual forms and functions of specific state apparatuses are not determined solely by *contemporary* economic structures and social forces. They also embody to some extent the *structures and forces of the past* - the structures and forces prevailing in society at earlier stages of its development (institutional path dependency).

Further, every societal formation in today's world is part of larger regional and international systems and is thus influenced by process structures and social forces in these larger systems. From the point of view of a given society these structures and forces are *extra-societal*.

The historical as well as the extra-societal dimensions are of particular importance in a Third World context. During the colonial period, which directly or indirectly affected almost all the developing countries of today, the extra-societal determination was extremely powerful. It left a legacy of great importance for understanding and analysing contemporary states in Third World countries. Two important observations have emerged from the analyses of historical legacies and extra-societal determination of state formation:

- First, as an overall consequence of the way in which the colonial state was constituted, developed, and transformed into a post-colonial state, the contemporary states of the Third World probably feature a higher degree of relative autonomy vis-à-vis the internal structures and social forces than is typical of the states in the more industrialised countries of the North.
- Second, this difference is compounded by the higher degree of extra-societal determination of the peripheral states and their mode of functioning than what applies in the case of most of the countries of the North. This means that peripheral states have less autonomy vis-à-vis global actors.

There is a fairly widespread agreement on these very general observations as reflected in most of the theories regarding the state in the Third World. With reference to contemporary conditions obtaining in developing countries, we would like to argue that extra-societal constraints on policy-making and implementation have generally increased - rather than diminished - as a result of recent global and regional changes. The character of external influences and their impact upon developing country states, however, have been the topics of heated debates among scholars as shown in the following section.

### **State and Market in International Perspective**

According to one group of scholars - often referred to as 'the globalists' - developing country states have been weakened as a result of increasing economic globalisation. According to others - the so-called 'sceptics' - it may be true that developing country states in general have come under increasing external pressure and that their roles as containers of distinctive business practices and as regulators of economic activities within and across their borders have diminished. But to what extent these changes have been brought about vary significantly from country to country, and none of the changes have rendered developing country states powerless. The following paragraphs briefly review these opposing interpretations.

Globalists in general argue that nation-states have lost or are in the process of losing their independent positions as regulators of economic processes and actors. According to Kenichi Ohmae, the global economy has achieved its own dynamism which is not seriously constrained by national boundaries. His interpretation is that we now live in a borderless

world where the national economies are no longer relevant units of analysis and where nation-states are no longer important actors any more (cf. Ohmae, 1990; 1995). Under these conditions the traditional correspondence between nation-states and markets has disappeared. The states may continue to perform the role as containers in the spheres of politics, ideology and culture, but they have lost their positions as political-institutional frameworks for markets and economic activities in general.

Susan Strange in her book *The Retreat of the State* has presented a more elaborate argument concerning the roles of contemporary states. She argues that 'the authority of the governments of all states, large and small, strong and weak, has been weakened as a result of technological and financial change and of the accelerated integration of national economies into one single global market economy.' (Strange, 1996: 13f). What some states have lost, others have not gained. 'The diffusion of authority away from national governments has left a yawning hole of non-authority, ungovernance it might be called.' (ibid.: 14). Strange supports her claims by a review of several policy areas where states used to play important, even dominant roles, but where this is no longer the case. Instead, outcomes are heavily affected by various non-state authorities in these areas (ibid., Chs. 6-12). Based on a separate analysis of TNCs she concludes that while these companies have not taken over from the governments of states, they have certainly encroached on the states' domain of power (ibid.: 65). The same applies to international organisations (ibid., Ch. 12). The overall conclusions that Strange arrives at are summarised in the following three points (ibid.: 189)

- \* Power has shifted upward from weak states to stronger ones with global or regional reach beyond their frontiers;
- \* Power has shifted sideways from states to markets and thus to non-state authorities deriving power from their market shares; and
- \* Power has 'evaporated' in that no one is exercising it.

Moving beyond the specific analyses and propositions of Susan Strange the views propagated by most globalists may be summed up as suggested by David Held and Anthony McGrew (Held and McGrew, 2000: 11 ff). According to these authors, globalists argue that the state has become a fragmented policy-making arena, permeated by transnational networks (global and regional, governmental and non-governmental) as



well as by domestic agencies and forces. To this extensive political interconnectedness can be added the dense web of activity within and among the key international policy-making fora, including the WTO. These views are similar to Paul Hirst's and Grahame Thompson's claim that nation-states are now simply one class of powers and political agencies in a complex system of power from world to local levels (Hirst and Thompson, 1996: 190).

