

# *The Genesis of Responsible Government under Authoritarian Conditions: Taiwan during Martial Law\**

Tak-Wing Ngo and Yi-Chi Chen

## *Abstract*

This article analyzes the origin and subsequent institutionalization of governmental reforms in Taiwan during the 1950s and 1960s. It argues that such reforms helped strengthen the administrative accountability as well as the governing capacity of the Kuomintang regime during its authoritarian rule. A number of factors had contributed to this process. First and foremost was the role played by US aid and its conditionality. It served as a source of administrative innovation and external checks. At the same time, the measures prescribed by US aid revived the legacy of a technocratic mode of fiscal and economic planning which had never been able to perform its proper role during the turbulent

---

**Tak-Wing NGO** teaches Chinese politics at Leiden University and is concurrently IAS Professor of Asian History at Erasmus University Rotterdam, the Netherlands.

**Yi-Chi CHEN** is a Ph.D. candidate at the Research School CNWS of Asian, African and Amerindian Studies of Leiden University, the Netherlands.

\* An early version of this paper was presented at the workshop “How Governments Become Responsible,” at the City University of Hong Kong, 1–2 March 2007. We are grateful for the comments from the participants. We thank particularly Linda Li, Ian Scott, and the two anonymous reviewers for their constructive inputs.

years of the Republican period. Although the resulting reform measures were rather limited in scope, their effects were long-lasting in the post-war governance of Taiwan.

Is it possible for responsible government to evolve under authoritarian conditions? In its existing Western usage, responsible government is almost by definition democratically elected. It was once used as a synonym for parliamentary democracy. “Responsible government,” wrote the British historian A. F. Pollard in 1926, “involves two things: firstly, the responsibility of the executive to the legislature, and secondly, the responsibility of the legislature to the people.”<sup>1</sup> However, in the present day, we know very well that such a government, though responsible to the people in a formalistic sense, may not be responsive to societal needs. This is particularly true when modern government as an institution amasses such immense power and resources that bureaucratic red tape, abuse of power, administrative secrecy, and so on inevitably become the quintessence of any state institution, and when governmental mistakes are exposed, bearers of government offices can easily hide behind the protective shield of collective responsibility. Worse still, it has become a kind of political ritual for leaders to vow to accept full responsibility for mistakes, since such rhetoric often enhances their popularity.

It is in this regard that restoring government responsibility is now seen as a much needed advocacy even in democratic countries. Some believe that greater responsibility can be achieved by technical fixes which enforce stricter political accountability, restore administrative ethics, and define clearer bureaucratic obligations.<sup>2</sup> Others view such a rationalist idea of government responsibility as one which is bound to fail because it overlooks the paradox that demands for greater bureaucratic accountability to authoritative edicts almost invariably fail to achieve their intended results, namely, the satisfaction of public needs and the effective attainment of authoritative ends.<sup>3</sup> Regardless of one’s position on this, the search for a more responsible government is in fact nothing new. It has been concern of hundreds of generations ... before us. Decades ago an observer reminded us figuratively:

Magna Carta, the Declaration of Right, ship money, the Instrument of Government of Cromwell’s day, habeas corpus, the Bill of Rights — these are all tokens of a long English struggle for responsibility in government.... Even the devices of annual elections and a set term for parliaments are products of the long search.<sup>4</sup>

Such a perennial struggle and search for government responsibility has been propelled by institutional innovations and ideational changes that set out to limit the abuse of power, restrain arbitrariness, and uphold accountability. These innovations and changes appeared one after another since dictatorial times, and culminated eventually in what we see as modern democracies. The interesting questions which arise are about the circumstances in which they sprouted in authoritarian regimes, and the conditions under which they took root as institutional milestones on the road towards responsible government.

Such questions can be easily applied to the case of Taiwan, which we examine in this article. Taiwan during Kuomintang (KMT) rule is commonly seen as an exemplar of the developmental state. The state bureaucracy is said to possess such institutional qualities as technocratic competence, political autonomy, and social embeddedness which enable it to guide economic development. The core idea is nothing less than paradoxical: that the state can ignore short-term social pressure and yet be responsible for the long-term interests of society. Apart from the highly stylized and romanticized conception of the state and state-led development, the developmental state literature tells us very little about the origins of such a developmental imperative.<sup>5</sup> This is all the more surprising because the Kuomintang regime, during its rule in mainland China and before its retreat to Taiwan, was notorious for its corruption, nepotism, internal rivalry, inefficiency, abuse of power, and lack of accountability. Yet the once predatory regime seemed to undertake a radical change and turn itself into a government with developmental concerns, technocratic competence, and social responsiveness after its retreat to Taiwan. How did it do it? How did a bad government become better?

There are some parallels to the current discussion on good government and administrative reform in developing countries. The prevailing debate relates good government to a few prerequisites. The first is state capacity. Advocates call for strengthening governmental institutions so that policy can be made rationally with professional know-how, formulated independently from sectional interests, and implemented effectively with little bureaucratic fraud. To do so, they argue, requires administrative reform in order to make governmental institutions more transparent, accountable, predictable, participatory, efficient, and corruption-free.<sup>6</sup> Another prerequisite relates to the managerial capacity of the state. Advocates of the so-called “new public management” envisage a market-oriented government whose guiding

principle is efficiency, effectiveness, and value for money. They argue for downsizing of government bureaus, decentralization of power and resources to regulatory agencies, contracting out of social services to non-state organizations, outsourcing of auxiliary activities to business enterprises, and the establishment of an incentive system as well as performance evaluation for civil servants.<sup>7</sup>

Many of the above-mentioned reforms have been undertaken in Taiwan during the last two decades. Since the 1980s, global economic restructuring and neo-liberal ideology have created much pressure for market liberalization and privatization. They occurred in tandem with political liberalization and democratization. Ironically, democratic reform measures did not necessarily bring about better government. As our earlier studies have shown, the effect of administrative reform carried out during Taiwan's democratization was rather limited.<sup>8</sup> In certain regards they even resulted in bad rather than good governance.<sup>9</sup>

