

# CULTURE, THE STATE, AND ECONOMIC DEVELOPMENT

## IN KOREA AND MEXICO

**José Luis León**

*Instituto Matías Romero de Estudios Diplomáticos*

### **Introduction**

If development is defined as economic growth with equity,<sup>1</sup> East Asian countries have shown an impressive performance in the last 50 years, whereas Latin America has remained relatively backward.<sup>2</sup> To explain the different rates of growth and income distribution in both regions, this paper proposes a Weberian hypothesis. Such a hypothesis is not Weberian in the sense of positing a cause-consequence link between culture or religion on the one hand, and economic development on the other. Instead, I prefer to stress another branch of the Weberian thinking -- namely the role of a rational, efficient and well-organized bureaucracy as a *sine qua non* condition for economic development. In the perspective of political economy, the analysis of developmental issues in the paper is practiced not exclusively from the economic viewpoint, but mostly from a political perspective.

Section I of the essay compares the economic performance of Latin America and East Asia from 1950 to present. Inasmuch as development is a long-term process, the comparison must take into account a considerable time span. I compare figures for international competitiveness, GDP, GDP per capita, income distribution and quality of life in both regions. The section is aimed at supporting with “hard” data the performance of East Asia *vis a vis* other peripheral or semi-peripheral areas, specially Latin America.

Section II is mostly a literature review of economic development theories. Strong and weak points of some of the most common explanations of development are compared. While I do not reject that policy choice, regime type, international conditions and culture might be independent variables that explain economic development, I shall try to demonstrate that none of them, by itself, can capture the tremendous complexity of any development process.

---

This paper was written under the auspices of the Project on Latin America and the Pacific Rim at the University of California, San Diego, where I was a visiting research fellow in January-March, 1998; financial support for the UCSD Project came from the Ford Foundation and from the Pacific Rim Research Program of the University of California. My warmest acknowledgements to Olga Pellicer, Peter H. Smith, Jorge Alvarez Fuentes, Florencia Quintanar, Andrew Seele, Shelley Márquez, Cristina González, Patricia González, María León and my colleagues of the Latin America and the

Pacific Rim Project for their academic feedback and/or their enthusiastic support. Usual caveats strongly apply.

In section III I propose to study carefully the role of the state in economic development, not only regarding its autonomy, but also its organizational strengths and its efficiency in the implementation of public policies. Then I compare bureaucratic organization, policy planning, the implementation of public policies, and the levels of corruption in Korea and Mexico. The superior organization, planning policies and performance of the Korean state are thought to be strongly associated with economic development. In this sense, the Korean bureaucracy seems to be closer to a Weberian-Schumpeterian ideal type than its Mexican counterpart.

The brief conclusions summarize the findings of the article. In that section, I recall the difficulty of finding deductive explanations of economic development. Both political economy and classical approaches feature important flaws and shortcomings. Regarding culture, I acknowledge that it must have some impact upon institutions, but criticize those deterministic approaches that deny any impact of institutions upon economic, social and political behaviors. From my viewpoint, any statement about cultural influence on institutions can only be valid if it is posed as a historical contingency, and not as a single-variable, unidirectional hypothesis.

Along the text, I stress the key role of the bureaucracy without denying the importance of other independent variables. Thus, the article will reveal my advocacy for a “middle range” theory of economic development. The risk of this kind of research program is that, in the search for multi-causal factors, some explanatory value is lost if the particular weight of each variable is not assessed (Evans and Stephens, 1988:731). In such a case, interpretative richness might well be confused with descriptive abundance. However, single-factor explanations and grand theories, such as cultural determinism or the hard versions of rational choice, usually crumble like a card house when confronted with empirical, historical and comparative phenomena.

## **I. Development and underdevelopment in Latin America and East Asia.**

It is a common place to point out that East Asian countries have achieved an impressive record of economic development after 1950. Indeed, some scholars go as far as pointing out that the post-World War II economic experience of those economies represents “the most successful economic expansion and fast growth over a sustained period in the entire history of mankind” (Singh, 1997:223). If the combination of economic growth and a fair income distribution means development, we shall acknowledge that the above common place is rather correct. There are several ways to measure the East Asian trajectory towards economic development in relation to Latin America and other peripheral regions. I will briefly analyze international competitiveness, GDP and GDP per capita as proxies to economic growth, and income distribution and the human development index as measurements of social development.

### *1. Comparative economic growth in Latin America and East Asia: Some indicators.*

Considering competitiveness as the share of a given country's or area's exports in the international market, East Asia easily outperforms Latin America. In 1963, Latin American exports represented 7.0 per cent of the world exports; for 1990, this share halved to 3.6 percent. The Four Tigers show an opposite trajectory, with their share of world exports skyrocketing from 1.6% in 1963 to 7.7% in 1990 (Bustelo, 1994:21).

Regarding GDP, Angus Maddison (1989:15) has shown that the average GDP growth rates between 1950 and 1987 were 2.6 percent for Argentina, 5.3 percent for Mexico and 6.0 percent for Brazil. The same indicator was 7.6 percent for South Korea and 8.8 percent for Taiwan. It is interesting to note that the rates of GDP growth in Latin America were grossly comparable with those of the East Asian economies up to 1980. However, the so-called "lost decade" in Latin America brought a collapse of economic growth and broadened the development gap vis a vis East Asia. In the 1990s, this gap has been widening, with the GDP of East Asia (including China) growing at an annual average of 9.4 percent and Latin America at 3.6 percent between 1990 and 1994 (Singh, 1997:224-225).

Let us now review another indicator. In 1950 Argentine GDP per capita was four times bigger than the Korean, and the Mexican GDP was twice larger than the Taiwanese. By 1989, Argentina's GDP per capita was less than 60 percent of Taiwan's, and Mexican GDP per capita was half of Korea's. In almost 40 years GDP per capita grew 24.3 percent in Argentina. The same indicator two-folded in Mexico and three-folded in Brazil, two of the Latin American economies heralded as "miracles." Meanwhile, Korean GDP per capita almost grew nine times and the Taiwanese ten times (Maddison, 1991:12, 26) As in the case of GDP, the differences between East Asia and other developing regions increased notably in the recent years. Thus, along the 1980s per capita income in Asia rose by 50 percent, whereas it declined 15 percent in Latin America and 25 percent in Sub-Saharan Africa (Singh, 1997:226). Taking into account such figures, it should not be surprising that, in a World Bank survey of economic performance in 119 countries between 1960 and 1985, five of the six success stories (Japan and the Four Tigers) are East Asian countries.

### *2. Distribution and economic growth: the box that East Asia filled.*

While Latin America is one of the richest areas of the world in terms of natural endowment, it is one of the most socially unequal as well. For instance, the late economist Fernando Fajnzylber has shown that between 1965 and 1986 none of the Latin American countries was able to achieve balanced levels of income and growth. Some of them grew faster than the industrial economies, but did not distribute income evenly (Mexico, Brazil, Colombia); another set of countries achieved an acceptable

distribution, but its rate of growth was slower (Chile, Argentina), and the rest had unfair income distribution and remained stagnant (Central America, Bolivia, Peru). What has been absent in the recent Latin American economic experience is even a single case of growth and equity at the same time (Fajnzylber, 1990:3-5).

Fajnzylber's text was published almost ten years ago, but the trends reported there do not seem to have radically changed. In fact, at the end of the 1990s income distribution in Latin America is more skewed than ever, as any revision of the evolution of Gini coefficients and income distribution can show. The Latin American pattern of social inequality might well account for the explanation of the following paradox: while in terms of national GDP Brazil is the 9<sup>th</sup> and Mexico is the 14<sup>th</sup> economy in the world, the former ranks in 63<sup>rd</sup> place and the latter in 52<sup>nd</sup> in terms of UNDP's human development index, a pondered assessment of literacy, education, life expectancy and GDP per capita. By contrast, Hong Kong ranks in 24<sup>th</sup>, and Korea in 32<sup>nd</sup> (UNDP, 1994:129).

