

TAIWAN'S DISTORTED DEMOCRACY IN COMPARATIVE PERSPECTIVE

Cheng-Tian Kuo

Department of Political Science, National Chengchi University, Taipei, Taiwan. rth Texas,

Denton, TX 76 203-5340, U.S.A. and Karl Ho, Computing Center and Department of Political

Science, University of North Texas

ABSTRACT

Many scholars have lauded Taiwan's successful democratization as a "political miracle," parallel to its well-known "economic miracle" of the 1960s and 1970s. This paper argues, however, that the fulfillment of formal, procedural conditions of democracy conceals the development of a distorted democracy in Taiwan. An iron rectangle of the state, the ruling party, local factions, and conglomerates have gradually dominated Taiwan's political economy at the expense of distributional equality and economic efficiency. In addition to the analysis of these four institutions, this paper extends the neo-institutional analysis to a comparison with the cases of Korea and Japan. These cross-country comparisons disclose the gradual convergence of the Taiwanese case with the Korean and Japanese models.

Since the lifting of martial law in 1987, Taiwan has made remarkable progress in democratization. Because of the improvement of civil liberties and political rights, Taiwan finally received the status of "free country" in a 1997 Freedom House publication. Many scholars have lauded Taiwan's political achievement as a "political miracle," parallel to its well-known "economic miracle" of the 1960s and 1970s. However, the fulfillment of formal, procedural conditions of democracy conceals the development of a distorted democracy in Taiwan, where an iron rectangle of the state, the ruling party (Kuomintang, or KMT for short), local factions, and conglomerates have gradually dominated the political economy at the expense of the public. In this paper, I argue that a new institutional approach with a balanced focus on state and social institutions can provide a better analysis of Taiwan's political economy than the current state-centered approach. A new institutional analysis reveals that Taiwan's democratic consolidation has led to the institutionalization of a distorted democracy and resulted in distributional inequality and economic inefficiency.

The second section of this paper will enumerate the achievement and distortion of Taiwan's democratization in the past decade. The third section explains the new institutional approach of this paper. The fourth section traces the evolution of the four major institutions in Taiwan and assesses their impact on distribution and efficiency. The fifth section compares Taiwan's case with those of

Korea and Japan and suggests that the Taiwanese case seems to converge with its East Asian brethren. The last section concludes the analysis and discusses theoretical implications.

Democratic Achievement and Distortion

By various standards, Taiwan can proudly claim to be a legitimate member of the democratic club. Robert Dahl suggests seven criteria of democracy (or seven "institutions of polyarchy") which are: elected officials in control of government decisions, free and fair elections, inclusive suffrage, the right to run for office, freedom of expression, alternative information and associational autonomy (Dahl 1993). Scholars working on democratization have employed Dahl's criteria as the "minimum standards" for a consolidated democracy (Friedman 1994; Valenzuela 1992). By 1997, Taiwan had fulfilled all seven criteria.

Elected Officials

Before martial law was lifted in 1987, the representatives of the National Assembly elected the President. Most of these representatives, however, were elected by the Chinese citizens on the mainland in 1948 and had not been subject to another election since they took refuge in Taiwan in 1949. The major legislative body, the Legislative Yuan, maintained its first-generation legislators as well. It was not until 1992, when all the first-generation representatives resigned that new representatives elected by Taiwanese citizens were inaugurated. Upon Chiang Ching-kuo's death in 1987, President Lee Teng-hui took office. In 1996, Lee was elected directly by the people. Thus, by 1996, the Taiwan government had met Dahl's first criterion -- "control over government decisions about policy is constitutionally vested in elected officials."

Free and Fair Elections

Soon after migrating to Taiwan, the KMT government began holding local (province, county and city) elections of representatives and administrators. In order to maintain these cosmetic democratic features while keeping the opposition from actually controlling local government, the KMT utilized a variety of means to manipulate election results. Since 1987, the government has taken effective measures to reduce these irregularities and improve the freedom and fairness of elections. Most opposition parties and international observers agree that, despite a few, small-scale, sporadic voting irregularities, Taiwan's elections are conducted as freely and fairly as in any other democratic country.

Inclusive Suffrage

This aspect of democracy has been less problematic for Taiwan, even prior to 1987. Practically all adults, whether they be male or female, Taiwanese or mainlanders, have had the right to vote in all elections held by the government. Although ethnic tension between mainlanders and Taiwanese did exist, the authoritarian government did not curtail the voting right of the Taiwanese either by

constitutional means (as in apartheid South Africa) or by discriminatory practices (as in southern America before the 1960s).

The Right to Run for Office

Prior to 1987, the authoritarian government of Taiwan restricted opposition candidates from running for elected office. It achieved this goal by directly intimidating opposition candidates, threatening their family members, imprisoning the candidates on various charges, or forcing influential opposition leaders into exile abroad. After 1987, the political situation loosens up gradually: The major government organization conducting "white terror" (a term to describe the KMT's suppression of political dissidents during 1950s to 1970s) was disbanded; penal codes that provided the legal basis for most white-terror trials were revised or nullified; political prisoners were all released; and overseas political dissidents were allowed to return home.

Freedom of Expression

The martial law regime strangled the opposition's freedom of expression via censorship and control over the instruments of expression. Since 1987, however, most of these restrictions on freedom of expression have been removed and new standards and regulations have been put in place that are similar to those of democratic countries. Marxism and the once highly sensitive Taiwan independence issue are no longer political taboos.

Alternative Information

As described above, Taiwanese citizens had little access to information other than what was provided or licensed by the authoritarian government. With the lifting of martial law, Taiwanese citizens now enjoy a degree of information freedom similar to other democratic countries.

Associated Autonomy

Under authoritarian rule, there were only three legal political parties: the KMT, the Social Democratic Party, and the Youth Party. The latter two were supervised and financed by the government. The government also established state corporatism to control social and political organizations. After 1987, restrictions on political and social organizations were lifted. There are presently 103 political parties in Taiwan. Corporatist regulations have been challenged, as independent social organizations have formed outside existing corporatist associations.

Based on the above evidence, scholars and Taiwanese officials have lauded Taiwan's democratic achievement as a "democratic miracle." It has completed the uncertain transitional phase and triumphantly entered the consolidation phase (Cheng 1989; Leng and Lin 1993; Lin, Chu and Hinich 1996; Tan, Yu, and Chen 1996; Tien and Chu 1996). With economic and democratic miracles in

hand, the Taiwanese should now live happily ever after, but does the fairy story really end here? Have there been unexplored problems in the story that warrant its sequel?

Even scholars and officials optimistic about Taiwan's democratization have noticed many embarrassing defects of the current democracy. These include the decline of personal safety, the increasing income-gap between the rich and poor, the disproportionate influence of the rich in politics, rampant corruption in the bureaucracy and judiciary, the worsening of environmental problems, and the lack of improvement in, if not deterioration of, worker welfare.

Some scholars have explained these problems as temporary by-products of the democratic transition (Huntington 1986). As the ancient regime loses control over society, the value system that binds society together is crumbling along with the old ruling elite. These problems will likely ameliorate as democratic institutions consolidate and people learn democratic values (Hood 1996). However, this paper suggests another possibility: these problems will not die away but become institutionalized features of Taiwan's new democracy. This is likely to occur because, as formal democratic procedures are introduced to Taiwan, existing undemocratic formal and informal institutions are successfully adapting to the change of political environment.