In the 1950s, however, such ideas as good governance or new public management were not the fashion of the time. There was nothing similar to the Washington Consensus, and even the modernization paradigm came in at a later period. Under such historical circumstances, what was the source of intervention which inspired or compelled the KMT to undertake reforms? In what ways did these reforms help structure a more responsible government despite the authoritarian setting? By a more responsible government we do not mean a democratically accountable government. Rather we refer to administrative accountability, efficiency, and responsiveness, which are the indispensable prerequisites for modern democracy. It involves the institutionalization of specific governance structures and processes which allows policies to be formulated rationally and professionally, public programmes to be implemented efficiently and responsively to changing social and economic needs, and fiscal and budgetary plans to be scrutinized effectively. This article looks at the genesis of such changes during the first two decades of KMT rule in Taiwan. We focus on one important factor: foreign aid from the United States (US). By this we do not just mean the huge sums of money and military equipment that helped Taiwan defend itself against a communist takeover. This has long been widely acknowledged. What concerns us here is the kind of "conditionality" imposed upon the KMT government as a precondition for the continuous extension of aid. Such conditionality involved a wide range of specific organizational set-ups, budgetary rules, auditing guidelines, and programme evaluation

procedures which the KMT government had to comply with in order to ensure effective utilization of the aid. These, intentionally as well as unintentionally, brought about an institutionalization of new governmental structures and procedures which helped to hold officials accountable, constrain the abuse of power, make policy process transparent, and ensure bureaucratic efficiency in the absence of democratic monitoring. These measures constituted one of the many milestones in the long struggle towards democratic governance.

### **Bureaucratic Fiefdoms under Authoritarian Rule**

Let us begin with a brief description of the KMT government shortly after its establishment in Taiwan. As soon as the KMT regime took over control of the island, a state of national emergency and martial law was declared, justified on the ground that China was in the grip of a communist insurrection. Under martial law, major constitutional rights were denied, including the freedoms of the press and of association. General elections to the National Assembly and other representative bodies were suspended. Chambers of commerce, industrial associations, labour unions, and professional societies were created and operated under KMT tutelage. Other civic organizations not sanctioned by the regime were banned. This authoritarian structure remained firmly in place for nearly 40 years, until martial law was lifted in 1987.<sup>10</sup>

Under the authoritarian structure, a large state machinery was set up to run the island. There used to be eight constitutional bodies, including the Presidency, the National Assembly, the National Security Council, the Executive Chamber, the Legislative Chamber, the Judicial Chamber, the Supervisory Chamber, and the Examination Chamber. Under these there were 44 ministerial organizations. This was basically the structure of the Republican government during its rule over the 35 provinces in mainland China. The same set-up was transplanted to Taiwan when the KMT government retreated. But this was not yet all of it. Such was the state machinery at the “national level.” Another set of governmental institutions existed at the level of Taiwan province. The provincial government had 23 offices, divisions, bureaus and committees, including major economic planning offices such as those for finance, construction, and agriculture. Altogether there were some 40 administrative heads in the provincial government cabinet. This “small cabinet” was comparable in size and function to the “big cabinet” of the national government. The

two governments competed fiercely over jurisdiction and resources. This arose because the boundary between the national and the provincial levels was a political artifice. The state maintained a national government representing the whole of China and a provincial government responsible for the governance of Taiwan province. But since the national government was in exile, the *de facto* territorial jurisdiction of the national government was the same as that of the provincial government, except over a few barely populated outer islands which did not belong to Taiwan province. The clumsy overlapping organizational structure was maintained out of symbolic considerations. It was deliberately maintained in order to convey the message that the state in Taiwan should be treated seriously as the sovereign state of China. In practical terms, the huge size of the state sector also helped provide jobs for the KMT faithful who retreated to Taiwan.

Many studies have observed the prevalence of rival bureaucratic fiefdoms within the governments of developing nations. Instead of being organized around the Weberian principle of legal-rational hierarchy, the state bureaucracy is often dominated by fragmented groupings with distinctive micro-hierarchies and mutually competing jurisdictions. The common form, as Riggs suggests, is one in which intra-bureaucratic struggle for parochial power and advancement takes precedence over administrative duties and professional responsibilities.<sup>11</sup> The KMT regime is no exception in this regard. Deep-seated divisions within the party existed from its very beginning. Factional strife eventually caused the regime to crumble during its rule in mainland China. After the communist takeover in 1949, the Kuomintang factions changed their arena of contention from the mainland to the island of Taiwan. Even after the party reform in the early 1950s, factional strife continued.<sup>12</sup> When the regime re-erected the state institutions in Taiwan, rival factions wasted no time in occupying bureaucratic offices as the organizational basis for their power contention. The fact that under martial law there was no institutionalized mechanism to decide who took which positions and resources meant that not only bureaucratic offices but also their functions and jurisdictions were fought over. Furthermore, since the KMT had established an *émigré* regime in Taiwan without an indigenous social basis, whoever could establish political support and mobilize social resources would survive better in the internal struggle. Bureaucratic offices thus became the organizational means for exacting resources and establishing political support.

With such clumsy hierarchies and the existence of rival factions, it is not difficult to imagine the extent of the turf wars which occurred.<sup>13</sup> Under such circumstances, how could the fighting between bureaucratic fiefdoms be constrained? How could government actions be made more accountable, predictable, and responsive? How could state capacity be built?

### **Technocratic Legacies**

Heredia and Schneider summarized a number of factors shaping administrative reform and effecting state capacity building. The first emphasizes politico-institutional factors such as the executive-legislature relationship and the party system in influencing administrative reform. The second focuses on fiscal and economic crises in triggering the reform process. The third underlines the agency of state reformers in bringing forth strategic changes. The fourth highlights international influences such as International Monetary Fund (IMF) conditionality, global neo-liberal thinking, and so forth. Heredia and Schneider further hypothesized that where bureaucratic and political elites are fused, there is less likelihood of administrative reform. At the same time, when political outsiders come to power, it is more likely that these outsiders will embark on administrative reform.<sup>14</sup>

Several of these factors were at work in Taiwan. First and foremost was the imminent threat to national security and regime survival. The KMT and the state machinery it resurrected in Taiwan were under the constant fear of demise from both internal and external threats. Externally, the threat of a communist takeover of Taiwan was always imminent. Internally, the KMT regime faced a hostile indigenous population who saw the KMT as a brutal colonizer after the massacre of Taiwanese in the February 28 Incident of 1947. The internal and external threats helped to create a binding force for rival elements of the state apparatuses. Collective survival became a political imperative of the regime. Rival factions watched over one another to ensure that no group would pursue parochial interests to the extent of threatening their collective survival.