East Asia's story is completely different and blatantly dismisses the notion that growth comes first and distribution later. Most of statistical accounts show that income distribution in East Asia has improved in the last decades. Let us review, for instance, the evolution of the Gini index in some East Asian and Latin American countries from 1965 to 1990. This index diminished from 0.34 to 0.33 in Korea; from 0.32 to 0.30 in Taiwan, and from 0.50 to 0.41 in Singapore. Conversely, it did not improve in most of Latin American countries: in Argentina, it stayed in 0.43 along the period; in Brazil, it grew from 0.57 to 0.60, and in Chile from 0.50 to 0.53. Mexico was one of the few Latin American countries where the Gini index had a favorable evolution, moving from 0.58 to 0.53 (Root, 1996:220). These data match with the fact that East Asia ranks over Latin America in practically all of the available indicators of social development, such as percentage of adult literacy rate, employment, population per phone, percentage of roads paved, equity between urban areas and the countryside, and expectancy of life (UNDP, 1994:129; Campos and Root, 1996:20-26).

In other words, the East Asian experience challenges the inevitability of imbalance growth so often cherished and invoked by Latin American elite. In fact, it means an altogether different paradigm of economic development, which has been labeled as "shared growth": a strategy that finds its ultimate legitimacy in the even distribution of the benefits for the whole society (Campos and Root, 1996). Meaningful examples of the pervasive East Asian distributional will are the design and implementation of extensive educational policies, land reform, and the frequent support of small and medium sized business. East Asian rapid development has the virtue (almost unknown in Latin America and other developing areas) of eliminating the artificial separation between social and economic policies.

I would like to make a final point on the East Asian miracle. From the beginning of the 1990s, respectable analysts of the world economy such as Paul Krugman (1994) argued that the Asian growth would inevitably come to a halt, because it was exclusively based on the mobilization of inputs such as education and

investment in physical capital, but not on their efficient use. Krugman's forecast that East Asian development would not be sustainable in the long run would seem to fit the reality in the light of the myriad of Asian problems after the devaluation of the Thai currency in July, 1997. For many Western observers the Asian crisis not only means the interruption of an impressive process of growth, but the end of a model of development.

In my opinion, an ounce of caution is not out of place. Inasmuch as economic development is a long-term process, the development performance of East Asia should be analyzed in a historical perspective, that is to say, at least from 1950 to present. Along this period, most of the indicators have been undeniably healthy. In this sense, it is still too early to think that the East Asian miracle is over. The economies of Japan and the Four Tigers might be sick, but they are still alive. Their burial seems both premature and perhaps ideologically motivated. East Asian economies are in transition, perhaps to the end of a successful model or to less rapid growth, but any serious assessment of their achievements and flaws has to deal with historical experience.

## **II. Bathing in an ocean of independent variables: frequent explanations of economic development**

The study of economic development is a rather interesting but unfair and frustrating activity. There are many explanations to successful development experiences. Many variables might be taken into account, but very seldom will we find scholars bold enough to propose sufficient conditions. At most, it is possible to identify historically contingent and qualified necessary conditions. As a result, in development economics "hypotheses cannot be 'tested' but only 'examined'; they are never 'proven', but at best 'survive'. Any conclusions are thus necessarily subjective and leave one professionally vulnerable" (Jones and Sakong, 1980:286).

To explain the unequal performance of Latin America and East Asia, scholars have advanced different kinds of hypotheses. The most popular explanations to the East Asian economic success are those related with policy choice, regime type, international conditions, and culture. In the following paragraphs I shall review some of the strong and weak points of each explanation.

### *1. Policy choice*

A considerable body of literature stresses the role of policy choice in economic development. But the definition of "right policies" is a pretty contentious issue. A neoclassical approach posits that free-market, external openness and export-led growth strategies are the key to economic nirvana. Neoclassical economists see the East Asian success as a result of "getting the prices right" by limiting price distortions, setting realistic exchange and interest rates and establishing competitive labor markets. A common strategy to demonstrate the superiority of free markets and outward orientation is to compare the GDP growth in economies that followed import

substitution industrialization (ISI) and export orientation. Most of the accounts show that “open economies” outperform “closed economies” (Krueger, 1980, 1985; Friedman and Friedman, 1980; Balassa, 1981; Lal, 1983; Cole and Park, 1983).

A quite different position sees the design and implementation of vigorous government-led industrial policies as the main explanation of economic growth. The statist approach explains economic success by “getting the prices wrong” through *dirigiste* industrial policies such as an undervalued currency, high and selective protection for imports; allocation of unexpensive credit, price controls, and specific support for sunrise and sunset industries (Johnson, 1986; Amsden, 1989; Wade, 1990).

Some points must be made on the above polemic. First of all, there is not such as a thing as chemically pure policies. On the one hand, even the most fervent advocates of market economy have recognized, in recent years, that the East Asian development was not completely market-driven and that the state fulfilled a crucial role (World Bank, 1993). On the other hand, East Asian countries were not the only ones that planned industrial policies and got the “prices wrong.” As a matter of fact, after World War II, most of Latin American countries embraced *dirigiste* policies aimed at achieving ISI. Perhaps the difference was that, once ISI was becoming exhausted in the 1960s, East Asian countries adopted a mix of ISI and export-led growth policies,<sup>3</sup> whereas the bulk of Latin American economies insisted on straight ISI for twenty more years (Cumings, 1987:69; Trejo Reyes, 1987:148)

Secondly, many authors call into question the inherent superiority of an export-led growth strategy over ISI (Wade, 1990; 1995). Indeed, Bresser Pereira (1993) recalls that some studies have found that per capita income is a better predictor of economic performance than inward or outward orientation.

Thirdly, in Latin America the available data seem to support the idea that a certain level of openness is associated with better export performances, but there are no conclusive findings that show that tariffs close to 0 necessarily lead to highest exports. Lance Taylor had it right when he wrote: “there is no very clear association between either Manchester liberalism or an export push and growth.” (1988:167)

Last but not least, we should acknowledge that practically none of the defenders of “wrong prices” argue that industrial policy is a necessary (let alone sufficient) condition for economic development. In the absence of efficient and well-organized institutions, good policies (either interventionist or “market friendly”) are not enough to lead to economic development. As I shall argue some paragraphs below, a bad designed or bad instrumented industrial policy might be worse than a “hands-out-of-the-economy” approach. It would be a fallacy, then, to think that any kind of state intervention is desirable.

## 2. *Regime type*

At the end of the 1980s the idea that authoritarianism was almost a necessary condition for economic development became popular among political scientists and economists.

These approaches underlined the fact that Singapore, Taiwan and Korea had strong authoritarian regimes during their industrialization. The comparative advantage of the so-called “Bureaucratic-Authoritarian Industrializing Regimes” (Cumings, 1987:71) would have been their capacity to rapidly and discretionally allocate resources without the long-lasting bargaining procedures of democracies, thus reducing problems of collective action and diminishing transaction costs. Even Japan, according to Chalmers Johnson, (1987:137) could be termed as a “soft authoritarian” regime. Replicating a widespread idea of recent development literature, Wade (1990:374) has no hesitation to affirm: “large cross-sectional studies of developing countries show that democratic regimes tend to grow more slowly than authoritarian ones.”

Conversely to such emphatic assertions, other authors offer different perspectives. For instance, Przeworski (1992:52) points out that, of a set of studies reviewed by him, eight found democracy as a more economically efficient system, eight credited authoritarianism for growth, and four diagnosed no difference. His conclusion could not be more straightforward: nobody really knows the exact relationship between regimes and development. In the case of Latin America, Karen Remmer (1986) finds that authoritarianism had not direct relation with economic success in terms of the application of IMF programs between 1954 and 1984.

One could arrive to similar conclusions analyzing the growth experience of four of the most well-known bureaucratic authoritarian regimes in Latin America. Brazil’s military government (1964-1985) and Pinochet’s Chile (1973-1990) attained more or less favorable growth rates, whereas Uruguay (1974-1984) and Argentina (1976-1983) were, frankly speaking, an economic disaster. In Asia, authoritarian regimes as Myanmar, Philippines and Viet Nam (let alone Pol Pot’s Kampuchea) were unable to generate any kind of respectable development. At present, there is not enough evidence to reach a conclusion: for every successful dictatorship, we can find several unsuccessful, if not disastrous, experiences. As Haggard (1990:256) has written: “there are no theoretical reasons to think that authoritarian regimes are uniquely capable of solving the collective action problems associated with development.”