[A New Institutional Approach](#)

Before discussing the Taiwan case, it is useful to briefly explain the theoretical foundation of my analysis, the new institutional approach. In the past two decades, the term "new institutionalism" has been employed by hundreds of scholars in thousands of research projects, encompassing the fields of political science, sociology, economics, psychology and legal studies. ([n1](#)) Due to space limitations, I will only enumerate a few critical assumptions of the new institutional approach.

First, following the usage by Crawford and Ostrom (1995), institutions are defined as:

enduring regularities of human action in situations structured by rules, norms, and shared strategies, as well as by the physical world. The rules, norms, and shared strategies are constituted and reconstituted by human interaction in frequently occurring or repetitive situations. Where one draws the boundaries of an institution depends on the theoretical question of interest, the time scale posited, and the pragmatics of a research project. (P. 582)

I choose the KMT, the state, conglomerates, and local factions as the institutions to be analyzed. Although they all meet the above criteria of "regularities of human action, rules, norms, shared strategies, in repetitive situations, etc.," there might be some controversy about local faction being included as an institution. The difference between local faction and the other three institutions is more in formality (rules) than in substance. Local factions may not have an organizational building to house their members, nor do they necessarily promulgate written bylaws to regulate their members.

However, their norms, shared strategies, etc., may have a stronger impact on factional members than the other three institutions do on their members.

Second, this new institutional approach combines the basic behavioral assumptions and arguments developed in sociology, economics and political science; that is, individuals occupying the roles in an institution have only bounded rationality.(n2) They follow routines in their interaction with other role players in the institution. Thus, inertia is built into institutions. Individuals do, however, periodically conduct cost-benefit calculation about their roles when the environment changes or when current routines no longer serve their interests (Knoke 1990). While institutions constrain the strategic behavior of actors, strategic interactions may in turn affect institutional structures, especially when institutional structures are weakening due to major transformations in the larger environment (Munck 1994:371).(n3)

Third, different institutional structures have different implications for efficiency and distributional justice. An efficient institution, in terms of fulfillment of its goals, may not be a "fair" institution to society. Conversely, a fair institution may not be efficient. Furthermore, borrowing Paul Krugman's argument, an institution that is efficient in resource mobilization may not be efficient in resource utilization (Krugman 1994:62-78).

Finally, this paper questions the utility of using the state-centered approach alone in explaining Taiwan's political economy, especially after 1987. We need to go beyond the statism to study not only state institutions but also the KMT, local factions and conglomerates. Each of these four institutions has exerted significant impact on the development of Taiwan's political economy. Furthermore, they have cooperated with and penetrated into one another throughout the development process.(n4) Therefore, concentrating on state factors alone,(n5) or taking state factors as primary factors,(n6) will likely provide either a partial or incorrect explanation of the current political and economic enigma in Taiwan.

[Institutional Foundation of Taiwan's Distorted Democracy](#)

Since much excellent research has provided rich information about Taiwan's political institutions before the 1980s, a brief summary is sufficient here (Tien 1989; Chu 1992). Figure 1a summarizes the relationships among the state, the KMT, and local factions before the 1980s. As Taiwan's conglomerates did not emerge until the mid-1980s, they are not included.

As demonstrated in this figure, the state and the KMT had a symbiotic relationship. Although the KMT had higher decision-making power than the state, the state was able to keep a relatively equal status via its huge size and administrative expertise. The KMT, being controlled by mainlanders, had to rely on local factions to consolidate its control over the masses. The KMT granted monopolistic or oligopolistic privileges to local factions in exchange for support and legitimacy, particularly at local election time. In this exchange relationship the KMT maintained a relatively dominant position over

local factions. Local factions could only exert influence in local affairs (Chen 1995). The state and party security systems provided effective monitoring mechanisms to prevent these local factions from challenging the central government.

Additionally, the authoritarian state controlled most of the banks before the 1980s by state ownership and stringent banking regulations. A powerful and politically independent Central Bank effectively supervised all the banks (Wade 1990).^(n7) The banks provided vital investment and running capital to the small and medium enterprises (SMEs for short), which actively competed in the export market. Since most loans required substantial collateral, the SMEs also obtained a large portion of their capital needs from the high-interest-rate curb market. Because of collateral requirements and the high interest rate in the curb market, these SMEs had to maintain high efficiency in order to survive in the international market. The SMEs, however, were not atomized producers; they built up various institutional relationships among themselves in order to maximize their profits and minimize the risks. These formal and informal institutions included professional associations, social clubs, the production satellite system, subcontracting, and production chains linked to foreign companies.^(n8) Despite high entry and exit rates, those SMEs that survived contributed enormously to Taiwan's economic miracle. Hence, under authoritarian rule, the state provided a stable, controlled, political environment while allowing the SMEs to compete fiercely in the free market without much political interference.

Since the 1980s, structural relationships linking the state, the KMT, and local factions began to change due to new challenges in the political and economic environment. Furthermore, conglomerates emerged, which dramatically changed the contours of Taiwan's political-economic map (see Figure 1b). The evolution of each of these institutions is analyzed below.

The State

As described by the developmental state theorists, the Taiwanese state before 1987 was relatively coherent, strong and efficient (Gold 1986; Wade 1990). With the lifting of martial law in 1987, the old constitutional foundation of authoritarian rule had to be modified to meet new political realities. Through four revisions of the constitution, President Lee steadily molded the constitutional structure in his favor. The President consolidated his position as the real decision-making center, having the premier serve as his chief of staff. The Legislature acquired some political power from other branches of the government, but its power vis-a-vis the administration actually declined due to the large increase in the number of legislators and new check-and-balance constraints.

President Lee achieved this power consolidation by taking advantage of two institutional resources at his disposal: the KMT system (to be discussed later) and the constitutional norms of presidential dominance during the forty-plus years of the martial law regime. Although Taiwan's constitution called for a modified version of the cabinet system, during authoritarian rule the President was actually the real head of the administration, with the premier serving as his chief of staff.^(n9)

Bureaucrats, politicians and major social forces were accustomed to this presidential-dominant constitutional order -- a norm consistent with the dynastic rule of ancient China. This partly explains why even the DPP (Democratic Progressive Party) would support a powerful presidency to match this constitutional norm, despite its previous use as a legal foundation of the white terror directed against them.([n10](#)) The DPP felt that once their party won the presidency, they could quickly control the awesome state machinery to their advantage.

Although President Lee prevailed over the constitutional revision processes, the state was actually weakened by remaining constitutional ambiguity and by his own political maneuvers. The revised constitution is ambiguous about whether the President or the premier is the constitutional head of the administration. Article 53 of the constitution stipulates that the Executive Yuan is the nation's highest administrative body, but the President and the premier share many important decisionmaking powers such as the appointment of important government positions and the power to conduct cabinet meetings. The vital showdown will come when the President has a different party affiliation than the majority party of the legislature. In the meantime, the decision-making and implementation of many national policies have been revised, delayed, or cancelled due to the differences in opinion between the Presidency and the Executive Yuan.