Another important factor was the existence of a small but influential group of technocratic reformers. Ironically, the technocratic legacy can be traced back to the chaotic Republican period. It originated with the creation of the powerful National Resources Commission (and its

predecessor, the National Defence Planning Commission established in 1932).<sup>15</sup> According to Kirby, this was the beginning of technocratic culture in the KMT government, especially in the sense of management by engineers.<sup>16</sup> Not only was the commission allowed to hire managers according to its management procedures, but it could also appoint its own party leaders and reject those sent from the KMT Organization Department. The commission gathered a few hundred top academics, engineers, and young entrepreneurs from all over the country and entrusted them with planning responsibilities. Subsequently, the commission expanded its power and scope to include the monopolization of all precious metal mines, the control of all state enterprises, the creation of strategic industries such as energy, the establishment and supervision of Sino-US economic and technocratic exchanges, and the takeover of Japanese assets after the Second World War. The expansion was evidenced in the commission's growth from 23 industrial and mining units with less than 2,000 staff in 1937 to 103 industrial and mining units with 12,000 staff plus 160,000 manual workers by 1944. By 1947, the commission and its large number of industrial enterprises employed some 33,000 staff and 230,000 workers, and accounted for 67.3% of China's total industrial output.<sup>17</sup>

During the entire Republican period, the National Resources Commission produced a number of ambitious industrial and economic plans. Most of them were hardly ever implemented due to the turbulent political conditions. Its technocratic legacy, however, was to become the basis of state capacity and responsiveness in post-war Taiwan. After the communist takeover, the majority of the National Resources Commission members stayed in mainland China, only a handful of them choosing to flee with the KMT. Those who arrived in Taiwan had little connection with local interests. Technocrats such as Shen Tsung-hen, Yin Chung-jung (a.k.a. K. Y. Yin), Li Kuo-ting (a.k.a. K. T. Li), Yen Chia-kan, Sun Yun-suan have been seen as acting selflessly in steering Taiwan's development. In particular, K. Y. Yin, a non-Kuomintang technocrat, was the moving force behind many of the reform programmes. These powerful technocrats have been regarded as the standard-bearers of economic rationality who championed the agrarian and industrial reforms.<sup>18</sup> In reality, however, they were by no means immune to intra-bureaucratic contentions. Their ability to carry out reforms depended partly on how they manoeuvred in the political game. In particular, effective agency rested upon the concentration of power in the hands

of specific reformers who could successfully mobilize their organizational resources, forge political alliances, silence their bureaucratic rivals, or reach political compromises with other intra-state power holders.

A very important condition which allowed the reformers to operate successfully in Taiwan, in contrast to their experience in the mainland, was, as hypothesized by Heredia and Schneider, the intervention of political outsiders. In this case the political outsider was the US. Through the US aid programme in Taiwan, the American government created major institutional inventions which, with the support of reformers within the Kuomintang, helped in enforcing administrative discipline, procedural transparency, and policy accountability in the authoritarian government. It was the concatenation of factors, including the technocratic legacy carried over from the mainland Republican period, the internal and external threats which helped constrain political and bureaucratic infighting, and the outsider role played by US aid which contributed to the institutionalization of a more responsible government under peculiar circumstances.

## **US Aid**

Before we discuss the role played by US aid, let us first briefly look at the operation of the aid programme itself. The United States had long been interested in Taiwan because of the latter's strategic importance in the Pacific. During the Second World War, the US government even drew up concrete plans to occupy the island for an indefinite time after the war.<sup>19</sup> Although the occupation plan was eventually dropped, the outbreak of the Korean War in 1950 revived American interest in the strategic importance of Taiwan. Against this background, the aid programme was a direct result of the Korean War when the US decided to involve Taiwan as part of its containment policy against communist China. A Mutual Security Act (*Gongtong anquan fa*) was enacted by the US Parliament in 1951, which provided the legal basis for the extension of aid to Taiwan.<sup>20</sup> Under the Act, some US\$1.5 billion worth of military and economic aid was given to Taiwan in the following 15 years.

US aid came in the form of direct and indirect military assistance, under the so-called direct forces support (*zhijie junyun*) and mutual defence assistance programme (*junxie yunzhu*). Direct forces support included the provision of naval vessels, warplanes and combat aircrafts,

tanks, weapons and so on. Mutual defence assistance provided military munitions for Taiwan and aimed at maintaining the operating capacity of the army and troops.<sup>21</sup> US aid also came in the form of economic assistance. Economic aid consisted of technical cooperation, defence support, and agricultural commodities. In practical terms, funds were available for economic construction purposes, supporting the so-called Project-Type Assistance and Non-Project-Type Assistance. Later on, as a measure to reduce Taiwan's reliance on US aid, the US government set up a Development Loan Fund (*Kaifa daikuan jijin*) in 1958 and encouraged Taiwan to apply for loans instead of relying on direct aid.<sup>22</sup>

There has been general consensus that US aid played an indispensable role in the military security and economic recovery of Taiwan.<sup>23</sup> What has hitherto been grossly overlooked is the strong political influence of the aid mission and the wide range of institutional establishments created under that influence. Such influence derived from the technical expertise and the huge sums of money (in the form of hard currency) that accompanied the delivery of aid. They were instrumental to the survival of the KMT during the first decade of its rule in Taiwan. The extent of social programmes sponsored by US aid ranged from infrastructural construction, industrialization, and agricultural improvement to education, vocational training, family planning, and health care. It covered virtually every aspect of public services. Because of that, the US aid mission had enormous political clout with the KMT government.