### *3. International circumstances*

For other scholars, the international system is the main explanatory variable of economic development. According to this view, the Japanese colonial system in Korea and Taiwan created the preconditions for a fast and sustained industrialization. Historically, there has been a regional Northeast Asian economy integrated in a model of “flying geese,” with Japan taking the leadership and Korea and Taiwan getting benefits of the product cycle in industries left to them by Japan. Thus, East Asian regional economy would not be fully understood without a reference to the peculiar combination of political and economic ties that unite Japan, Taiwan and Korea (Vernon, 1966; Cumings, 1987).

Such favorable conditions would have been boosted by the ample military, political and financial support of the United States during the Cold War. Thanks to the

American commitment, the “flying geese” would had been able to get unrestricted access to the huge American market, as well as massive amounts of economic and military aid from Washington (Janelli, 1993:71; Haggard and Cheng, 1987:87; Kim and Leipziger, 1993:39). An interesting international political economic arrangement took place, with the United States as core, Japan as the semiperiphery and Korea and Taiwan as periphery (Cumings, 1987:62). In fact, some interpretations see the East Asian industrialization as a case of “development by invitation” (Cumings, 1987:68; Wade, 1990:346).

In terms of international conditions, a favorable setting and a good relationship with hegemonic powers is undeniably crucial. However, it does not seem enough to achieve economic development. While both Korea and Taiwan got financial aid and preferential access to US market, some regimes in Central America and the Caribbean (El Salvador, Honduras) were also provided with generous resources from the United States in the 1980s. Obviously, the outcomes were different in both of the cases. My point is that, in the absence of an efficient, well-organized and non-corrupt state apparatus, even massive resources or market opportunities offered by friendly powers can be wasted or misallocated by either incompetent or predatory rule.

#### 4. *Culture*<sup>4</sup>

The existence of a cultural environment which promotes thrift, industriousness, discipline, education, harmony, respect for the elders, and consequently economic growth has been perceived by some scholars as both a necessary and sufficient condition to explain economic development. In this perspective, derived from the seminal Max Weber’s work *The Protestant Ethics and the Spirit of Capitalism*, there would exist a strong link between a given set of values and economic development. For some authors, values in Asian societies would be the functional equivalents of the Protestant ethos (Pye, 1985:13).<sup>5</sup>

By contrast, in culturalistic approaches Latin American economic stagnation and shaky democracies are associated with both Catholicism and a Hispanic heritage that would have hindered both capitalist development and representative political systems. Latin American culture would be characterized by feudal features such as disdain for labor and commerce, sumptuous patterns of consumption, individualistic behaviors and an anti-progress attitude. Latin American society, thus, would be at odds with most, if not all, the Western goodies (Harrison, 1985; Lipset, 1993).

While vindicating a degree of autonomy of culture as explanatory variable, other authors, which we may call revisionists, acknowledge that culture is dynamic; that it does not necessarily shape institutions and social departments; that social values are modifiable by economic and political changes, and that culture is, at the same time, cause and effect of political and economic development (Inglehart, 1990:14). Still, another set of scholars argue that both ideas and interests are important to explain human action. They propose, however, that in order to influence policy, ideas must be embedded in political institutions (Goldstein and Keohane, 1993:20).

Several criticisms can be directed toward cultural approaches of economic development, specially those that entail a sort of cultural determinism. Let me review some shortcomings and flaws of such research programs. A first criticism is the trend of most culturalistic studies to argue that, even though institutions are relevant, they still do depend on culture.<sup>6</sup> For instance, the reinvestment of profits by private agents could find a cultural explanation. A set of scholars have noted that the founders of Korean *chaebols* have channeled back profits and resources back into the company and not diverted such monies to unrelated investments (Steers et al, 1989:31). Conversely, Latin American businessmen prefer to spend their moneys in nouveau-riche mansions, expensive holidays and over-consumption. Before explaining such behaviors by the almighty label of culture, it would be interesting to ascertain whether reinvestment is just a Confucian reaction of patriotism and an inherent desire for saving, or the consequence of the arm-twisting of a powerful Korean state that, among other things, has been responsible for the allocation of credit, the granting of tax exemptions and the provision of import licensing.

Secondly, aside a shaky understanding of institutions, perhaps the most important flaw of the research program of culture is the absence of a historical perspective. Since institutions are explained by culture, history becomes meaningless. Thus, the culturalist model becomes static and inappropriate to explain change over time. For instance, the statement that European Protestant countries grow faster than the Catholics is right for the period 1870-1913, but wrong for 1965-1984, when Catholic countries overperformed the Protestant ones (Inglehart, 1990:58-59). Hence, to have a minimum of academic rigor, any hypothetical correlation between culture (or religion) and economic development must be historically and even socially contingent.

A third flaw of cultural determinism has to do with time lagging. As Chalmers Johnson (1995:40) states: "One of the biggest problems of conceiving Confucius as the god of wealth is timing. In the West, the Protestant Reformation occurred about a century before the appearance of capitalism, thereby suggesting at least the possibility of a superficial correlation. In East Asia, Confucianism developed in the fifth century B.C.; thus it took two and a half millennia before it supposedly fostered any local capitalism."

Fourthly, not even the most ancient and resistant cultures are chemically pure, as some of the most well-known culturalistic pundits would have us believe.<sup>7</sup> For centuries in other developing areas, not only in Asia, native cultures have been exposed to Western cultures via colonization. Contemporary cultures in East Asia and elsewhere are a distinct, peculiar product of the interaction between indigenous and European civilizations. Insofar as development in Asia has taken place in the post-colonial era, it would be interesting to investigate to what extent Western culture ingrained capitalist values to Asian peoples and how the new mix translated into economic growth. In such conditions, it seems difficult to talk about Confucianism without important qualifications. (Wade and Kim, 1977:236; Ajami, 1993:6; Brook and Luong, 1997:13).

Finally, in those societies affected by a process of secularization, culture is not necessarily equal to religion (Inglehart, 1990:49). Moreover, religious and ethnical homogeneity is far from given in Asia; as a matter of fact, not all of the *weltanschauung* of contemporary East Asia can be classified as Confucian. Thailand is Buddhist. Malaysia is Muslim. China, Taiwan and Korea feature combinations of Buddhism, Taoism and Confucianism. Japan is both Buddhist and Shintoist. An increasing and powerful minority in Korea is Christian (Jones and Sakong, 1980; Hofheinz and Calder, 1982; Ellison and Gereffi, 1990). Under these circumstances, it seems rather misleading to synthesize the religious diversity of East Asia in the versatile label of Confucianism. It seems even more risky to hypothesize a linear causality between Confucianism and growth.

In sum, variables such as policy choice, regime type, the international setting and culture do not seem sufficient to explain by themselves economic development. However, the null hypothesis (“x has nothing to do with economic development”) cannot be applied to them. The above factors might integrate a set of independent variables, but they are far from explaining the complexity and richness of economic development.

Therefore, a useful strategy for research would be: 1) to study the interaction of all of the variables; and 2) to analyze the relation of such variables with the national institutions, particularly the state. As I shall try to demonstrate in the paragraphs below, a given country will not be able to take any advantage of liberalization, industrial policies, a favorable international context or some cultural traits prone to development, if the state apparatus is weak, inefficient, disorganized or predatory.

### **III. An alternative and not-so-new explanation: state, good governance and economic development: Mexico and South Korea**

Most of the recent contributions in political economy agree on the significance of institutions for economic development. I subscribe most of them, specially those concerning the crucial role of the state.<sup>8</sup> In this sense, my text does not attempt to be a revolutionary departure from historic institutionalism, with which I am sympathetic and have a substantial intellectual debt. If any, my modest contribution will be to stress some of the crucial factors of an efficient state intervention for economic development.

If, as Peter Hall (1986:4) claims, “economic policy-making must be understood as an essentially political process,” then the state appears as a central piece of economic development. Some decades ago, Hirschman (1958), and Gerschenkron (1962) argued that, in late developers, the state has a key role to play in the organization of economy. In subsequent literature, the efficient intervention of the state in developing economies has been labeled as governed market, government-led development, developmental state, or administration-oriented government. Whatever the term, in the successful experiences of backward countries catching up with industrialized economies, it is possible to find a state that provides society with

strategic visions, leadership, administrative guidance, incentives and even monies (Wade and Kim, 1977; Johnson, 1982, 1987; Amsden, 1989; Wade 1990; Kim and Leipziger, 1994).