President Lee's political maneuvers to consolidate his power further weakened the state. Having no strong political background, President Lee had to rely on a small circle of "the king's men" (mostly, Taiwanese) to help him build up political coalitions against established interests (mostly first-and second-generation mainlanders).([n11](#)) He has had five premiers in his eleven years of tenure as President. Premiers Guo-hwa Yu, Hwan Li and Bo-cuen Hau represented, respectively, three formidable, established interests: the palace faction led by Madam Chiang (President Chiang Kai-shek's widow), the KMT system and the military. President Lee has repeatedly made temporary alliances against the strongest opponent only to form new alliances to remove the current ally. By 1993 President Lee had consolidated his control by replacing military strongman Hau with Lee's protege Zhan Lian. In each episode of the political struggle, supporters of President Lee and of the premier respectively mobilized their institutional resources to discredit the other. Cabinet ministers and potential ministers became more absorbed in the political struggle than in their governmental responsibilities.

Exacerbating the matter was the emergence of a hideous competitive norm among top leaders. Almost all of President Lee's political archrivals have been stripped of all political resources and have not been able to play any significant political role since their downfall. Madam Chiang, for instance, has been on voluntary exile in New York since she unsuccessfully stalled Lee from taking over the chairmanship of the KMT in 1987. Once relieved of office, premiers Yu, Li and Hau have retired to anonymity. Former head of the Judiciary Yuan and vice-chairman of the KMT, Yang-kang Lin has had few visitors back in his remote country home since he tried unsuccessfully to run, as an

independent, against President Lee in the presidential election in 1996. He and his vice-presidential candidate, former premier Hau, lost their vice-chairmanship and party membership in the aftermath of the election. The winner takes all, and the loser loses all -- forever. This norm of jungle survival has enlarged the costs and risks of democratization. It also greatly undermines interpersonal trust, long-term compromise and political stability, all of which a new democracy urgently needs.

The KMT

During authoritarian rule the KMT assumed two functions beyond those of a regular political party (Hood 1996). First, it served as a coordination and mobilization system controlling both the government and society. Second, it served as a mega business enterprise. With democratization, both of these functions faced environmental challenges and required adaptation. The adaptation strategies of the KMT turned out to have negative externalities on the functioning of the new democracy.

The KMT as a Coordination and Mobilization System

Chiang Ching-kuo transplanted the Leninist party system on Taiwan to aid with his consolidation of power within the party and to prevent social forces from challenging him from the outside. With his sudden death in 1987, "the king's men" jockeyed to take over the supreme command. However, the upper echelon of the KMT (dominated by mainlanders) could not overcome the divide-and-rule strategy by President Lee and finally disappeared one by one from the political scene. Even with his position as the chairman of the KMT, President Lee did not fully trust this machinery. Followers of former political opponents remained in the party, waiting to make a comeback. Over the years, President Lee managed to staff his men in upper-level positions, but the process has not been completed, and even Lee's followers are looking for the next patron in preparation for the expiration of Lee's term.

As the political uncertainty within the KMT increased, party members began to build patron-client relationships with people in other institutions such as local factions and conglomerates, which resulted in the long-term weakening of the KMT. Reports have shown a general decline of party discipline in the increasing confrontations between the administration and the legislature, as well as between the central government and local governments (Wu 1996). (n12) Mass support for the KMT registered a similarly steady decline in legislative elections, mostly due to the KMT's close association with the "gold and goons." (n13) As a result, the KMT continually lost its influence as a coordination and mobilization center.

The KMT as a Business Enterprise

To support the huge party machinery necessary for political control and election campaigning, the KMT utilized government resources and privileges to build a colossal business empire. Conservative

estimates place the worth of this empire at about U.S.\$9 billion with yearly dividends exceeding U.S.\$140 million (Chu 1996). ([n14](#)) Since the 1980s, these enterprises have encountered increasing market competition due to the country's economic liberalization and political democratization. The state's legal and clandestine assistance to KMT enterprises has been curtailed by the close scrutiny of opposition legislators. Local factions and conglomerates have entered the lucrative construction and stock businesses, which were the turf of the KMT enterprises. To maintain their competitiveness, these KMT enterprises began to develop their financial autonomy from the party central. Internally, they demanded a large portion of the profits stay in the enterprise instead of going to the KMT's coffers. They became more reluctant to sell or buy stocks to meet the party central's political purposes, for example, to raise campaign money for party candidates. They also pressured the party central to cut down the size of party bureaucracy. Externally, they began to build alliances with conglomerates in order to maintain their oligopolistic status in the domestic market (Fields 1995).

Local Factions

During authoritarian rule, local factions provided a legitimacy function for the mainland-dominated KMT government. In local elections, these factions were able to deliver enough votes through their personal networks to support KMT candidates, thus, maintaining a cosmetic democracy for American consumption. The KMT government rewarded these factions with local monopoly and oligopoly rights in such areas as local transportation, schools, credit unions, and sales of government-controlled commodities. These protected profits were sufficient for maintaining factional solidarity. So the exchange relationship between the KMT and local factions seemed to proceed smoothly. In reality, however, this was not the case.

Being dependent on local factions was never an integral part of the Leninist philosophy. After the KMT government consolidated its control, Chiang Chingkuo orchestrated the "purging of local factions" project in both the late 1960s and the late 1970s (Chen 1995). The KMT placed party cadres, chosen by the party central, on the local election candidate rosters, instead of accepting the nomination of factional members. Unfortunately, both attempts failed in elections. In subsequent elections the KMT backed down and allowed local factions to nominate their own candidates (Wu 1996).

Although the KMT was not able to undermine local factions, it was able to contain the influence of local factions within local boundaries. Prior to Lee Tenghui's rise, factions were forbidden to form vertical or horizontal alliances. Factional leaders promoted to the central government had to cut off their ties with factional followers. They were not allowed to utilize their positions to distribute additional favors to their followers and would be demoted for doing so. Horizontally, they were not allowed to build cross-county or cross-city alliances with other factions. If they did, the KMT would provide financial and political support to the opponent factions. Thus, the KMT and local factions maintained an uneasy cooperative relationship during authoritarian rule.

Some scholars have suggested that political democratization and economic liberalization would ultimately retire factional politics to the attic (Hood 1996). Political democratization would normalize interest group politics, while economic liberalization would reduce the relative influence of local monopoly rents. However, the lifting of martial law and the subsequent power struggle within the KMT leadership has opened a new era for the expansion of local factions. President Lee actively enlisted the support of local factions to break up the non-mainstream faction of the KMT.(n15) In return, local factional leaders were brought into the decision centers of the central government and party central. These factional leaders soon adapted to the new democratic system and found secured channels of interest maximization.

Vertically, factional leaders found new avenues of profit-making in order to support their patron-client networks. They could now gain access to government procurement and construction projects, pass pork barrel bills and borrow easy loans from state-controlled banks (Cheng and Haggard 1996).(n16) They acquired a much larger capital pool than local monopoly rents to maintain factional solidarity. On the horizontal side, factional leaders learned to form cross-county alliances to increase their bargaining power against the KMT leadership.