Globalists further argue that the increased mobility of capital - induced by the development of global financial markets - has shifted the balance of power between markets and states and generated powerful pressures on states to develop market-friendly policies. National governments across the globe have been forced to adopt increasingly similar neo-liberalist economic strategies which promote financial discipline. At the same time, globalisation (or internationalisation as the case may be) has eroded the capacity of nation-states to act independently in the articulation and pursuit of domestic and international policy objectives. The overall result is that the power and role of the territorial nation-state is in decline.

Sceptics generally contest the above accounts and interpretations. Their views, however, differ more from those held by Ohmae and other economists than from the conclusions arrived at by political scientists such as Susan Strange. Linda Weiss with her book, *The Myth of the Powerless State*, may be taken as an illustration (Weiss, 1998).

Weiss criticises globalists for exaggerating state powers in the past in order to claim feebleness in the present (ibid., Ch. 7). She further claims that they tend to overstate uniformity of state responses. Weiss do acknowledge tendencies towards convergence in policy-making, but she also finds significant variation that can primarily be attributed to variation of state capacity (the core of which in her opinion is the state-business relationship). What we witness is not a diminishing of current differences between strong and weak states - brought about by a generally weakening of all states - but rather an exacerbation of these differences. Weiss' argument contains three major points (ibid., 195 ff). The first is that states to a large extent adapt their mode of functioning to changing conditions rather than retreat. Instruments may be changed, some given up, macro-economic stabilisation policies may converge, but industrial policies have to change with industry itself constantly changing. Strong states (such as Japan, South Korea and Taiwan) have been capable of doing so by using new types of instruments to pursue industrial policy. The second point is that strong states act as midwives, not as victims of internationalisation.

Strong states - and even some intermediate states - provide incentives for 'transnationalisation' of their corporate sectors. An illustration was Japan's relocation to the region which was much more a publicly coordinated effort than an ad hoc response by individual firms acting alone. This provides a useful example of how a government itself became part of and promoted the 'globalisation' process (ibid., 206 ff.). Weiss finds that a number of other states have been seeking directly to promote and encourage rather than constrain the internationalisation of corporate activity in trade, investment and production. From this perspective, the internationalisation of capital does not only restrict policy choices, but expand them as well. The third point is that although we are witnessing changes in state power these changes have to do not with diminution but with reconstitution of power around the consolidation of domestic and international linkages (ibid., 209). This implies building or strengthening power alliances of two types: 'upwards' via inter-state coalitions at the regional and international level (e.g. ASEAN); and 'downwards' via state-business alliances in the domestic market. States that act in these manners are referred to by Weiss as 'catalytic' states. The overall conclusion is that the powerlessness of states as a result of globalisation is largely a myth.

Other sceptics argue along similar lines. Some claim that all developing country states continue to critically affect, positively or negatively, both the attractiveness of their countries to foreign investors and the overall competitiveness of their domestic industries (Dicken, 1998, Ch. 3). Likewise, developing country states play - at least potentially - important roles in environment management.

There is little doubt that attractiveness in this context is mainly generated by broader societal conditions such as the actual and potential size of the market; the factor and resource endowment of the country; the relative price structure, including the price and availability of relevantly qualified labour; the basic infrastructure and communication system; and basic attitudes to work; etc. Yet, at the same time these conditions, particularly in a longer-term perspective, may be influenced by state interventions. Besides, politically or state-induced incentives and disincentives - such as economic policies and the institutional arrangements affecting economic activities - influence the attractiveness of any country, even in a short-term perspective (cf. Degnbol-Martinussen, 2001).

With respect to the states' influence on overall competitiveness of domestic industries, we believe this should be seen as part of the social-institutional embeddedness of economic activities as argued convincingly