The autonomy of the state as a key condition for economic development has been extensively and persuasively discussed in several contributions of political economy. Although I see this debate as critical, I will not exhaust my readers' patience recalling its details.<sup>9</sup> I prefer to employ the following pages emphasizing the relationship between economic growth and the organizational efficiency of the state, defined as the capacity to design and successfully implement a given policy. My point is that, autonomous or not, well-organized and efficient states are likely to feature better interventions than inefficient and disorganized states. Thus, state efficiency and good governance might have an explanatory power of their own, even independently from state autonomy.

Several scholars underline the existence of a modernized and high performing state as a must for economic development. According to them, it is impossible to achieve a remarkable economic performance without a state and a political system that work with a fair degree of quality, efficiency and stability (Israel, 1990:44; Root, 1996:146; Wade, 1995:119). For Chang and Rowthorn (1995) the functions of an efficient state in economic development are, first, to provide a vision that assists economic actors in their planning for the future; a second function is to act as coordinator of different social groups and conflict manager, taking care of social affairs and providing "a governance structure through which risk can be socialized." In other words, an efficient capitalist state should be capable of buffering the turbulence necessarily linked to economic change, and to link up its workings with the working of the markets (Pipitone, 1998:26; Rueschemeyer and Evans, 1985:51).

Additionally to its good organization, a characteristic of the efficient state is hardness, understood not as political authoritarianism or military rule, but as the ability to translate state's decisions into action. According to Gunnar Myrdal, in the hard or strong state "the success of planning for development requires a readiness to place obligations on people of all social strata ... it requires, in addition, rigorous enforcement of obligations, in which compulsion plays a strategic role" (quoted by Jones and Sakong, 1980:133). By contrast, the soft state features many "scattered and undesirable interventions...and too few desirable interventions" (Bardhan, 1997:278). Moreover, this type of state is reactive and vulnerable to economic, societal and political pressures. As a result, policies decided on by the soft state are not often implemented, if they are attempted at all. Examples of hard states can be found in East Asia, Scandinavia, and France; samples of soft states are most of Latin America,<sup>10</sup> Africa and South Asia.

The scarcity of hard and well-organized states poses a cruel paradox and vicious circle: in those developing areas where an efficient state is badly required, the state itself is characterized by its scarce autonomy and capacity to undertake the necessary changes. Sylos-Labini clearly states this point: "public administration reflects

the degree of a given society's development... For this very reason, it is so difficult to start a process of industrial development in contemporary backward economies... The focal point of contradictions is public administration, whose intervention is necessary but whose efficacy is either low or very low" (quoted by Pipitone, 1997:51-52). In order to analyze the quality of the state in Mexico and Korea and its impact on economic development, in the remaining sections of this section I will compare both bureaucracies along four dimensions: 1) the nature and scope of civil service; 2) the organization of developmental and planning institutions; 3) the style of implementation of public policies; and 4) the levels of corruption.

*1. The Mexican state - an overview: Bureaucratic organization and civil service* The very nature of the Mexican political system after 1929 has induced a lack of continuity in the state operation. Despite the permanence of the Partido Revolucionario Institucional (PRI) in office, the combination of a strong presidentialism and a pervasive spoils system elicits high turnover levels and continuous personnel reshuffling. The beginning of any six-year presidential term (*sexenio*), brings an impressive process of circulation of upper-middle and top level bureaucrats, directors of state enterprises, governors and members of parliament. Brandenburg (1964:157) has calculated that every change of *sexenio* turnover affects 18,000 elective offices and 25,000 appointive posts. According to Peter Smith (1979:160-164) turnover among high level officers is about 66 percent. The learning process inherent to this frequent job rotation has to be very expensive for the economy as a whole, leading to diseconomies of scale and to inefficient policy-making in the public sector.

In a typical *sexenio* process, during the two first years, the appointee and his/her clique (*equipo o camarilla*) must get acquainted with an utterly new function and design the policy to be followed. Along the second third of the *sexenio*, these politico-administrative teams should try to implement the designed policy. In the last two years, most of the *equipos'* energies are devoted to presidential succession and obtaining a job in the new administration. Thus, the period for applying any policy (good or bad) is reduced, from the very beginning to just two years -in the best of cases.

The system is efficient in the sense that it maintains political control, but it is economically expensive since such control hinders the continuity of public policies. Insecurity in job provides strong incentives for rent-seeking, shortsightedness and the creation of personal alliances in order to ensure political mobility. From the top to the very bottom, the administrative ladder is crossed by a complex and comprehensive system of patron-client networks. Jobs are a reward offered by the patron to the client in exchange for loyalty and, sometimes, free work.<sup>11</sup> In the absence of tenured posts, it is absolutely rational for the public servants to exhibit more loyalty to the boss and clique, than to the country/state, a notion that appears too vague for them (Scott, 1974:381; Grindle, 1977:10,29; Kelley, 1981:8). In *camarillas*, confidence is weighted over competency and loyalty is valued over skill (Bailey, 1988:77; Pardo, 1989:24). Accordingly, recruitment of public servants is mostly undertaken via leverage

(*palancas*); in Greenberg's magistral formulation, "who one knows" is at least as important as "what one knows" (1970, chap. 7).

In *The Making of Modern Mexico*, a classical work published in 1964, Frank Brandeburg wrote that the introduction of a civil service should be one of the two priorities of the Mexican regime (p. 12). Despite this assertion, the impulse for a true and comprehensive administrative reform has been rather weak. The civil service is bounded either to the lower echelons of public administration, or to ministries or agencies such as Foreign Affairs and the armed forces. As in some other Latin American countries, there is a dual structure where a minority of meritocratic agencies ("pockets of efficiency") coexist with a vast majority of dependencies where patronage, unwritten rules and "institutionalized favoritism" are the order of the day. This duality tends to undermine, in the long run, the functional efficiency of the public policy as a whole (Smith, 1998:63).<sup>12</sup>

This is not to say that administrative capabilities are in short supply within Mexican bureaucracy. In fact, the educational levels of top officers could be compared to any governmental elite, even in the developed world. Moreover, from the 1940s on, the ability of the Mexican government to undertake monetary, trade and credit policies augmented steadily (Vernon, 1963:178). The same can be said about foreign policy, education, irrigation, transportation and other endeavors. As Peter Smith (1998) observes, the recruitment of top officers in Mexico and Latin America takes place in the most capable and well-trained segments of society. Thus, the problem does not stem from the skills of officers, but from the innards of the politico-bureaucratic system.

*Planning institutions.* Historically, planning institutions in Mexico have been rather weak, and the coordination of the agencies involved in the follow-up of the plans has been deficient. Unlike Korea and most East Asian countries, in Mexico the planning, implementation and evaluation of public policies is fragmentary. A quick description of Mexican planning institutions will illustrate my point.

In the 1950s the Investment Commission (Comisión de Inversiones) set some priorities and suggested the allocation of public resources, but did not establish specific goals. In the administration of president López Mateos (1958-1964) the Commission acquired the rank of a Ministry (Secretaría de la Presidencia, SP); purportedly, SP would introduce central planning, but its success was rather modest (Vernon, 1963:115; Martínez del Campo, 1985: 312-324; Bailey, 1988:69). In the López Portillo's reform, undertaken in 1976-1982, SP became the Ministry of Budget and Planning (Secretaría de Programación y Presupuesto, SPP), with functions of planning, budgeting and evaluation. Notwithstanding its political importance (two presidents, Miguel de la Madrid and Carlos Salinas were heads of the Ministry), SPP disappeared in 1993.

The history of Mexican planning institutions is not precisely successful. SP was never accepted by the private sector. Neither SP nor SPP were palatable to other bureaucratic organizations within Mexican government, specifically to the Ministry of

Finance (Secretaría de Hacienda y Crédito Público, SHCP). For instance, an overt and continuing conflict between SPP and SHCP delayed the formation of the six-year development plan of López Portillo's *sexenio*. When the plan was finally launched, in April 1980, there were just two years left for the administration (Bailey, 1988:71).