Meanwhile, competition for the enlarged political and economic pie led to the involvement of gangsters in local and national politics. Among the 3,600 plus council representatives at the town level, about one quarter have gang connections. At the county/city level, among the 865 representatives elected in 1994, 286 representatives (about 33 percent of the total) are gangsters. These representatives, in turn, elected the speakers and deputy-speakers of their county/city assemblies. Among the 42 speakers and deputy-speakers, 28 (more than half) had gang connections or criminal records (Cai 1998:8,14). In the national legislature, a two-term legislator has been the "spiritual leader" (in his own words) of the largest crime syndicate in Taiwan. A few others in the two major parties and in the non-party alliance were generally known as guardians of large gangs. Many of these local factional leaders employed gangsters to intimidate their local political rivals or to threaten government officials (including the police) and politicians who refused collusion. Although having more influence and profit opportunities derived from their presence in the central government and party central, local factions have also found limits to their profit maximization. In the past, they survived on the local monopoly rights granted by the government and had little experience in modern enterprises. Furthermore, few of them had enough capital to compete in national markets. Thus, many local factions began to form alliances with rising conglomerates rich in capital and management skills.(n17)

[Conglomerates](#)

Taiwan's conglomerates emerged in the 1980s and have expanded rapidly since then. There are no aggregate statistics available on Taiwan's conglomerates, but the following data about the SMEs indirectly paints a picture of their growth. In terms of the number of firms, Taiwan's SMEs

constituted 98.67 percent of all firms in 1982; the ratio steadily declined to 96.26 percent in 1994. In terms of sales values, the SMEs took up 40.28 percent of the nation's total sales in 1986, but dropped continually to 32.2 percent in 1994. Although the employment in the SMEs increased almost every year from 1987 to 1996, its proportion in the nation's total employment declined slightly from 78.17 percent to 78 percent, reflecting the concomitant growth of conglomerates. (*)

Most of the predecessors of these conglomerates were large family-based companies in such protected markets as insurance, steel, food-processing, automobile, real estate, petrochemicals, cement, and home appliances. Due to the gradual liberalization of financial regulations and domestic markets in the early 1980s, these large companies began to invest in other sectors of the economy, thus forming conglomerates.

Business scientists would suggest that it is a natural tendency and rational strategy for large companies to diversify their investments into other sectors of the economy. Indeed, some companies successfully ventured into the export market. However, most of the diversified investments seem concentrated on two rent-seeking sectors -- real estate and the stock market in order to rapidly aggrandize assets. In recent years, profits earned from investments in real estate and the stock market (called "non-enterprise profits" in accounting books) have exceeded the profits earned from original enterprise production.

An institutionalist perspective can easily explain the growth of conglomerates and their skewed investment strategy. Surviving in a protected market, the predecessors of these conglomerates had established stable political ties with central and local governments. Although the authoritarian rulers had distaste for large capitalists and thus set certain limits for their expansion, an institutional relationship was established in these pockets of protected sectors. The weakening of authoritarian rule and, especially, the lifting of martial law set these large companies free. Democratization of power also means democratization of corruption. These conglomerates found multiple channels of influence to assist their expansion. A bandwagon effect soon spilled over from one business sector to another one. The most lucrative real estate and stock market sectors particularly required political connection in order to reap their exorbitant profits.

In contrast to the authoritarian rulers's distaste for large capitalists, President Lee almost went to the other extreme to embrace them. With their political connections reaching the zenith of state apparatus, these conglomerates have found few obstacles to keep them from reaping usury rents from various protected sectors. In return, the conglomerates helped the KMT in various elections. Conglomerates tapped into their large cash flow to support the skyrocketing campaign expenses of both the KMT and individual candidates. Their large number of employees made conglomerates a significant voting bloc. Some of these conglomerates further diversified investments into the mass media sector, which could be used for political purposes at time of election (United Daily News, 1/4/98, 11).

Conglomerates also established various relationships with local factions. Conglomerates were equipped with large cash flows and management skills, while local factions could provide the necessary administrative assistance through their connections with local administrators and politicians. Sometimes, however, conglomerates would simply buy out a declining local faction or establish a new one in order to enter the business of politics.

Direct participation in politics by conglomerate members, which began in the 1970s, has fallen off since its peak in the early 1990s. Direct participation in politics seemed to provide a more secure channel of political influence, given the political uncertainty of the democratic transition. However, some conglomerates suffered from such direct participation in politics due to the neglect of their own business or due to misjudged involvement in vital political struggles (Kuo 1997).

This section has described the adaptation of the state, the KMT, local factions and conglomerates to the changing economic and political environment of the 1980s and 1990s. Although conflicts existed among them, these four institutions constituted an iron rectangle in Taiwan's political economy. First, they became the major actors in Taiwan's political economy, except in the export sector. Second, there was more cooperation than conflict among them. In terms of capital flow, information flow and personnel exchanges, there was substantial inter-penetration among these institutions. Third, they constituted quite a distinct group from the rest of the population in terms of their interaction frequency, value orientation and even marriage relationships.([n18](#)) Thus, these institutional relations seemed to have created a "virtuous cycle of dominance" that the iron rectangle uses to thwart Taiwan's democracy (Pempel 1990:16).([n19](#))

[Efficiency and Distributional Consequences](#)

From the new institutional perspective, the iron rectangle has the tendency to produce inefficiency problems and worsening distributional inequality. In regards to efficiency, the major problem is the lack of an effective monitoring system to prevent inefficient use of resources. Conglomerates have little incentive to improve efficiency, since they make profit in those domestic sectors protected by the state. The state lacks the incentives or capabilities to monitor the inefficient use of resources, because bureaucrats have been more concerned with political struggles and conglomerates are able to influence the legislature, which supervises the bureaucracy. Democratic elections may provide an institutional check on politicians, yet politicians can mobilize local factions to consolidate their incumbency. The mass media is supposedly the fourth branch of government, yet the state, the KMT and conglomerates are able to influence or own the mass media. As long as the general public remains disorganized or apathetic to politics, the organized forces of the iron rectangle can continue to maintain this spoils system in the new democracy.

Statistical data and other research have lent support to the argument of these inefficient consequences. In recent years, the domestic sector has been in recession (mainly due to the crash of the real estate and stock markets), while the export sector has maintained momentum. In a

recent survey of those stock companies that had a debt-to-equity ratio higher than 50 percent, thirty-nine companies had revenue less than their interest payment. Among these thirty-nine companies, twenty-four were in the protected markets of steel, construction, petrochemical, automobile or food-processing industries. Only eight were in the export business of electronics and textiles.([n20](#))

In regards to resource distribution, Taiwan's income gap has continued to widen since the mid-1980s. The Gini coefficients climbed up steadily from the lowest point of 0.28 in 1980 to 0.31 in 1993.([n21](#)) Although average living standards have improved (as reflected by the growth rates of per capita GNP by the government's welfare expenditures, and by other indicators), the condition of the lower classes has deteriorated since the 1980s. Based on periodic government surveys, Ming-zhang Cai reported that Taiwan's poverty rates actually increased in the 1980s. In the metropolitan areas, the average poverty rate increased from 0.5 percent in 1977 to about 0.7 percent in 1991; while in the countryside, the rate increased from 0.7 percent in 1977 to about 0.9 percent in 1991 (Cai 1996:14). Although government welfare expenditures have increased, the general public has not felt significant improvement in their condition, due to the misuse of the money for political purposes by local governments (Guan 1998:15).