The aid mission was composed of a number of American agencies, located both in the United States and in Taiwan. The most important agencies in Taiwan included the US Embassy, the China Division of the Mutual Security Agency, and the Foreign Operation Administration. Besides these, an extensive network of official and semi-official US agencies was also involved in the implementation of the aid programme. Among the "unofficial" agencies, the J. G. White Engineering Corporation played a decisive role in many of the aid projects.<sup>24</sup> The overall set-up of the aid mission was extensive and elaborate. For instance, the Mutual Security Agency consisted of legal advisers, economic advisers, a planning bureau, a budget and finance bureau, an industry and natural resources bureau, a supplies and procurement bureau, an education bureau, an information bureau, a public hygiene bureau, an accounting bureau, and an operation bureau. All in all, the entire aid mission was equipped with extensive resources, expertise, and planning as well as executive capacities.

The aid mission as a whole represented a kind of political outsider that pressured the KMT government to carry out reforms. Many of its reform proposals fell in line with those advocated by KMT technocrats. The famous Nineteen-Point Proposal on Fiscal and Economic Reform (which will be discussed later) was a case in point. But unlike the KMT technocrats, the aid mission possessed far more political leverage *vis-à-vis* the conservative leaders of the KMT. When faced with die-hard resistance, the aid mission would turn to diplomatic pressure or threaten to suspend aid funding. An extreme example was the removal of Chiang Kai-shek's close ally Chen Cheng as Governor of Taiwan Province and the subsequent reorganization of the provincial government under pressure from the aid mission.<sup>25</sup> The aid mission agencies also offered much needed expertise and consultant knowledge on various reforms. During the implementation of various social projects, aid agencies served as an external check on government performance and ensured that government departments observed financial discipline, followed international standards, and complied with set procedures. The huge number of experts and support staff in the various aid mission agencies enabled them to undertake meticulous supervision and monitoring of social projects.

### **The Creation of New Organizational Resources**

Under the influence of the aid mission, a number of institutional innovations were adopted which were significant in enhancing administrative accountability under authoritarian conditions. One of the most important initiatives was the setting up of supra-ministerial agencies to plan, co-ordinate, and supervise economic and social development projects. These agencies, together with measures aiming at enhancing planning capacity, not only revived the pre-war technocratic legacies of the KMT government but also served as the cornerstone for the subsequent institutionalization of a more technocratic mode of policy planning which has become the defining feature of the so-called developmental state.

Earlier we pointed out the dominance of bureaucratic fiefdoms within the KMT regime and their negative consequences on effective rule. An important contribution of US aid was the introduction of new organizations circumventing these bureaucratic fiefdoms. Among the newly established organizations were the Joint Commission on Rural

Reconstruction (*Longfu hui*, JCRR) and the Council for US Aid (*Xingzhengyuan Meiyun yunyong weiyuanhui*, CUSA). Both were created under the auspices of US aid. They were not answerable to individual government departments or ministries, but to the US government and the KMT government as a whole. Policy planning was made more independent of parochial interests.

The JCRR was entrusted with the responsibility of developing the rural areas. It was a large organization comprising a steering committee, secretariat, archival office, management office, personnel office, executive office, transportation office, information office, accounting office, irrigation work office, breeding industry office, forestry office, land reform office, agricultural association office, fertilizer office, husbandry office and rural economy office. The CUSA was originally created with the responsibility of allocating US aid. But it soon became a supreme planning body and took over the overall planning and co-ordinating functions from various government departments. Furthermore, at the request of the aid mission for a unified plan to utilize US aid, the Taiwan government set up a cross-ministerial Economic Stabilization Board (*Jingji anding weiyuanhui*, ESB) in 1953 as a standing body responsible for development planning. The Board was put under the Executive Chamber and chaired initially by the Governor of Taiwan and later by the Premier. It replaced the existing Taiwan Production Board, and exercised supervision over the management of state-owned and private enterprises, financial matters, and trade transactions. It also intervened in major decisions concerning mining, agriculture, industry, transportation, external trade, foreign exchange, finance, and supplies. It virtually displaced the functions of the Ministry of Economic Affairs, the Bank of Taiwan, and the Construction and Finance Offices of the Provincial Government.<sup>26</sup> The ESB was abolished in 1958, when its planning functions were merged into the CUSA.

These supra-ministerial organizations were able to concentrate planning functions under their roofs. Most of the economic policies made during the 1950s and early 1960s were initiated by these organizations rather than by the government bureaucracy. At the same time, they set up numerous joint committees, task forces, and expert groups. Examples of these included the textile sub-committee (*Meiyun fangzhi xiaozhu*), the committee on the productivity of fishery (*Taiwan yuye zengchan weiyuan hui*), a sub-committee for the coal industry (*Meiye xiaozu*), a sub-committee for machinery and electronics (*Jixie diangong*

*xiaozu*), and sub-committees for supplies and fertilizer (*Feiliao xiaozu yu wuzi xiaozu*). In doing so, the intervention of the US aid agencies reached far and deep into government departments as well as industries. This whole panoply of US aid-related planning and execution organizations was neither answerable to individual ministries nor supervised by the faction-dominated legislature or the National Assembly.<sup>27</sup> Instead, they were answerable to the Premier and the President directly and, most importantly, the US government. They could thus act efficiently because they were free from interference from partisan legislators and from bureaucratic red tape. At the same time, the potential for abuse was defused by their transparency. All meetings were presided over by both US and Taiwan officials. Minutes of meetings were recorded in meticulous detail. Both governments could veto the plans made, although in actual practice this seldom happened, especially when the KMT government tried to avoid any direct confrontation with the US government and its representatives.

These supra-ministerial agencies remind us of the National Resources Commission during the Republican era. The influence of the latter once extended far and wide across many ministerial jurisdictions. Such an organizational form was therefore not completely alien to the KMT regime. However, unlike their predecessor, the US aid-sponsored agencies, with the backing of the aid mission and the US government, were not only entrusted with supra-ministerial responsibility to plan but also the power to carry out those plans. This power to implement plans is crucial. Governments of developing nations often fail to achieve developmental goals not because of the lack of plans — there are usually plenty — but because of the inability to implement plans. Their attempts at establishing supra-ministerial agencies do not, as a norm, achieve much since these organizations often limit themselves to planning and they rely upon traditional government ministries and departments to execute the plans. The Taiwan case represents a departure from the norm because planning and execution functions were combined within the same supra-ministerial organizations. These planning-cum-execution agencies became new forms of organizational resources upon which the post-war state capacity of Taiwan was built.