Even during its golden years, SPP was far from having neither the formal powers nor the strategic vision of Japanese Ministry of Industry and Technology (MITI) or the Korean Economic Planning Board (EPB).

*Implementation of public policies.* As Caiden and Wildavsky (1974) have persuasively argued, developing countries often design ambitious plans that, after a while, succumb to corruption and to the erosion of the original goals. This is the case of Mexico, where public policies undergo the following pattern: 1) spectacular initiation; 2) gradual relaxation of the policy due to the lack of resources, the scarce interest of the officers, the reluctance to affect vested interests, or the deficient coordination among the entities in charge of implementation; 3) change of administration; 4) silent and *de facto* end of the policy; and 5) new policy with spectacular initiation.

The design and implementation of several public policies in Mexico depicts a historically inefficient and soft state. Confusing the accident with the substance, the shift from ISI to a export-led growth policy in the 1980s and 1990s brought an attack to the "populist politics." However, this attack was met with the harassment of the state as such and was generally welcome by Mexican civil society because it emphasized the most wicked features of the Mexican state. In the explicit logic of neoliberal policy makers, eliminating ISI and reducing the size of the overgrown *Leviathan* would automatically improve its performance; corruption, disorganization and misallocation of resources would automatically come to a halt. The motto "governs best who governs least" seem to become the order of the day in Mexico.<sup>13</sup> Has a true reform of the state really occurred? Both from the point of view of the theory and the practice, several criticisms can be made to the reform of the state understood simply as downsizing. I shall underline just two facts, one quantitative and the other qualitative.

From a quantitative point of view, the neoliberal diagnose of an oversized Mexican public sector is mislead. Even in 1975, during the zenith of the administration of president Luis Echeverría (for many, the quintessential populist politician), "total public sector spending as percentage of GDP in Mexico was 16.7 percent, compared to an average of 29.3 percent for eight industrialized nations and 23.0 percent for sixteen developing countries." (Story, 1986:48) Currently, the percentage public expenditure/GDP is about 17 percent in both Mexico and Korea, and 20 percent in Brazil and Singapore (Pipitone, 1998:70).

From a qualitative perspective, cutting the public sector size has not been enough to modernize it. However thin and small the bureaucracy might be, if administrative styles are not reformed, the state will remain inefficient and soft. Despite the modernizing rhetoric, the face that was shown during the Salinas' *sexenio* in Mexico was that of "traditional politics," unwritten rules and patrimonialism. The same can be said about such "modernizers" as Collor in Brazil, Menem in Argentina or Fujimori in Peru.

*Corruption.* Mexican state's performance has been affected to the extent that bureaucracy has fulfilled self-aggrandizing functions. Generally speaking the state apparatus has been used to create networks of political patronage and economic power. As Huntington (1968:66-67) has explained, "...in modernizing countries politics becomes the road to wealth and those enterprising ambitions and talents which cannot find what they want in business may yet do so in politics... the principal purpose of politics becomes not the achievement of public goals but the promotion of individual interests."

As time passes, corruption seems to have become a focal point of a political class that Brandenburg (1964:3) named, in a felicitous label, the "Revolutionary Family" or that Hansen more bluntly called *La Cosa Nuestra* (1971:124). However, one must acknowledge that corruption does not exclusively arise from the state. William Glade (quoted by Vellinga, 1998:13) has identified a Latin American "tradition of rent-seeking in which business profits derive not from innovation and production efficiency but from things such as the manipulation of returns on capital by government regulations, favoritism in government spending and preferential tax treatment." As in other Latin American and East European countries after neoliberal reforms, these arrangements create private but not social returns, and do not lead to a mature market system. Instead, they can be interpreted as "political capitalism" (Schneider, 1988:91) or "pseudocapitalism" (Amsden et al., 1994:114).

If Mexico and other countries want to abandon pseudocapitalism and embrace a true capitalist development, the reform of the state will have to deal with qualitative issues, such as the strengthening of public institutions, the design of mechanisms for accountability, the installation of an efficient and competent civil service, the reduction of high turnover rates and the setting of devices to curb corruption and executive discretion (Vellinga, 1998:12).

While badly necessary, a deep reform of the Mexican state has not been pursued by the major political actors because, aside from being costly politically, it is not profitable for them in the short run. A successful and comprehensive reform would be, without any doubt, a public good, but nobody seems to have the incentives to seriously incorporate it to the political agendas (Haro Bélchez, 1989; Geddes, 1994).

Being an objective that requires a long-term perspective and might have destabilizing consequences for the rulers themselves, the reform of the state is too complicated to be attempted. The challenge usually is left *para mañana*.

## *2. The Korean bureaucracy: a brief analysis*

The workings of the Korean state offer arguments for thinking about state efficiency not only as a problem of size, but mostly of quality. The Korean experience provides a nice laboratory to analyze the impact of the state in economic development.

### *Bureaucratic organization and civil service.*

The strengthening of a bureaucratic system mostly based on merit (not on spoils or seniority) as well as the setting of clear rules of the game, transparent promotion mechanisms and a shared sense of purpose and mission have acted as powerful devices to attract young talents to the Korean government. In fact, civil service in Korea has deep historical roots. From the times of the long-lasting Silla dynasty (57 B.C.-935 A.D.), the civil service examinations (*kwago*) were a means of improving social mobility of learned but poor young people (Kim and Cho, 1972:91). The Yi Dynasty, which began in 1392 and lasted for 500 years, adopted a bureaucratic system inspired in Confucian canons. In Japanese colonization (1910-1945) Korean bureaucracy was substituted by the colonial rulers. From 1946 to 1960, the Korean administration worked, in fact, as a spoils system.

In the 1960s, immediately after president Park Chung Hee seized power, Korea embarked on a comprehensive effort of institutional reform and modernization of the state. Together with the creation of such institutions as the EPB and the National Taxation Administration Office, a set of development banks and trade promotion agencies were settled, and commercial banks underwent a *de facto* privatization. Additionally, mandatory retirement was enforced for the entire top tier of public officers; harsh civil service examinations were reinitiated in order to join the administration;<sup>14</sup> and tenure in job for public servants and a system of promotions based on performance were designed. Park installed plenty of retraining centers for the bureaucrats and new techniques of administration were taught in the courses (Hahn-Been, 1968:123). All of the ministries were induced to introduce long-term frames in the design of their activities.

At present, in the higher levels of Korean administration, civil service examinations are designed and graded by the Cabinet Administration Ministry (Kim and Cho:92). In Japan, Taiwan, Malaysia and Hong Kong, there are similar autonomous bodies, whose neutrality and professionalism assures a fair recruitment. In Korea, like these other countries, the comprehensive reform of the public sector came before any project of the market. Institutional innovation preceded economic development.

*Planning institutions.* The paradigm of the efficient Korean institution for planning is the EPB. Founded in 1961, this extremely powerful Ministry is headed by the Deputy

Prime Minister. The functions of EPB resemble those of MITI in Japan and of the Industrial Development Bureau in Taiwan: elaboration of five-year plans; control over subsidies, foreign exchange and import licensing; preparation and supervision of governmental budget; elaboration of census and national accounts; coordination of policies among economic ministries, and evaluation of programs' implementation (Wade and Kim, 1977: 227-228; Wade, 1990:224; Kim and Leipziger, 1993:29; Root, 1996:20). The concentration of planning, budgeting and evaluation functions in a single institution avoids coordination problems and may reduce transaction costs.

Conversely to Mexico, the Korean bureaucracy has been able to foster a long-term vision for economic development because by not depending on political fluctuations, the labor stability of their members is assured and the turnover rate is relatively small. Incentives for merit and long-term vision favor the continuity of public policies, and bureaucracy seldom succumb to the short-sighted demands of different groups. As Hofheinz and Calder (1982:26) say for East Asia: "Government provides ... economies with strategic direction that is absent in the West...the bureaucratic elite of planners, economists, bankers, and administrators...help politicians to think strategically about the future. Without career bureaucrats, East Asian development would have been more sporadic and less substantial." Whereas in Latin America pork-and-barrel politics tends to permeate public administration, in East Asia bureaucracy prevails over short-term politics.