by, e.g., Richard Whitley, Michael Porter and the national innovation system literature. According to Whitley, states generally play important roles in setting up and maintaining the broader institutional framework for distinctive national business systems, the core features of which strongly affect to what extent a country is internationally competitive (Whitley, 1992; cf. also Dicken, 1998: 80 ff). Porter is more reluctant to assign a major determining influence to states, but he does stress that governments influence the four main determining conditions in his 'diamond' (cf. Porter, 1990: 71 ff). He further emphasises that the competitive advantage of national economies - and particularly of clusters of firms within these economies - is created and sustained through highly localised processes and institutional mechanisms for specialised factor creation (ibid.: 19, 80; Porter 1998). Similarly, the national innovation system (NIS) approach (Nelson 1993, Lundvall 1992, Freeman 1995) stresses the systemic aspects of national competitiveness when focusing on the set of distinct institutions which jointly or individually contribute to the development and diffusion of new technologies. The national innovation system comprises not only industries and firms but also inter-firm relationships, universities and other national education and training establishments, public research laboratories, and private intermediate organisations. According to NIS scholars, government institutions and coherent domestic policies matters in fostering dynamic innovation systems. The issue is not whether national policies are important but what kind of institutions and policies are most effective in improving competitiveness (Ernst and Lundvall 2000, Mytelka 2000).

Governments can actively contribute to providing national-institutional foundations for increased competitiveness. They have done so in the past in several countries; and as the home nation of firms takes on growing significance, rather than diminishing importance, in the era of globalisation, the role of government remains a critical factor (cf. also Wade, 1996; Weiss, 1997; 1998).

### **State Capacities**

It follows from the above reviews of the positions in the debate on 'globalisation and the state' that some 'globalists' tend to treat all developing country states as similar and as similarly affected by global change processes and international actors. 'Sceptics' (and Susan Strange) adopt a more differentiating approach. We would like to go even a step

further by emphasising that developing countries face very different development problems due to many factors, including their basic economic and industrial structures, the size of their markets, and the varying forms of world market integration - to name just a few. Moreover, as indicated in the first section of this chapter, we believe that state capacities differ significantly not only from country to country but also from one policy area to another and concerning the various stages of the policy process.

In general terms we find at one extreme strong developmental states, such as in South Korea and Singapore, with a well-developed coherent bureaucracy, a homogeneous administrative culture and strong linkages between government and business (cf. Evans 1989, 1995). At the other extreme we find weak states, as in most of the Sub-Saharan countries, where non-institutionalised government prevails, where personalistic relationships and social networks take precedence over rules, and where paramount leaders rule more in their personal capacity than in their capacity as office-holders within the governmental set-up (cf. Jackson and Rosberg 1982; Sandbrook 1986). In between these two extremes we find intermediate states, as in India, Thailand, Malaysia and Vietnam, with varying capacities for policy implementation.

It should be noticed that strong state-business cooperation is integral to the definition of a developmental state. This is in a contrast to the 'statist' (strong state) argument that was founded on a firm belief in the rationality and foresight of the state bureaucracy, and on a deep scepticism towards the potential developmental contributions of the private business community. While a certain 'power over business' is instrumental in avoiding 'distributional coalitions', it is no guarantee against 'insulation failures'. Moreover, in capitalist societies the state relies on the private sector to provide information and to avoid ineffective implementation due to non-compliance by the private sector. A crucial research question is therefore: Under what institutional and economic/political conditions will collaborative rather than collusive relations prevail?

This question has been addressed in the emerging 'collaborative advantage' literature. The institutional conditions for benign collaboration are listed above: an independent (politically insulated) merit-based Weberian bureaucracy that is embedded in dense ties with business. On the business side, the key factor seems to be a high business capacity for collective action, which in turn may be determined by two factors. First, the encompassing rather than the fragmented nature of business associations. In absence of strong and encompassing private sector associations, pursuit of particularistic firm- or sectoral interests will prevail

and results in capturing of the state. Second, the extent to which business associations can monitor and sanction the behavior of their members (Schneider and Maxfield, 1997; Biddle and Milor 1997; Weiss 1998, 59ff; Doner and Schneider 2000).

What then are the broader situational conditions that ensure that states and business elites enter into and even keep investing in benign collaboration? On the state side, it is suggested that (perceived) threats that affect political survival matter? On the business side, market threats (e.g. vulnerability to international competition) are mentioned but state enforcement and the loss in collective reputation when individual members defect from co-operative arrangements (e.g. standardisation), appear to be a strong incentives for persistent collective behaviour, too. Threat and vulnerability might thus be what disciplines both states and business associations. In contrast, in cases where neither the political elite nor business are vulnerable and pressed, we should not expect benign collaborative relations to emerge. (Schneider and Maxfield, 1997; Doner and Schneider 2000)

The above mentioned country-related variation in state capacities calls for a differentiating approach with regard to theory formation concerning the impact of global change processes and international actors upon national development patterns. It further calls for a differentiating approach to the study of realistic policy options available to decision-makers in relation to both industrial development and environment management. Exactly such differentiating approaches are at the core of the methodology adopted for the present study.