We need not over-romanticize the autonomous and rational role of the US aid-sponsored agencies. They were certainly not entirely immune from intra-bureaucratic conflicts, and such conflicts still abounded. For instance, the JCRR had bitter fights with the National Resources

Commission and the provincial government over the control of land, especially land possessed by the largest state-owned enterprise, Taiwan Sugar Co.<sup>28</sup> Various KMT factions also fought for those strategic positions within the CUSA which had jurisdiction over resources.<sup>29</sup> Nonetheless, power struggles within and between the US aid-related organizations was restrained by the presence of American representatives presiding over these organizations. More significantly, the introduction of planning routines, regulatory procedures, and accounting discipline by the US aid mission enabled these organizations to operate with a much higher degree of transparency and accountability.

The high-powered body pioneered by the CUSA was subsequently institutionalized as a regular feature of the KMT government even after the end of US aid. A new Council for International Economic Cooperation was set up in 1963 to replace the CUSA, in anticipation of the termination of aid. This new council was reorganized in 1969 and then replaced by the Economic Planning Council in 1973. This was in turn replaced by the Council for Economic Planning and Development in 1977. Since then there have been periodic reorganizations, but the planning function has remained more or less the same.

### **The Institutionalization of Planning Routines**

An important aspect of the technocratic mode of policy making promoted by US aid was the institutionalization of planning routines. The original intention of the aid mission was to ensure the effective utilization of US aid. Plans were thus made in a pragmatic, project-oriented manner rather than according to ambitious grand visions. Individual government units were subjected to regular programme audits concerning their execution of programme plans. Such a pragmatic approach proved to be highly effective in assessing bureaucratic performance. The planning routines played a significant role in enhancing government responsibility because they served as a means to communicate government priorities, as a forum to address social needs, and as a yardstick to measure government performance.

Again, the commitment to government planning could be dated back to the Republican era. In Sun Yat-sen's vision, China was to be industrialized and modernized through state planning. Sun's *Industrial Plan*, described by Kirby as "the most audacious and memorable of national development programs,"<sup>30</sup> became the forerunner of subsequent

economic plans and development goals. After that, the KMT government was determined to pursue a regulatory approach to planning. A high-ranking National Reconstruction Commission was set up in 1928 to prepare a grandiose plan for the reconstruction of the country in line with Sun's ideas. Part of its function was taken over by the National Economic Council in 1931. Many new laws, including company law, insurance law, maritime law, trademark law, were introduced in the 1920s and 1930s to regulate business activities and to subject private businesses to new taxes, inspections, certifications, licensing, and trade duties.<sup>31</sup> A comprehensive Three-Year Plan for the Development of China's Industries was announced by the National Resources Commission in 1936. The plan included specific production targets and estimates of government expenditures to realize those targets.<sup>32</sup>

The commitment to planning was revived under the auspices of US aid. Planning routines were established in the form of four-year plans. It began as a response to a demand from the United States for long-term planning in order to gradually reduce Taiwan's reliance on US aid.<sup>33</sup> The first four-year economic plan was put forward in 1953. After that, four-year plans were made regularly.<sup>34</sup>

The early four-year plans bore as many fingerprints of KMT economic technocrats as those of the US aid mission, since most of these plans were formulated with specific US aid projects in mind. During the formulation of aid projects, the US government invited a private consultant, J. G. White Engineering Corp., as an adviser to check and oversee the application of aid projects as well as their implementation.<sup>35</sup> The company became extensively and intimately involved in planning and implementation work. It had consultancy sections on forestry, textiles, mining, construction, sugar refining, electricity, and mechanical engineering. In addition to assisting the planning process, the company also helped to introduce up-to-date technologies and management techniques for major infrastructural plans and projects in Taiwan. This high-handed intervention from the US aid mission and J. G. White certainly created unease among KMT leaders from time to time. One can obtain some insight into this from the minutes of a meeting between Wesley C. Haroldson, the head of the Mutual Security Agency, and Chen Cheng, then vice-president, on 19 July 1958. During the meeting, Haroldson told Chen patronizingly that the relationship of the US aid mission with Taiwan was similar to that between a doctor and patient. The patient might sometimes feel uncomfortable with the prescriptions,

but they were nonetheless instrumental to the restoration of the patient's good health.<sup>36</sup>

The close connection between early four-year plans and US aid meant that the plans were more a pragmatic reflection of the targets set down by aid projects than a blueprint of highbrow developmental priorities such as those formulated during the Republican era. Some bureaucrats were unhappy about such a planning approach. They saw the four-year plans as a cumulative function of existing or approved investment projects. The sum total of the expected values of production, employment, and imports and exports became the planned target.<sup>37</sup> In other words, the year plans fell short of the kind of "plan-rational" schema once believed to be the hallmark of the developmental state.<sup>38</sup> Put differently, the plans were used by the US aid mission as a tool to monitor the execution of its aid policy. This differed from what Taiwanese bureaucrats understood a plan should be. But the plan-as-project checklist happened to be a more effective form of plan in terms of assessing policy performance, and in the end, the KMT government actually benefited from the narrow management needs of US aid and ended up with a practical set of planning routines for future use.