*Implementation of public policies.* Regardless of its dimensions, the state in East Asia has been rather efficient not only at planning public policies but especially at implementing them. One after another, most of the five-year plans initiated in 1960 have over-fulfilled most of their original targets (Jones and Sakong, 1980:47-58; Johnson, 1987:142). It is a consensus that planning mechanisms and correct implementation are two central features that distinguish the Korean development experience from the bulk of Third World countries (Wade and Kim, 1977:175; Kuznets, 1994:112).

The Korean state apparatus is close to the ideal type of a rational Weberian bureaucracy. Moreover, it features Schumpeterian characteristics such as the provision of the requirements for improving the innovation, entrepreneurship and international competitiveness of private agents (Jessop,1993:9). The Weberian-Schumpeterian state in Korea has retained its minimal functions, such as providing public goods and guaranteeing the property rights and security of the citizens. At the same time, it performs "auxiliary functions," which include the promotion of missing markets, the compensation of market failures or imperfections, the allocation of credit, the design of industrial policies, the promotion of scientific and technological capabilities, the mobilization of entrepreneurial capacities and the creation of mechanisms of analysis, dialogue and policy formation with private actors.

*Corruption.* According to surveys conducted by Transparency International and the World Economic Forum (quoted by Root, 1996:xv), the levels of corruption in East Asia and Korea rank among the lowest in the developing world.<sup>15</sup> The developmental policies in Korea implied the utilization of a vast array of mechanisms which could have created extensive rent-seeking. Nonetheless, the uniqueness of the Korean experience “is that the discretionary controls are administered in such a way as not to seriously impede the progress of business” (Jones and Sakong, 1980:139).

The one-million-dollar question is how this achievement has been possible, especially when salaries in the Korean public sector are half of those in the private sector. For Wade (1990, 1995), the relative accountability and lack of corruption in Japan, Taiwan and Korea is explained by the mass media’s permanent attention to scandals of corruption, by the periodical monitoring that research and service agencies practice to officials, and by the awareness of university students. For Evans (1989), the secret dwells in “embedded autonomy,” a fluent and mutually supporting relationship between state and business. For Kim and Leipziger(1993:32), “the most effective penalty has been the social disgrace of being dismissed for wrongdoing.” For Root (1996), to secure political survival, political parties check closely bureaucratic performance and the day to day behavior of public officers. For Hofheinz and Calder (1982:45) and Pipitone (1997:75) the notion of the Mandate of Heaven obliges rulers to be responsive of people’s needs, and it is an invisible but efficient device that assures good behavior. For Ronald Dore (1990:360), Asian societies’ low tolerance for corruption stems from the public feeling that corruption itself hurts the overriding national interest. From an institutionalist point of view, however, it could be argued that honesty springs from the fear of punishment, and from the massive purges of officers frequently undertaken in Korea, Taiwan, China and Singapore.

Whatever the reason of this uncommon feature, Korea is a good example that “the kind of autonomy that actually contributes to better economic performance is not autonomy from interest groups but instead autonomy from politically motivated pressures to distribute the resources needed for effective policy-making and implementation” (Geddes, 1984:82). In sum, the relatively good organization, hardness and efficiency, as well as the moderate corruption of the Korean state look like major contributors to economic development.

### **Some concluding remarks**

Unlike Latin America, East Asia has been able to achieve growth with distribution from the 1950s onward. Notwithstanding its current economic crisis, East Asia embodies one of the most interesting cases of economic development in the XX century. Although Latin America also achieved extraordinary rates of economic growth from the 1950s to the end of the 1970s, it was not able to successfully combine growth and distribution. The situation became even worse in the so-called “lost decade” of the 1980s, when the Latin American gap vis a vis the industrialized and East Asian countries broadened.

The explanations of any experience of economic development are, at the same time, diverse and inconclusive. As tools for economic analysis, both development economics and political economy are quite interesting but often frustrating and misleading. Unfortunately for the advocates of liberal economics, the same can be said about classical, depoliticized and purely quantitative approaches. Despite several attempts aimed at constructing parsimonious theories of development, deductive explanations are always scanty and frequently contingent to history and society. Therefore, it is extremely difficult to postulate sufficient conditions for economic development, but it is also risky to plainly reject the purported influence of any independent variable. In this article I have not denied the relevance of policy choice, regime type, international conditions and culture in the explanation of economic success, but I have underlined some methodological flaws that call into question the universal applicability of such approaches.

Regarding culture, most of the contemporary contributions tend to underestimate its relevance in the explanation of economic development. I would not dare to completely endorse such views. However, it is very difficult to find a clear, direct cause-consequence link between both variables. The proposition of culture as *the* independent variable of economic development is hard to operationalize and, if stated without qualifications, easily becomes a canard. Grand theories that see culture as an almighty and unidirectional explanation are subject to a myriad of criticisms which I have summarized in the body of the article (among others, ahistoricity, circularity, confusion of culture with religion, lack of understanding of the role of institutions in economic development). In this sense, theories of culture as the only basis of economic development are not Confucianist but *Confusionist*.

With the support of an important and well-known body of literature on political economy, this article has proposed bureaucratic efficiency as a sine qua non condition in the process of economic development. In order to support this argument, I have compared state organization, civil service, the design and implementation of public policies, and corruption in Mexico and Korea. Certainly my initial findings are rather descriptive and far from deductive. I have glanced, however, a close correlation between economic development and bureaucratic efficiency. This is not the only correlation in economic development, and certainly it deserves further measurement. I do bet, however, that this kind of statistical and cross-country work would show at least a significant correlation between the two variables.

## **REFERENCES**

Ajami, Fouad. 1993. "The Summoning: 'But They Say, We Will not Harken'." Foreign Affairs, 72 (4).

Amsden, Alice. 1989. Asia's Next Giant: South Korea and Late Industrialization. New York: Oxford University Press.

- Amsden, Alice, Jacek Kochanowics and Lance Taylor. 1994. "From Pseudosocialism to Pseudocapitalism." In Internationale Politik und Gesellschaft, 2.
- Bailey, John J. 1988. Governing Mexico: The Statecraft of Crisis Management. New York: St. Martin's Press.
- Balassa, Bela. 1981. "The Process of Industrial Development and Alternative Development Strategies." In The Newly-Industrializing Countries in The World Economy, New York: Pergamon.
- Bardhan, Pranab. 1997. "The Political Economy of Development Policy: An Asian Perspective." In Louis Emmerij, ed., Economic and Social Development into the XXI Century. Washington, D.C.: Inter-American Development Bank.
- Brandenburg, Frank. 1964. The Making of Modern Mexico. Englewood Cliffs, N.J.: Prentice Hall.
- Bresser Pereira, Luiz Carlos. 1993. "Economic Reform and Economic Growth: Efficiency and Politics in Latin America." In Luiz Carlos Bresser Pereira, Adam Przeworski and José María Maravall, eds., Economic Reform in New Democracies. A Social-Democratic Approach. Cambridge and New York: Cambridge University Press.
- Brook, Timothy and Luong, Hy V., eds., 1997. Culture and Economy: The Shaping of Capitalism in Eastern Asia. Ann Arbor: The University of Michigan Press.
- Bustelo, Pablo. 1994. La industrialización en América Latina y Asia Oriental: Un estudio comparado de Brasil y Taiwán. Madrid: Editorial Complutense.
- Caiden, Naomi, and Aaron Wildavsky. 1974. Planning and Budgeting in Poor Countries. New York: Wiley.
- Campos, José Edgardo and Hilton L. Root. 1996. The Key to the Asian Miracle: Making Shared Growth Credible. Washington, D.C.: The Brookings Institution.
- Camps, Mauricio and Carlos Noriega Curtis. 1994. "Civil Service in Mexico," In Shahid Amjad Chaudry; Gary James Reid, and Waleed Haider Malik, eds., Civil Service Reform in Latin America and the Caribbean. Washington, D.C.: The World Bank.
- Chang, Ha-Joon, and Robert Rowthorn. 1995. "Role of the State in Economic Change: Entrepreneurship and Conflict Management." In Ha-Joon Chang and Robert Howthorn, eds., The Role of the State in Economic Change. Oxford: Clarendon Press.
- Cole, David C., and Park Yung Yul. 1983. Financial Development in Korea, 1945-1978. Cambridge: Harvard University Press.
- Cumings, Bruce. 1987. "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences." In Frederic Deyo, The Political Economy of the New Asian Industrialism. Ithaca: Cornell University Press.
- Deyo, Frederic C., ed., 1987. The Political Economy of the New Asian Industrialism (Ithaca: Cornell University Press).