It is envisaged that the case studies as a whole in this way can contribute to a more nuanced, differentiated and context-related theory of strategic industrial development and trade strategies than those embodied in both the earlier prevailing preference for state-led import substitution and the present (Washington) consensus on the appropriateness of market-led, export-oriented industrial development strategies. It is further expected that in the area of environment policies the studies can contribute to a more differentiating conception of the varying capacities of the states and consequently point to more realistic options available for solving national and global problems.

When analysing the role of the state in relation to industrial development, the case studies will distinguish between 'start-up' and 'catch up' industrial development. In the former, a crucial issue is the extent to which the state elite is actually willing to devote its resources to socio-economic development rather than to external expansion (war-making), simple political survival or to advance the material interests of themselves and

their political allies. A second field of interest here is the extent to which the state (in co-operation with non-state organisations) is willing and able to formulate and implement effective policies, and deliver the very institutional infrastructure necessary for the functioning of the market and for the continued viability and reproduction of (capitalist) industrial development. That implies more specifically: securing property rights, guaranteeing contracts, providing physical infrastructure, regulating foreign relations to the advance of national development, subordinating non-capitalist oriented actors (e.g. feudal landowners) and ensuring macro-economic stability. In relation to 'catch-up industrialisation' state agencies to go beyond these minimal tasks and enter into strategic industrial policies and governing market activities in support of dynamic capitalist transformation and competitive industrial development.

Seen from a different angle, the case studies can provide a basis for comparative analyses of the impact of contemporary global change processes (i.e. internationalisation, regionalisation and marginalisation) upon weak and intermediate states and their regulatory and promotional roles and capacities in the two policy areas chosen. It should be emphasised that the impact at country level will not be studied as simple and static relationships between independent and dependent variables, but rather as external variables whose impact is shaped by the conditions obtaining in the country concerned. This will permit again a differentiating approach where dissimilar impacts of global change processes and external actors can be explained with reference to in-country structures, institutions and political-economic coalitions which all affect the actual outcomes.

Adopting a differentiating and empirically based approach does not preclude using generalised working hypotheses as points of reference for our descriptions and attempts at explaining different outcomes and development trajectories. Thus, based on experience from Europe and the high-performing Asian economies the following may be noted as some of the critical prerequisites for achieving and enhancing state capacities, particularly in relation to industrial development but also to some extent concerning environment management (based, inter alia, on: Johnson, 1982; Sandbrook, 1985, 1986; North, 1990; Evans 1995; Weiss, 1998; World Bank, 1993):

- Insulation of the bureaucracy that allows bureaucrats to implement policies in accordance with rules and in keeping with politically established priorities - as opposed to situations where non-institutionalised

governance prevails, where persons and social networks take precedence over rules, and where policy implementation is mainly shaped by a 'patronage logic' (Blomkvist, 1988).

- A high-quality civil service with competence to formulate and implement economic policies. Among the important principles that should prevail the following may be noted: (a) merit-based recruitment and promotion; (b) incentive-based remuneration/ compensation and relatively high salaries; (c) government employment associated with high status and prestige; (d) job security; (e) a competitive environment that discourages dishonesty and corruption; and (d) strong in-house technical expertise.
- Institutionalised government-business co-operation where policies are not simply imposed by politicians and bureaucrats (based on 'despotic power' in the terminology of Mann), but where policies are formulated and implemented as part of regular and extensive consultation and co-ordination with organised business and other key economic groupings (based on 'infrastructural power'). It is important to emphasise that the state as such is not the sole source of its capacities for managing structural transformation or economic crises. Forms of societal embeddedness (Evans) provide critical foundations for state action or in-action and shape the outcome of any action. 'Governed interdependence' seems to be of special importance here, i.e. negotiated relationships where public and private participants maintain their autonomy but within broader goals set and monitored by the state (Weiss, 1998: 38-39).

Successful transformation and economic development are dependent not only on institutions, mechanisms and capacities such as the above but also on the actual adoption of certain policies such as high investment in human capital. We propose in this context to review critically the impact of the policies prescribed in the so-called Washington consensus (in both its original and revised versions; cf. Williamson, 1997; Paldam, 1997: 212; Stiglitz, 1998). The aim will be to identify sets of development promoting policies from among those included in the 'consensus' as well as others. Special attention will be given to the experiences that may be extracted from the selected countries' attempts at managing openness and integration into the world economy.

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