In fact, evidence shows that meeting such planned targets — unlike what the developmental state theory predicts — was far from straightforward. For instance, none of the primary goals listed in the first four-year plan (including reducing dependence on US aid, balancing the government budget, achieving trade balance) was fulfilled.<sup>39</sup> The subsequent four-year plans and resulting government performance varied considerably. The fifth four-year plan targeted an annual growth rate of 7.0% and an annual trade deficit of US\$137.1 million. The actual growth rate was 11.6% with a trade surplus of US\$120.8 million. The sixth plan aimed at a 7.0% growth rate and US\$349.0 trade surplus while the actual result was 6.0% growth with a huge trade deficit of US\$426.3 million. The seventh plan targeted a 7.5% growth rate and US\$12.8 million trade deficit, but instead it yielded 10.4% growth and US\$896.8 million trade surplus.<sup>40</sup>

The US aid mission also introduced the idea of programme plan and project evaluation. It amounted to a kind of policy audit which held individual government departments, state-owned enterprises, and administrative units accountable for their performance. Examples abounded: in 1958, during an evaluation of the performance of 21

private and seven state-owned enterprises which had been granted US aid, auditors from the CUSA discovered serious problems in these enterprises, including failure to observe execution deadlines, failure to balance the budget, and unrealistic optimism about market conditions. The CUSA warned that many private enterprises were trapped in the problems of high debts and export trade losses. By exercising strict programme auditing, the US aid mission helped to institutionalize performance appraisal and programme accountability in both enterprises and government departments.<sup>41</sup>

It should be noted that the quality of plans depends upon the availability of expertise and reliable socio-economic intelligence. Here US aid also played a contributing role. The aid programme allowed regular dispatches of government officials to the United States and other Western countries to acquire new skills and up-to-date know-how. Although US aid ended in 1965, the project of educational exchange programme for talented men under the US aid programme continued to operate until the 1970s. Between 1951 and 1970, around 3000 government officials were dispatched under such terms. Most of the beneficiaries were policy makers in enterprises and governmental institutions. More than 6,000 military officers were sent to America for training.<sup>42</sup> In addition, a wide range of American specialists and professionals were assigned to Taiwan to offer consultancy services and technical instruction as well as policy advice to the KMT government. High-level forums were regularly held to allow the exchange of views between US officials and top leaders of the KMT on a broad spectrum of policy issues.

Effective planning also presupposes the availability of socio-economic statistics. Under the auspices of US aid, a series of social investigations and surveys were conducted. They included population censuses, industrial statistics and rural surveys. The first island-wide survey of Taiwan's population was commissioned by the US aid programme and conducted by George W. Barclay of Princeton University in 1953.<sup>43</sup> Shortly after Barclay's report, the Mutual Security Agency collaborated with the National Taiwan University to undertake an industrial survey of the urban areas. These surveys provided the essential basis for subsequent planning. Furthermore, the availability of data showing the composition of the labour force as well as the quality of that labour force has been instrumental to the formulation of industrial plans since then. In this regard, comprehensive manpower surveys were

carried out with support from the aid programme. Alongside the data collection effort, with the help of the aid programme public health projects, population policy, and vocational training were undertaken to improve labour quality.

The collection of essential socio-economic statistics was again nothing new to the KMT technocrats. Similar tasks had been undertaken as early as the 1930s. During that time, the major responsibility of the Planning Commission for National Defence (the predecessor of the National Resources Commission) was to conduct social surveys and compile economic statistics, and the KMT technocrats were fully aware of the importance of socio-economic statistics. The initiatives from the US aid mission thus met with an enthusiastic response from the KMT bureaucracy.

### **Budgetary Accountability and Fiscal Discipline**

One of the most important contributions of US aid to the establishment of a more responsible government in Taiwan was the institutionalization of budgetary accountability and fiscal discipline within the government and state-owned enterprises. Receiving US aid meant that the Taiwan government as well as the recipient institutions had to accept the obligations and terms and conditions attached to the aid. These conditions included specific fiscal, budgetary, and foreign exchange measures as well as certain administrative procedures. They were meant to stabilize prices and to enhance production capacities and export performance.<sup>44</sup> Specific requirements were thus laid down by the aid mission from initiation to implementation as well as in the evaluation of every economic project. As K. Y. Yin, the architect of the post-war Taiwan economy, put it, those obligations attached to US aid had weighty leverage in the formulation of economic policies in Taiwan.<sup>45</sup>

From the outset, the lack of fiscal discipline had been one of the factors leading to the demise of the KMT regime in mainland China. Even after its retreat to Taiwan, the KMT remained subject to this weakness. Because of the absence of effective budgetary planning and auditing, a huge government deficit occurred during the early 1950s. Part of the deficit was covered by selling gold reserves or printing money.<sup>46</sup> The rest was covered by the Relative Fund as part of US aid. The Relative Fund was controlled by neither the Legislative Chamber nor the Executive Chamber, and it was not audited by the Supervisory Chamber.

Under the authoritarian setting, auditing and supervision by these party-controlled parliamentary bodies would not have increased the transparency or accountability of budgetary expenditures. Instead, expenditures involving the Relative Fund had to be approved by the Mutual Security Agency under US supervision. The Mutual Security Agency thus intervened extensively in budgetary control.<sup>47</sup>

A number of budgetary principles were institutionalized as a result of US intervention. First and foremost, Western bookkeeping and auditing systems were introduced to monitor the implementation of aid projects. This applied not only to government departments but also to state-owned and private enterprises. Once an institution became a US aid recipient, it was required to follow the US auditing, accounting, and bookkeeping procedures and standards. And since most government departments were recipients of aid programmes, such systems gradually became institutionalized as the budgetary procedure for the whole government. The introduction of vigorous accounting and auditing procedures greatly increased the transparency of government policy making since all project details, including staffing, supplies and procurement, inventory and depreciation, and so on, had to be meticulously assessed, recorded, and inspected. As a result, policy making became more objective, rational, and predictable. It was thus an important step toward further realization of a technocratic mode of policy making.

At the same time, vigorous procedures were applied to assess programme implementation and government performance. The CUSA checked every item of expenditure and its receipt, identifying numerous examples of irregular expenditure and successfully spotting even claims for small sums such as NT\$100 for the purchase of Portuguese books and NT\$9 for a bicycle licence fee. Such claims were deemed irrelevant to the aid projects and the departments concerned were asked to return the money.<sup>48</sup>

State-owned enterprises and private enterprises were subjected to similar accounting requirements and scrutiny. In fact, US aid officials often complained that Taiwan's state-owned enterprises were inefficient, riddled with nepotism, full of sinecures, and had "mysterious" bookkeeping.<sup>49</sup> To rectify the situation, auditing groups were set up in those aid-receiving enterprises to monitor the use of the funding.<sup>50</sup> At the same time, external auditors were employed to evaluate the implementation of aid programmes, loan utilization, business

performances, and financial status.<sup>51</sup> Such vigorous auditing procedures not only ensured an efficient utilization of aid money, but also offered an important learning opportunity for enterprises to acquire the much needed knowledge of effective execution of planned projects.