- Dore, Ronald. 1990. "Reflections on Culture and Social Change." In Gary Gereffi and Donald L. Wyman, eds., Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia. Princeton: Princeton University Press.
- Ellison, Christopher and Gary Gereffi. 1990. "Explaining Strategies and Patterns of Industrial Development" In G. Gereffi and D. Wyman, eds., Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia. Princeton: Princeton University Press.
- Evans, Peter and John D. Stephens. 1988. "Studying Development since the Sixties. The Emergence of a New Comparative Political Economy." Theory and Society, 17.
- Fajnzylber, Fernando. 1990. Unavoidable Industrial Restructuring in Latin America. Durham and London: Duke University Press.
- Friedman, Milton and Rose. 1980. Free to Choose. New York: Harcourt Brace Jovanovich.
- Geddes, Barbara. 1994. Politician's Dilemma: Building State Capacity in Latin America. Berkeley and Los Angeles: University of California Press.
- Gerschenkron, Alexander. 1962. Economic Backwardness in Historical Perspective: Cambridge: Harvard University Press.
- Goldstein, Judith and Robert Keohane, eds., 1993. Ideas and Foreign Policy: An Analytical Framework. Ithaca: Cornell University Press.
- Grindle, Merilee Serril. 1977. Bureaucrats, Politicians and Peasants in Mexico: A Case Study in Public Policy. Berkeley and Los Angeles: University of California Press.
- Hahn Been, Lee. 1968. Korea: Time, Change, and Public Administration. Honolulu: University of Hawaii Press.
- Haggard, Stephan. Pathways from the Periphery: The Politics of Growth in the Newly Industrialized Countries (Ithaca: Cornell University Press, 1990).
- Haggard, Stephan, and Tun-jen Cheng. 1987. "State and Foreign Capital in the East Asian NICs." In F. Deyo, ed., The Political Economy of the New Asian Industrialism. Ithaca: Cornell University Press.
- Hall, Peter. 1986. Governing the Economy: The Politics of State Intervention in Britain and France. New York: Oxford University Press.
- Hansen, Roger D. 1971. The Politics of Mexican Development. Baltimore and London: The Johns Hopkins University Press.
- Haro Bélchez, Guillermo. 1989. "El servicio de carrera y los servidores públicos." In Víctor Bravo Ahuja, ed., Tendencias contemporáneas de la administración pública. Mexico: Editorial Diana.

- Harrison, Lawrence. 1985. Underdevelopment is a State of Mind: the Latin American Case. (Maryland: Harvard University Press).
- Hirschman, Albert. 1958. The Strategy of Economic Development. New Haven: Yale University Press.
- Hofheinz, Jr., Roy and Kent E. Calder. 1982. The Eastasia Edge. New York: Basic Books.
- Huntington, Samuel P. 1968. Political Order in Changing Societies. New Haven and London: Yale University Press.
- Inglehart, Ronald. 1990. Culture Shift in Advanced Industrial Society. Princeton: Princeton University Press.
- Israel, Arturo. 1990. "El cambiante rol del Estado: dimensiones institucionales." CLAD: Selección de documentos clave, 7 (1).
- Janelli, Roger L. 1993. Making Capitalism: The Social and Cultural Construction of a South Korean Conglomerate. Stanford: Stanford University Press.
- Jessop, Bob. 1993. "Towards a Schumpeterian State? Preliminary Remarks on Post-Fordist Political Economy." Studies in Political Economy, 40.
- Johnson, Chalmers. 1982. MITI and the Japanese Miracle: the Growth of Industrial Policy: 1925-1975. Stanford: Stanford University Press.
- \_\_\_\_\_. 1986. "The Institutional Foundations of Japanese Industrial Policy." In Claude Barfield and William A. Schambra (eds). The Politics of Industrial Policy. Washington, D.C.: The American Enterprise Institute.
- \_\_\_\_\_. 1987. "Political Institutions and Economic Performance: the Government-Business Relationship in Japan, South Korea, and Taiwan." In F. Deyo, ed., The Political Economy of the New Asian Industrialism. Ithaca: Cornell University Press.
- \_\_\_\_\_. 1995. Japan. Who Governs? The Rise of the Developmental State. New York and London: W.W. Norton.
- Jones, Leroy P. and Il Sakong. 1980. Government, Business, and Entrepreneurship in Economic Development: The Korean Case. Cambridge: Harvard University Press.
- Kelley, Guillermo. 1981. "Politics and Administration in Mexico: Recruitment and Promotion of the Politico-Administrative Class." Mexican Forum, 1 (4).
- Kim, Kihwan and Danny M. Leipziger. 1993. Korea: a Case of Government-Led Development. Washington, D.C.: The World Bank.
- Kim, Se-Jin and Chang-Hyun Cho. 1972. Government and Politics of Korea. Silver Spring, Maryland: The Research Institute on Korean Affairs.

Krueger, Anne O. 1980. "Trade Policy as an Input to Development." American Economic Review, 70 (2).

\_\_\_\_\_. 1985. "The Experience and Lessons of of Asia's Super Exporters." In Vittorio Corbo, Anne O. Krueger and Fernando Ossa, eds., Export-Oriented Development Strategies: The Success of Five Newly Industrialized Countries. Boulder, Co.: Westview Press.

Krugman, Paul. 1994. "The Myth of Asia's Miracle." Foreign Affairs, 73 (6).

Kuznets, Paul W. 1994. Korean Economic Development. An Interpretive Model. Westport, CT. and London: Praeger.

Lal, Deepak, 1983. The Poverty of Development Economics. London: IEA.

Lipset, Seymour Martin. 1993. "The Centrality of Political Culture." in Larry Diamond and Marc F. Plattner, The Global Resurgence of Democracy. Baltimore and London: The Johns Hopkins University Press.

Maddison, Angus. 1989. The World Economy in the 20th Century. Paris: OECD.

\_\_\_\_\_. 1991. Historia del desarrollo capitalista: Sus fuerzas dinámicas. Barcelona: Ariel.

Martínez del Campo, Manuel. 1985. Industrialización en México. Hacia un análisis crítico. México: El Colegio de México.

Pardo, María del Carmen. 1989. "Neutralidad o compromiso de los funcionarios públicos." In Víctor Bravo Ahuja, ed., Tendencias contemporáneas de la administración pública. Mexico: Editorial Diana.

Pipitone, Ugo. 1997. Tres ensayos sobre desarrollo y frustración: Asia Oriental y América Latina México: CIDE-Miguel Angel Porrúa.

Przeworski, Adam. 1992. "The Neoliberal Fallacy." Journal of Democracy, 3 (3).

Pye, Lucian W. 1985. Asian Power and Politics: The Cultural Dimensions of Authority. Cambridge and London: The Belknap Press of Harvard University Press.

Remmer, Karen L. 1986. "The Politics of Economic Stabilization: IMF Standby Programs in Latin America, 1954-1984." Comparative Politics, 19 (1).

Root, Hilton L. 1996. Small Countries, Big Lessons: Governance and the Rise of East Asia. New York: Asian Development Bank and Oxford University Press.

Rueschemeyer, Dieterich and Peter Evans. 1985. "The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Analysis of the Conditions Underlying Effective Intervention." In Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, eds., Bringing the State Back In. Cambridge and New York: Cambridge University Press.