The government's anti-trust laws, which supposedly guard the public interest, have in effect served to legalize or even encourage collusive behavior orchestrated by conglomerates. According to the statistics published by the government's Fair Trade Commission, between 1992 and 1997, the government approved 49 and rejected only 7 applications for collusive behavior;([n22](#)) and approved 2,093 yet rejected only one application for merger. Most alarming is the increasing number of applications every year, probably in response to the rising approval rates (Jian 1998).([n23](#))

Finally, the police and the judiciary have not been able to establish themselves as credible guardians of social justice. The number of criminal cases increased from 9,300 in 1986 to 199,000 in 1996. The number of violent crimes (kidnapping, murder, robbery, rape, etc.) tripled from 6,300 in 1986 to 16,800 in 1996. The police are incapable of dealing with the rising crimes for two major reasons: First, gangster representatives control the Police Affairs Committees in many local assemblies. Second, gangsters have established many moles in the police system through bribery and threat (Cai 1998).

Even if the police managed to arrest certain criminals, the judiciary system is not always politically neutral. For instance, in 1994, the state attorney's office charged 434 local representatives for their involvement in bribery related to the election of local assembly speakers and deputy-speakers. The lower courts found 381 of the representatives guilty. The higher courts, however, famous for their institutional corruption, agreed to only 37 of the guilty verdicts and sent the others free or imposed probation only. These judges invented the justification that "votebuying has almost become an

electoral culture in our country. It becomes a pseudo norm for politicians. Since it is a pseudo norm and political behavior, therefore, these politicians should bear little responsibility" (Cai 1998:181; United Daily News, 11/27/97, 2). A survey conducted by the Ministry of Justice in 1997 reported that in the previous three years, about 82 percent of those found guilty of vote-buying were sentenced to a term less than one year, and 67 percent of them were sentenced to probation only (China Times, 12/8/97, 6).

Similarities to Korea and Japan

Will the defects described in the previous section only be temporary phenomena in a typical transitional democracy? By comparing the institutional structures of Taiwan, Japan and South Korea, many similarities appear. Problems of economic inefficiency and distributional inequalities in Taiwan could be labeled as "transitional defects." However, such problems have been a constant feature of Korea's and Japan's functioning democracies over decades.([n24](#)) Thus, the development of Taiwan's political economy seems to converge with the Korean and Japanese model. Instead of conducting an in-depth comparison of the three countries, this paper will identify the major attributes of the institutions and institutional relationships in these countries in order to generate comparative results. Based on the notations of Figure 1 for Taiwan, Figures 2 and 3 describe the institutional structures of Japan and South Korea.

Before the 1990s the Japanese state was an effective coordination center for its successful economic development.([n25](#)) On the political side, the Liberal Democratic Party (LDP) controlled the government and maintained a close relationship between the party and state. Major policy initiatives originated in the state and passed through the LDP's Policy Affairs Research Council before being submitted to the obedient Diet. Factional leaders or senior members of factions occupied key positions in both the LDP Policy Affairs Research Council and party. These factional leaders formed patron-client relationships with junior Diet members by providing campaign finance and pork barrel projects. Factional members organized their own koenkai (support groups) in the constituency to mobilize votes during elections. Because of the single-nontransferable-voting-system, factions became the building blocs to ensure the LDP's dominance in the Diet. At the local level, the state bureaucracy seemed to increasingly rely on factional connection to acquire development finance from the central government (Fukui 1996; Ramseyer 1993). Where did the large sums of money come from to support such huge patron-client networks? Conglomerates were the answer.

Conglomerates generously provided campaign finance to factional leaders, who, in turn, distributed the money to their loyal followers. What did conglomerates get in return? They needed low-cost loans, low taxes and trade expansion assistance to compete in the international market. The state, under the influence of LDP factional leaders, provided these services to the conglomerates. The Ministry of Finance and the Bank of Japan adopted measures to provide tax breaks and cheap, long-term loans. The Ministry of International Trade and Industry, in turn, offered trade expansion

assistance. Cheap loans were particularly important for the Japanese conglomerates, who were aiming at long-term market shares in international markets. These loans permitted the conglomerates to adopt a long-term investment schedule without worrying excessively about cyclical recessions and stock price fluctuation.

Japanese conglomerates contributed greatly to the remarkable growth of the economy, but they did not do so alone. Studies have shown that these conglomerates succeeded because they formed various institutional relationships with the vast number of SMEs via, for instance, subcontracting, technical assistance, financial help and the famous "just-in-time" system (Okimoto 1989). These institutional relationships allowed the conglomerates to share the costs and benefits of collective actions with SMEs in order to better compete in the international market.

The Japanese institutional structure was thus conducive to its rapid economic development. Paul Krugman has argued that the Japanese system was efficient in the sense that it could massively mobilize slack economic resources. Efficiency, however, was ignored in the utilization of mobilized resources (Krugman 1994:62-78). The institutional structure was so well connected that the monitoring system for efficiency lost its function.

The shock to the institutional structure came in the 1980s, when Japan faced the global recession after the second oil crisis. In contrast to the United States, where the Reagan Administration adopted austerity measures to encourage market efficiency, the Japanese government followed the old recipe of making loans more accessible in order to encourage investment. What was different about the recession in the 1980s from those in early periods was that Japan needed a large-scale structural change instead of an expansion of existing facilities. Japan had prospered on the back of a very limited number of industrial goods (e.g., automobiles, automobile parts, home appliances, and small electronic products) with relatively small profits derived from the improvement of existing technologies. As the Asian NICs (Newly Industrialized Countries) and second-tier NICs began to catch up in the production of these standardized products, Japan needed to increase her innovative activities and diversify her competitive edge into other sectors. ([n26](#))

Both the Japanese government and the banks failed to face the real problems. These two institutions were built around old industrial products and did not attempt to develop other sectors of the economy; therefore, most of the cheap loans went to existing industries. When Japanese conglomerates received these loans, they did not invest in expanding their existing facilities because the world market was highly recessionary and risky. Nor did they invest in other businesses due to traditional biases. Instead, conglomerates invested the money in real estate and stocks in order to reap guaranteed, exorbitant profits. The SMEs, in turn, followed in the steps of their patrons. The bubble economy began to expand. None of the monitoring systems worked as the state, the Bank of Japan, commercial banks and the LDP factional leaders were concerned only about expanding the

bubble. The gangsters then entered the lucrative real estate and stocks transactions using their organized power.([n27](#))

In sum, Japan's institutional structure explains both the rapid economic development before the 1990s and the long-term stagnation of the economy since the burst of the economic bubble in 1992. Unless there are significant institutional changes -- such as massive banking reforms or the growth of a strong, alternative political party other than the LDP --the current economic stagnation will continue for the years to come despite the Keynesian policies introduced by the government.