The long-term implications of such changes to the government's budgetary accountability and fiscal discipline cannot be underestimated. Through the strict accounting requirement of the US aid programme, both the public and private sectors in Taiwan gradually realized that they needed to adapt local accounting practices to international norms and standards in order to obtain foreign loans or attract foreign investment. A case in point was the Kaohsiung Harbour Authority's attempt to apply for a World Bank loan in 1964 for harbour construction. A condition of the loan approval was revision of the existing clumsy dual accounting systems — business accounting and personnel accounting — into one accounting system. In addition, the World Bank and other loan agencies also demanded that the Kaohsiung Harbour Authority keep the harbour tax (*ganggong juan*) as a source of revenue instead of returning the tax collection to the provincial government treasury. This recommendation would give more financial independence and budgetary autonomy to the Harbour Authority. Such an idea of public management was too radical for the provincial government at that time, however, and in the end the Kaohsiung Harbour Authority did not apply for the loan. However, the exercise did introduce a fresh concept of making the accounting system meet international standards and the idea of operation in a more business-like manner to the civil servants of the Harbour Authority.<sup>52</sup> Subsequently, Taiwan succeeded in applying for loans from the World Bank, Asian Development Bank, and Japanese banks after US aid ended in 1965.

Another contribution of US aid to the fiscal discipline of the KMT government was the curb on military expenditure. We mentioned earlier that the lack of fiscal discipline had been a major weakness of the KMT government. One of the main reasons was that the military refused to submit to any budgetary constraints, and for a substantial period of time, the Ministry of Finance had no control over the expenditure of the military. Heavy military expenditure made capital accumulation very difficult. Even though the economic bureaucracy believed that economic growth could not be sustained without capital accumulation, they were powerless to impose an uncompromising budget. This was especially so because Chiang Kai-shek saw military affairs as the top priority in all

government administration, and requested that the military should be involved in any discussions concerning development plans.<sup>53</sup> Despite the severe budget deficit, Chiang repeatedly ordered the Executive Chamber to increase military expenditure and to raise the pay of soldiers. In addition to budgetary expenditure, planning for production targets was also difficult due to military procurement. Requests from the military for fuel, rice, flour, clothing, cement, steel, and communication, transportation and hygiene equipment were frequently made to government departments. Government ministries had to comply, albeit very reluctantly.<sup>54</sup>

To soften the impact of military demands on budgetary planning, the Ministry of Finance introduced a special tax to cover military expenditure: Special Contributions to National Defence. But a more important check came again from an external actor. Mutual Security Agency director Wesley C. Haraldson put forward an Eight-Point Reform Proposal in 1959 to the Taiwan government as a precondition for further advance in US aid. The proposal recommended changes in many fiscal and economic areas, including foreign exchange reform, non-inflationary fiscal and monetary policies, tax reforms, liberalization of foreign exchange controls, management freedom for public utilities, simplifying investment rules, and privatization of state enterprises. One of the most important demands was a reduction of military expenditure. The proposal was supported by powerful technocrats, especially K. Y. Yin. Yin's political patron Chen Cheng also supported the proposal. However, the idea of reducing military expenditure was turned down flat by Chiang Kai-shek, who had been the main guardian of military interests.<sup>55</sup> After much deliberation, a compromise was reached when Chiang agreed to freeze the percentage of military expenditure in the state budget instead of making a reduction in the absolute value of the military budget.<sup>56</sup> Subsequently, a Nineteen-Point Proposal was drafted by the CUSA under Yin and his colleagues. Besides limiting military expenditure, the proposal laid down the foundation for Taiwan's export-led industrialization in subsequent years.

A further initiative to strengthen fiscal discipline was taken in 1969. Under the auspices of US aid, foreign and American experts were invited to Taiwan to diagnose public administrative problems and offer recommendations for reform. One of the most serious loopholes in budgetary control was soon unveiled. Under the existing system, each government department and bureau received monthly budgetary

allocations, regardless of whether the money needed to be spent in that month. Departments and bureaus also kept their revenues from taxes or public fees, simply depositing the money in banks in order to earn extra income from bank interest. The treasury had no control of such departmental discretion, and very often it led to the peculiar situation where the treasury was in grave deficit while departmental surpluses were kept idle in bank deposits.<sup>57</sup> In view of this problem, American experts recommended the establishment of a new system of centralized budgetary control under the treasury (*guoku jizhong zhifu zhidu*).<sup>58</sup> Under the new system, departments and bureaus had to surrender their revenues to the treasury and could no longer deploy revenues in their own way. Instead, the treasury would directly pay the money to recipients. The system thus greatly enhanced the capacity of the treasury to exercise budgetary control and fiscal discipline, and reduced the possibilities of misappropriation of public finances by governmental departments and institutions. At the same time, the resulting improvement in revenue income gave the treasury more flexibility in budgetary allocation and relieved the government as a whole from the pressure to raise short-term finance to meet emergent demands.<sup>59</sup> All in all, the new system made the budgetary process more rational and predictable, and made possible a further strengthening of the technocratic mode of macro-fiscal control.<sup>60</sup> Although this treasury reform did not entirely eliminate the revenue drain by the military, it did restrict the arbitrary fiscal demands of the military. In the words of Wang Chao-ming, a long-serving economic technocrat in the KMT government, the new system was no less important in its achievement than ending the warlord occupation in mainland China.<sup>61</sup>