- Sakong, Il. 1993. Korea in the World Economy. Washington, D.C.: Institute for International Economics.
- Schneider, Ben Ross. 1988. "Partly for Sale: Privatization and State Strength in Brazil and Mexico." Journal of Interamerican Studies and World Affairs, 30 (4).
- Scott, Robert E. 1974. "Politics in Mexico." In Gabriel Almond, ed., Comparative Politics Today: A World View. Boston: Little, Brown.
- Singh, Ajit. 1997. "Catching Up with the West: A Perspective on Asian Development and Lessons for Latin America." In Louis Emmerij, ed., Economic and Social Development into the XXI Century. Washington, D.C.: Inter-American Development Bank.
- Skocpol, Theda. 1985. "Bringing the State Back In: Strategies of Analysis in Current Research." In Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, eds., Bringing the State Back In. Cambridge and New York: Cambridge University Press.
- Smith, Peter H. 1979. Labyrinths of Power. Political Recruitment in Twentieth-Century Mexico. Princeton: Princeton University Press.
- \_\_\_\_\_. 1998. "The Rise and Fall of the Developmental State in Latin America." In Menno Vellinga, ed., The Changing Role of the State in Latin America. Boulder, Co.: Westview Press.
- Steers, Richard M., Yoo Keun Shin and Gerardo R. Ungson. 1989. The Chaebol. Korea's New Industrial Might. New York: Harper Business.
- Story, Dale. 1986. Industry, the State and Public Policy in Mexico. Austin: University of Texas Press.
- Taylor, Lance. 1988. Varieties of Stabilization Experience. Towards Sensible Macroeconomics in the Third World. Oxford: Clarendon Press.
- Trejo Reyes, Saúl. 1987. El futuro de la política industrial en México. México: El Colegio de México.
- United Nations Development Program (UNDP). 1994. Human Development Report, 1994. New York and Oxford: Oxford University Press.
- Vellinga, Menno. 1998. "The Changing Role of the State in Latin America" In M. Vellinga, ed., The Changing Role of the State in Latin America. Boulder, Co.: Westview Press.
- Vernon, Raymond. 1963. The Dilemma of Mexico's Development: The Roles of the Private and Public Sectors. Cambridge: Harvard University Press.
- \_\_\_\_\_. 1966. "International Trade and International Investment in the Product Cycle." The Quarterly Journal of Economics, LXXX.

Wade, L.L. and Bong Sik Kim. 1977. The Political Economy of Success. Public Policy and Economic Development in the Republic of Korea. Seoul: Kyung Hee University Press.

Wade, Robert. 1990. Governing the Market. Princeton: Princeton University Press.

\_\_\_\_\_. 1995. "Resolving the State-Market Dilemma in East Asia." In Ha-Joon Chang and Robert Rowthorn, eds., The Role of the State in Economic Change. Oxford: Clarendon Press.

Weber, Max. 1951. The Religion of China. Glencoe, Ill.: Free Press.

World Bank. 1993. The East Asian Miracle. Oxford: Oxford University Press.

---

<sup>1</sup> Economic development means much more than a sustained GDP growth. As far as the economy should be at the service of men and not the other way around, an integral concept of development ought to melt economic performance, income distribution and quality of life. It is important to underline that this concern about equity and human development should not be understood only on ethical but also on purely economic grounds.

<sup>2</sup>For this article's purposes, I shall concentrate in the so called New Industrializing Economies (NIEs) or New Industrializing Countries (NICs) in both East Asia and Latin America. Thus, with some explicit exceptions, I shall be comparing South Korea (henceforth referred as Korea), Hong Kong, Singapore and Taiwan with Argentina, Brazil and Mexico. The fact that explains the permanence of the terms Latin America and East Asia along the paper is just an operational difficulty for disaggregating many of the available regional data. Hence, several generalizations persist in the paper, but some specific examples are provided, plenty of clarifications are made, and fine-grained analyses are constantly delineated on a country-by-country basis.

<sup>3</sup>As Sakong (1993:43) observes: "Korea's trade regime was both outward looking on the export side and restrictive in the import side." Indeed, as recently as 1982, the rate of effective protection in the Korean manufacturing industry was 49 percent, which is high by any international standard (Wade, 1990:19).

<sup>4</sup>In this paper, I adopt the definition of culture as "a system of attitudes, values, and knowledge that is widely shared within a society and transmitted from generation to generation"(Inglehart,1990:18). In some cases, I use the term culture as a synonymous of ideology, values, ideas, and political culture.

<sup>5</sup> It is interesting to note that some of the authors that in the 1950s predicted a long-lasting East Asian stagnation due to the Confucian tradition, now employ Confucian traits to explain economic growth. Weber himself wrote a book which explained China's backwardness as a consequence of Confucianism (Weber, 1951). In turn, Fairbank and Reischauer (quoted by Brook and Luong, 1997:5) depicted China and Japan as backward societies that had to be modernized (read Americanized) if they wanted to prosper.

---

<sup>6</sup>The propension of certain scholars to posit culture as the basis of economic and political phenomena is ironically expressed by the following phrase of Paul Rosenstein-Rodan: “When doctors do not know what caused an illness, they call it psychosomatic; when economists cannot explain a phenomenon, they call it social or cultural” (quoted by Sakong, 1993:23).

<sup>7</sup>According to Lucian Pye (1985:20), “Culture is a remarkably and persistent factor in human affairs...People cling to their cultural ways not because of some vague feeling for their historical legacies and traditions, but because their culture is part and parcel of their personalities.”

<sup>8</sup>Before advancing beyond this point, it is necessary to offer a definition of the state. For the purposes of the present document, by state I mean “a set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force.” (Rueschemeyer and Evans, 1985:47). Although this definition neglects the idea of the state as a class instrument, as a juridical entity or as an institution determined and constrained by the international system, it has the advantage that facilitates the study of the impact of public policies on economic development.

<sup>9</sup>On this debate, see for instance Skocpol (1985).

<sup>10</sup>According to Peter Smith (1998:69), the developmental state in Latin America was close to materialize in the cases of Brazil under the military regime started in 1964, Chile under Augusto Pinochet (1973-1988), and Mexico during the golden years of PRI. Despite such attempts, Smith acknowledges, no Latin American country has been able to build a state that resembles the hardness and efficiency of the East Asian prototype.

<sup>11</sup>In many cases, public employment is seen as a sinecure. As Hirschman states in a magisterial portrait, jobs in Latin American public sectors have worked for the politicians as “an excellent refuge from which to make a last-ditch stand for their right to a quiet, incompetent existence” (Hirschman, 1958:154). Mexico is everything but an exception.

<sup>12</sup>It is not easy to demonstrate empirically that civil services are closely linked to economic development. However, Barbara Geddes has shown that in Brazil insulated and meritocratic “pockets of efficiency” usually perform far better than those agencies staffed with politicians. Indeed, the meritocratic segment of government is seen as the “responsible for the policies leading to Brazil’s most impressive economic gains prior to 1964” (Geddes, 1994:20; 68-69).

<sup>13</sup>A nice exposition of the minimal state as an article of faith is found in the following apology of the downsizing of bureaucracy in Carlos Salinas’ administration: “On the whole, divestiture has allowed a reduction in the public sector parastatal entities, from the 1,155 operating in 1982 to 214 now (i.e., in 1994)...As a consequence of divestiture, the participation of state-owned enterprises in total production has declined from nearly 25 percent of GDP in 1983 to 14.1 percent of GDP in 1990. In terms of employment, almost 250,000 public sector employees have been transferred to the private sector” (Camps and Noriega Curtis, 1994:232). One might ask the classical social scientist question: And so what? The above discourse lacks a causal explanation of why the privatization of public

---

entities and the euphemistic “transfer of public servants to the private sector” should benefit the Mexican economy as a whole. Downsizing and privatization are conceived as ends by themselves, rather than as means for something else -ideally, economic development.

<sup>14</sup>According to Kim and Leipziger (1993:30), between 1965 and 1985 only 2 600 out of 157 000 candidates approved the civil service examinations. Needless to say, most of them were highly qualified candidates.

<sup>15</sup>Not all of the analysts agree on the low levels of corruption in East Asia. Chalmers Johnson (1995:49) refers to “endemic corruption” in Korea and Taiwan, while Kim and Cho (1972:102) argue that the discretionary nature of the Korean political system and the low remuneration of civil servants contribute to widespread corruption and to the lack of accountability of the public apparatus. One thing, however, is sure: whatever its pervasiveness, corruption has not hindered East Asian development. Wade (1990:289) sheds further light on the subject: “Corruption on public works projects... occurs in Taiwan (also Korea) mainly through overcharging for correctly built structures. In India it occurs mainly by sub-standard construction of correctly priced structures, which are that much likely to wash out in the next monsoon.”