In South Korea, we see an essentially similar institutional structure with minor variations. During the authoritarian rule of Park Chung-hee (1963 to 1979) and the more liberal rule of Chun Do-hwan (1980 to 1988), the state formed a solid pro-development alliance with conglomerates via trade expansion. The state utilized various financial and fiscal incentives to encourage conglomerates to make large-scale investments in industries with export potential. With generous tax breaks (legal or illegal) and below-market-rate loans (including foreign loans), conglomerates continued to grow in size.([n28](#))

President Chun initially intended to distance himself from conglomerates by reducing fiscal and financial privileges to them and by providing easy loans to SMEs. As a result, Korean SMEs did expand. The state found out immediately, however, that, if conglomerates suffered from stringent fiscal and financial regulations, the Korean economy would decline rapidly. Chun withdrew his distancing policies and turned to following his predecessor's pro-conglomerate policies. Kim Yung-sam, the first civilian president and a former opposition leader, had a similar experience with conglomerates, as has had Kim Dae-jung since 1997. Both had accused the previous governments of being too lenient on conglomerates, which resulted in widespread social injustice. They adopted anti-conglomerate policies upon inauguration, but soon reversed their policies in the face of the threat of capital strikes from conglomerates. Furthermore, conglomerates adapted well to any type of government leaderships --be it authoritarian or democratic. They provided large amounts of campaign financing and delivered huge number of company employee votes to the incumbents. Thus, the symbiotic relationship between rulers and conglomerates persisted despite leadership change.

Although weaker than the Taiwanese and Japanese cases, Korean rulers have also relied on their factional base to mobilize political support. These factional bases were largely regional in nature. Presidents Park and Chun enjoyed strong support in the eastern and northern part of the country, while the two Kims built up their support in the western and southern part of the country. These geographical divisions somewhat coincided with political divisions due to the historical antagonism among the residents in these regions (Kim 1994). The factional influence in Korea was weaker than in Taiwan and Japan, because Korea had very autonomous and influential labor unions and student movements.

The Korean institutional structure was similar to Japan's, as were its developmental and distributional consequences. The structure was highly efficient in mobilizing economic resources, but poor in the efficient utilization of resources. Over the years, the state and the banks continued to rely on easy loans (a large portion of which came from abroad) to finance the expansion of conglomerates, especially during periods of recession. The monitoring system, when it functioned at all, concentrated on the output volume targets instead of operational efficiency. The rulers, the state bureaucracy, the banks and the conglomerates were not interested in operational efficiency. As in Japan during the 1980s, Korean conglomerates invested their low-cost loans in real estate and the stock market. The bubble finally burst as a result of the Asian exchange crisis in 1997.

Conclusion

Taiwan's "democratic miracle" has manufactured various distortions in the political and economic systems, which have had, and will continue to have, negative consequences on democratic values and economic efficiency. By studying the evolution of and the interaction among the state, the KMT, local factions and conglomerates, the new institutional approach provides a more plausible and comprehensive explanation for this democratic distortion than the state-centered approach. Because of the self-maximization behavior of these institutional actors during the uncertain transitional phrase, Taiwan's institutional structure has become similar to those of Korea and Japan. The result has been the erosion of economic competitiveness and the increasing injustice in the distribution of political power and economic wealth.

These findings have four theoretical implications. First, the statist, either the old or new schools, need to take more seriously the importance of social factors in the future study of Asian political economy. It is important not only to include more social variables but also to examine their interaction with state variables. Second, the current analysis of the impact of formal constitutional design on democratic consolidation can be improved by incorporating such informal institutional factors as decision norms, routines and policy networks associated with intergovernmental relationships and major national policies. Otherwise, a formal-legalist analysis may be embarrassed by a case like Taiwan (a consolidated democracy) where the Premier is granted the supreme executive power under constitutional design, yet, in reality, the President wields this executive privilege. Third, neither structure nor strategy alone satisfactorily explains the process and consequence of democratization. When the structure is weakening (e.g., Taiwan in the late 1980s), political actors appear to have more freedom in choosing adaptive strategies to maximize their interests. Once a new strategic interaction becomes routinized, a new structural relationship is formed. However, established interests also have the incentive to utilize their existing structural relationships in order to minimize the risk and uncertainty in the new democracy. Democratization reveals a constant interplay between structural factors and strategic factors. Finally, although it is important to study whether a new democracy can be consolidated, of similar need is to study why differences and similarities in democratization processes and political economy structures exist

during and after democratic consolidation. Will Asian democratic models (similar to the Asian development models) emerge which are different from the Latin American, East European or African models? Which historical or cultural factors were the common causes for their convergence?

This paper is supported by the National Science Council of Taiwan, NSC: 87-2418-H-004-018-S4. An earlier draft of this paper was presented at the Annual Meeting of the American Political Science Association, September 3-6, 1998, Boston, Massachusetts. I thank Zhongjian Deng, Elisabeth Freund, Qianyi Lu, T.Y. Wang, and Vincent Wang for their constructive comments, and Zengjia Cai for his research assistance.

(*) <http://www.moeasmea.gov.tw/smea-b-2.htm>, 10/19/98.

NOTES

(n1) For theoretical and practical problems of the institutional analysis, see Ostrom (1996).

(n2) The major institutionalist works in economics include Alchian and Demsetz (1972), Coase (1937), Nelson and Winter (1982); North (1981), North (1990); Williamson (1975). From sociology, I draw mainly from Aldrich and Pfeffer (1976), March and Olsen (1979), Etzioni (1975), Richard (1987) and Simon (1976). In political science, I follow bureaucratic studies by Selznick (1996), Moe (1984), Crozier (1964) and Allison (1971); and constitutional studies by Lijphart (1994).

(n3) This theoretical assumption is consistent with Gerardo Munck's suggestion of a "political-institutional" approach.

(n4) The state, the KMT, conglomerates and local factions are distinct analytical concepts, referring to the relationships among the roles within institutions. However, occupants of these roles may be the same across institutions. For instance, a factional leader may be a KMT member, in charge of a huge conglomerate, while being elected as a legislator.

(n5) As would the old statist, e.g., Evans (1985), Amsden (1989), Gold (1986) and Wade (1990).

(n6) As would the "embedded statist" or the "state institutionalists," e.g., Evans (1995), Haggard and Kaufman (1995).

(n7) Prior to 1987 almost all Central Bank directors were senior bureaucrats or representatives of national banks (Central Bank 1991:152-58).

(n8) See the discussion of "private governance" on Taiwan in Kuo (1998) and Chen (1994).

(n9) The only exception was during the period of 1975-1978, when Chiang Ching-kuo was the premier and an obedient Vice President filled the vacancy left by the sudden death of President Chiang Kai-shek in 1975.

[\(n10\)](#) *The other major reason was that the cabinet system would require the DPP to win a majority of seats in the Legislature. Given the average 30 percent voting garnered by the DPP in most national elections, the opposition party seems unlikely to win the premiership any time soon.*

[\(n11\)](#) *For detailed descriptions of President Li's divide- and -rule strategy, see Chen (1995:194-221) and Wu (1996:340-47).*

[\(n12\)](#) *Wen-Cheng Wu reported the decline of party discipline in the Legislature. The open and ugly confrontation between provincial governor Chu-yu Song and the President since 1997 is exemplary of the KMT paralysis.*

[\(n13\)](#) *The KMT's vote shares in legislative elections steadily declined from 73 percent in 1983 to 46 percent in 1995. "Gold" refers to conglomerates; "goons" refers to gangsters.*

[\(n14\)](#) *The journal of Cai-xun (August 1998:157) reported that, in 1997, KMT's enterprises were worth U.S.\$4.76 billion in assets, and their dividends were U.S.\$4.88 billion.*

[\(n15\)](#) *The non-mainstream faction is a category, not a cohesive faction, of those KMT members who oppose President Lee. Right before the 1990 presidential election, President Lee asked eight senior party cadres to persuade Yang-kang Lin not to run for the presidential election. They failed. Then, President Lee turned to two factional leaders, Hong-wen Cai (the speaker of the provincial assembly) and Jian-bang Zhang (the speaker of Taipei City Council), who successfully completed the assignment.*

[\(n16\)](#) *Tun-jen Cheng and Stephen Haggard have found that, after democratization, Taiwan government expenditures on welfare, environment and public works have expanded.*

[\(n17\)](#) *Exemplars of such alliances included the Lin faction of Yunlin County and the Huang faction of the Jiayi County, which formed an alliance with the Taiwan Garden Chairs, and the Red faction of Taizhong County, which cooperated closely with the Changyi Conglomerate.*

[\(n18\)](#) *For instance, all the cabinet members of Premier Xiao are relatives of the President or Vice President and are related to many of the conglomerates (The Journalist, no. 547, 1997, 40-43).*

[\(n19\)](#) *T.J. Pempel uses the term to refer to one-party dominant regimes.*

[\(n20\)](#) *Calculated from the statistics reported in Win-win Weekly, no. 89, 1998, 38-40.*

[\(n21\)](#) *Survey Report on Individual Income Distribution in Taiwan, ROC, 1993. Executive Yuan, Directorate General of Budget, Accounting, and Statistics, 19.*

[\(n22\)](#) *Collusive behavior includes cases such as the collective purchase of foreign corns and beans (controlled by wholesalers) and the harvest of river sand (controlled by local factions).*

[\(n23\)](#) *Zi-Xiou Jian summarizes the history (1991-1997) of the implementation of Taiwan's fair trade law as "stringent legislation, loose implementation."*

[\(n24\)](#) *I regard Korea's transition to democracy as having begun in 1979 when Park was assassinated. Japan had a democratic regime under its new constitution of 1947.*

[\(n25\)](#) *On Japanese political economy, see Johnson (1982), Pempel and Tsunekawa (1979), Lynn and McKeown (1988), Dore (1986), Samuels (1987), Calder (1993), Rosenbluth (1989). All of these works attempt to explain the success of Japan's economic development. It is difficult, however, to draw lessons from these works to explain the failure of Japan's economic development after 1990.*

[\(n26\)](#) *About 74 percent of Japan's exports are automobiles (and parts), electronic parts, computers (and parts) and home appliances. Among the twenty-five largest banks in the world, seven are Japanese banks, including the largest, Bank of Tokyo-Mitsubishi. Their net profits, however, are far smaller than their American and European counterparts. See Japan Almanac 1998, Tokyo: Asahi Shimbun, 117, 127.*

[\(n27\)](#) *Yakusa, Japan's largest crime syndicate, had 30,000 employees working for 800 divisions. Its major revenues came from gambling, racketeering, real estate, and stock speculation (Ziyu Shibao 3/14/91, 5). Some observers estimated that between forty to seventy percent of the bad loans of Japanese banks were linked to yakusa (Gongshang Shibao 2/17/96, 7).*

[\(n28\)](#) *On the Korean developmental state, see Amsden (1989), Cole and Park (1983), Haggard, Kim, and Moon (1991), Jones and Sakong (1980), Hattori and Sato (1997).*

DIAGRAMS: Figure 1. The Institutional Structure of Taiwanese Political Economy: a. Taiwan's Institutional Structure before the 1980s; b. Taiwan's Institutional Structure after the 1980s

DIAGRAM: Figure 2. The Institutional Structure of Japanese Political Economy

DIAGRAM: Figure 3. The Institutional Structure of Korean Political Economy

REFERENCES

ALCHIAN, Armen, A. and Harold DEMSETZ

1972 Production, Information Costs, and Economic Organization. American Economic Review 62: 777-95.

ALDRICH, Howard and Jeffrey PFEFFER

1976 Environments of Organizations. Annual Review of Sociology 2: 79-105.

ALLISON, Graham T.

1971 Essence of Decision: Explaining the Cuban Missile Crisis. Boston, MA: Little, Brown.

AMSDEN, Alice H.

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

CAI, Ming-Zhang

1996 Taiwan De Pinqiong: Xiaceng Jieji De Jiegou Fenxi (Taiwan's Poverty: A Structural Analysis of Lower Classes). Taipei: Juliou.

CAI, Shi-Yuan

1998 Wanquan Heijing Dangan (The Complete File of the Black and the Gold). Taipei: Congressional Workshop of Legislator Cai Shi-Yuan.

CALDER, Kent

1993 Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance. Princeton, NJ: Princeton University Press.

CHEN, Ming-Tong

1995 Paixi Zhengzhi U Taiwan Zhengzhi Bianqian (Factional Politics and the Transformation of Taiwan's Politics). Taipei: Yuedan.

CHEN, Jie-Xuan

1994 Xieli Wangluo U Shenghuo Jiege: Taiwan Chunghsiao Qiie De Shehuei Jinji Fenxi (Cooperative Network and Life Structure: A Social Economic Analysis of Taiwan's Small and Medium Enterprises). Taipei: Lian-Jin.

CHENG, Tun-Jen

1995 Economic Consequences of Democratization in Taiwan and South Korea. Working Papers in Taiwan Studies, #12, American Political Science Association Conference Group on Taiwan Studies.

CHENG, Tun-Jen and Stephen Haggard

1996 Democracy and Deficits in Taiwan: The Politics of Fiscal Policy 1986-1996. Working Papers in Taiwan Studies, no. 19, American Political Science Association Conference Group on Taiwan Studies.

CENTRAL BANK (Taiwan)

1991 Zhonhua Mingguo Zhongyang Yinghang Zhi Zhidu Yu Gongneng (Institutions and Functions of the ROC Central Bank). Taipei: Central Bank.

CHU, Yun-Han

- 1992 Crafting Democracy in Taiwan, Institute for National Policy Research.
- 1996 Taiwan's Unique Challenges. *Journal of Democracy* 7([3](#)): 69-82.

COASE, R.H.

1937 The Nature of the Firm. *Economic* 4([16](#)): 386-405.

COLE, David C. and Yung Chul PARK

1983 Financial Development in Korea 1945-1978. Cambridge, MA: Harvard University Press.

CRAWFORD, Sue, E.S. and Elinor OSTROM

1995 A Grammar of Institutions *American Political Science Review* 89([3](#)): 582-600.

CROZIER, Michel

1964 The Bureaucratic Phenomenon. Chicago: University of Chicago Press.

DAHL, Robert

1993 Democracy and Its Critics. New Haven, CT: Yale University Press.

DORE, Ronald

1986 Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy 1970-80. Stanford, CA: Stanford University Press.

ETZIONI, Amitai

1975 A Comparative Analysis of Complex Organizations. New York: The Free Press.

EVANS, Peter B., Dietrich RUESCHEMEYER and Theda SKOCPOL (Eds)

- 1985 Bringing the State Back in. Cambridge: Cambridge University Press.

- 1995 *Embedded Autonomy: States and Industrial Transformation*. New Jersey: Princeton University Press.

FIELDS, Karl

1995 *Enterprise and the State in Korea and Taiwan*. Ithaca: Cornell University Press.

FRIEDMAN, Edward (Ed.)

1994 *The Politics of Democratization: Generalizing East Asian Experiences*. New York: Westview Press.

FUKUI, Haruhiro and Shigeko N. FUKAI

1996 *Pork Barrel Politics, Networks, and Local Economic Development in Contemporary Japan*. *Asian Survey* 36(3): 268-86.

GOLD, Thomas B.

1986 *State and Society in the Taiwan Miracle*. Armonk, NY: M.E. Sharpe.

GUAN, Yiou-Heng and Yeng-Quan WANG

1998 *Difang Zhengfu Shehui Fuli Jiaoshe Guengneng Zhipiouxu: Yi Taiwansheng Ji Gexianshi Weili (An Analysis of the Social Welfare Roles and Functions of Local Governments)*. Paper presented at the Conference on Political Institutions, Academia Sinica, Taipei, Taiwan.

HAGGARD, Stephan, Byung-Kook KIM and Chung-In MOON

1991 *The Transition to Export-led Growth in South Korea*. *Journal of Asian Studies* 50(4): 850-73.

HAGGARD, Stephan and Robert KAUFMAN

1995 *The Political Economy of Democratic Transitions*. Princeton NJ: Princeton University Press.

HATTORI, Tamio and Yukihito SATO

1997 *A Comparative Study of Development Mechanism in Korea and Taiwan: Introductory Analysis*. *The Developing Economies* 35(4): 341-57.

HOOD, Steven

- 1996 *Political Change in Taiwan: The Rise of KMT Factions*. *Asian Survey* 36(5): 468-820.
- 1996 *The Kuomintang and the Democratization of Taiwan*. Boulder, CO: Westview.

HUNTINGTON, Samuel

1986 *The Third Wave: Democratization in the Late Twentieth Century*. Norman, OK: University of Oklahoma Press.

JIAN, Zi-Xiou

1998 *Giefan Shichang Jingzheng Zhixu De Fazheng Dujan Uokuo De Shijian* (The Implementation of the Law Regulating Market Competitive Order in Taiwan). Paper presented at the Conference on Political Institutions, Academia Sinica, Taipei, Taiwan.

JOHNSON, Chalmers

1982 *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford, CA: Stanford University Press.

JONES, Leroy P. and II SAKONG

1980 *Government, Business, and Entrepreneurship in Economic Development: The Korean Case*. Cambridge, MA: Harvard University Press.

KAO, Michael Ying-Mao

1996 The Power Structure in Taiwan's Political Economy. *Asian Survey* 36(3): 287-305

KIM, Yong-Hak

Resurgence of Regionalism in South Korea. Manuscript.

KNOKE, David

1990 *Political Networks: The Structural Perspective*. New York: Cambridge University Press.

KRUGMAN, Paul

1994 The Myth of Asia's Miracle. *Foreign Affairs* 73: 62-78.

KUO, Cheng-Tian

- 1997 *Dongya Mingzhuhua Yu Jingji Fazhan* (Democratization and Economic Development in East Asia). National Science Council Report, NSC 86-2414-H-004-017, Taipei, Taiwan.
- 1998 Private Governance in Taiwan. In Steven Chan, Cal Clark and Danny Lam (Eds), *Beyond the Developmental State: East Asia's Political Economies Reconsidered*. New York: St. Martin's Press.

LENG, Shao-Chuan and Cheng-Yi LIN

1993 Political Change on Taiwan: Transition to Democracy? *China Quarterly* 136: 805-39.

LIJPHART, Arend

1994 *Electoral Systems and Party Systems: A Study of Twenty-Seven Democracies, 1945-1990*. Oxford: Oxford University Press.

LIN, Tse-Min, Yun-Han CHU and Melvin HINICH

1996 Conflict Displacement and Regime Transition in Taiwan. *World Politics* 48(4): 453-81.

LYNN, Leonard H. and Timothy J. MCKEOWN

1988 *Organizing Business: Trade Associations in America and Japan*. Washington, DC: American Enterprise Institute for Public Policy Research.

MARCH, James G. and Johan P. OLSEN

1979 *Ambiguity and Choice in Organizations*. 2nd ed. Oslo: Universitetsforlaget.

MOE, Terry M.

1984 The New Economics of Organization. *American Journal of Political Science* 28: 739-77.

MUNCK, Gerardo

1994 Democratic Transitions in Comparative Perspective. *Comparative Politics* 26(3): 355-75.

NELSON, Richard R. and Sidney G. WINTER

1982 *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.

NORTH, Douglass C.

- 1981 *Structure and Change in Economic History*. New York: W.W. Norton.
- 1990 *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

OKIMOTO, Daniel

1989 *Between MITI and the Market: Japanese Industrial Policy for High Technology*. Stanford, CA: Stanford University Press.

OSTROM, Elinor

1996 Institutional Rational Choice: An Assessment of the IAD Framework. Paper presented at the annual meeting of the American Political Science Association, San Francisco, CA.

PEMPEL, T.J.

1990 Uncommon Democracies: The One-Party Dominant Regimes Ithaca: Cornell University Press.

PEMPEL T.J. and Keiichi TSUNEKAWA

1979 Corporatism Without Labor? In Philippe C. Schmitter and Gerhard Lehbruch (Eds), Trends Toward Corporatist Intermediation. Beverly Hills, CA: Sage.

RAMSEYER, Mark J. and Frances McCall ROSENBLUTH

1993 Japan's Political Marketplace. Cambridge, MA: Harvard University Press.

RICHARD, W.

1987 Organizations: Rational, Natural, and Open Systems. 2nd ed., Englewood Cliffs, NJ: Prentice-Hall.

ROSENBLUTH, Frances McCall

1989 Financial Politics in Contemporary Japan. Ithaca, NY: Cornell University Press.

SAMUELS, Richard

1987 The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective. Ithaca, NY: Cornell University Press.

SELZNICK, Philip

1996 Institutionalism "Old" and "New." Administrative Science Quarterly 41: 270-77.

SIMON, Herbert A.

1976 Administrative Behavior: A Study of Decision-making Processes in Administrative Organization. 3rd ed. New York: Macmillan.

TAN, Qingshan, Peter Kien-Hong YU and Wen-Chun CHEN

1996 Local Politics in Taiwan: Democratic Consolidation. Asian Survey 36(5): 483-94.

TIEN, Hung-Mao

1989 *The Great Transformation: Political and Social Change in the Republic of China*. Stanford, CA: Hoover Institution.

TIEN, Hung-Mao and Cun Yun-han CHU

1996 *Taiwan's Electoral Politics and Democratic Transition: Riding the Third Wave*. Armonk, NY: M.E. Sharpe.

VALENZUELA, Samuel

1992 *Democratic Consolidation in Post-Transitional Setting: Notion, Process, and Facilitating Conditions*. In Scott Mainwaring, Guillermo O'Donnell and J. Samuel Valenzuela (eds), *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective*. Notre Dame, IN: Notre Dame Press.

WADE, Robert

1990 *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, NJ: Princeton University Press.

WILLIAMSON, Oliver E.

1975 *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: The Free Press.

WU, Wen-Cheng

1996 *Taiwan De Mingzhu Zhuanxing: Con Weiquanxing De Dangguo Tixi Dao Jingzhenxing De Zhengdang Tixi (Democratic Transition in Taiwan: From an Authoritarian Party-State System to a Comparative Party System)*. Taipei: Shi-Ing.