### **Strengthening Responsiveness to Socio-economic Change**

Authoritarian regimes are often characterized by unresponsiveness towards social needs and market changes. Although power holders or technocratic office bearers may enjoy a high degree of political autonomy from societal and partisan interests, the social exclusion necessarily means that the policy-making process is deprived of inputs from social actors. Evans thus argues eloquently that technocratic autonomy has to be socially embedded in order to remain responsive to changing socio-economic circumstances.<sup>62</sup> What Evans fails to take into account is how technocrats, even if they are endowed with embedded

autonomy, can overcome the intra-bureaucratic dynamic. For all the technical competence of East Asian bureaucrats they are not exceptions to the generalized “bureaucratic politics” phenomenon. Bureaucratic agencies in the so-called developmental states are not unitary, but reflect organizational complexities with diverse and often conflicting ideologies, preferences, and interests. Inter-agency rivalries, compartmentalization, and sectionalism are the rule rather than the exception.<sup>63</sup>

In this regard, Taiwan is an outstanding anomaly. The KMT government has been seen to be rather responsive to socio-economic changes. A good example is the shift towards export-led industrialization in the 1960s, taking timely advantage of the liberal global trade regime as well as Taiwan’s cheap labour in international subcontracting for manufactured goods. This occurred at a juncture when the earlier import substitution policy had created huge vested interests in preserving the status quo. Embedded autonomy can only partially account for this because the resistance to change came from the huge bureaucratic fiefdoms rather than from societal interests. Unlike for example Latin America, there was a general plea in Taiwan from the private sector, both big business and small producers alike, for market liberalization. It was the government bureaucracy and KMT party functionaries that had the biggest stake in removing market protection. The bureaucracy controlled a large group of state-owned monopolies protected from domestic and foreign competition. These enterprises essentially covered strategic industries and monopolies in sugar, salt, fertilizer, steel, shipbuilding, machinery, construction, petrochemicals, electricity, banking, insurance, tobacco and liquor, telecommunications, shipping, mining, forestry, transportation, port facilities, and media. They were the main beneficiaries of the import substitution policy. The impetus for change again came from outside, and under strong US pressure, a privatization law was enacted as early as 1953. The programme, however, ended in complete failure, since no state bureau was willing to privatize enterprises under its control.<sup>64</sup>

A more successful programme to reduce the dominance of the public sector was the liberalization of the export sector in response to changing socio-economic circumstances. The Taiwan government announced a Nineteen-Point Fiscal and Economic Reform Proposal in 1960. It was followed by the enactment of the Statute for the Encouragement of Investment, which was implemented in three phases: 1960–1970, 1971–1980, and 1981–1990. In the first phase, which witnessed a shift from

import substitution to export orientation, measures taken included: simplifying the multiple foreign exchange rates into a single rate, relaxing import restraints, simplifying export procedures, rebate of customs duties for exports, tax exemptions for exports, and providing export credit.

The politicking leading to the initiative was painstaking and convoluted.<sup>65</sup> Put simply, the pressure from the US aid mission, the balance-of-payments consideration, and the support from a group of reform-minded technocrats led by K. Y. Yin were the prime movers behind the policy shift. From the outset, thanks to the availability of US aid, import substitution during the 1950s was carried out without great problems of negative balance of payments or inflation in Taiwan. However, US aid to Taiwan was going to stop in the mid-1960s, so that if foreign exchange earnings were to be maintained, the government had to export. The inevitability of change was recognized by most government officials, including Chiang Kai-shek. To prepare Taiwan for such change, Wesley C. Haraldson put forward the Eight-Point Reform Proposal mentioned earlier. K. Y. Yin took up the proposal and expanded it into 19 points. As a compromise, the Nineteen-Point Reform did not end the protection of selected industries, but only increased the incentive to add new export industries. Because of that, the policy change has been perceived by the public in Taiwan as less of a shift from import substitution to export orientation than one of policy liberalization allowing the expansion of the private (i.e. the export) sector. In other words, export promotion existed side by side with market protection for state-owned enterprises and oligopolies. The monopolistic sectors, mostly up-stream industries, remained closed to newcomers, whether local or foreign. Even with such severe compromise and limitation, the reform was generally supported by the Taiwanese populace — business and labour alike — since it provided new economic opportunities, and since then the private sector has been expanding.

Responsiveness in the above-mentioned case was thus predicated upon a concatenation of circumstances, both internal and external, interacting intricately with built-in compromise and conflicts. A similar example can be found in the adjustment of electricity charges in accordance with the market price. For a substantial period of time, electricity charges were fixed, and any adjustment to the price level had to be approved by Chiang Kai-shek himself. Chiang had been obsessed with price stability since he believed that uncontrollable inflation was

one of the main causes of the KMT's defeat in the mainland. For fear of triggering inflation, he and some legislators stubbornly rejected any changes to electricity charges. However, such price fixing essentially deterred any investment in electricity utilities which already required huge capital and long-term ventures. To change this attitude, the US aid mission threatened to halt further assistance in the construction of electricity projects if electricity charges continued to be fixed. Under mounting pressure from the aid mission, the legislature eventually passed an adjustment formula for electricity charges, with Chiang's consent, and from then on, the price of electricity was adjusted periodically according to production costs and market signals. Such a change ensured that investment in the electricity supply could meet the demands of industrial growth in the following decades.<sup>66</sup>

A further way of enhancing policy responsiveness during the authoritarian rule was the institutionalization of state-sanctioned civic participation. Even in this area, US aid as an external political actor played an important role. It helped the setting up of civic organizations which proved to be very helpful in the implementation of controversial policies. Two prominent examples were the Four H Club (*Zhonghua Minguo sijian xiehui*) and the Family Planning Association (*Zhongguo jiating jihua xiehui*), established in the 1950s with the support of US aid and the JCRR. Both associations were either directly supervised by their headquarters in the West or well connected with specialists and organizations in America.<sup>67</sup> The Four H Club was actively involved in rural education and construction programmes after the land reform, and together with the Family Planning Association they became the pioneers of birth control in Taiwan. By appealing directly to women in the rural areas, these two civic organizations successfully engaged grass-roots participation in contraceptive programmes. In less than five years more than 600,000 women were given contraceptive implants.<sup>68</sup> The success of the birth control programme no doubt played an instrumental role in making possible the implementation of population and health care policies.

Last but not least, the capacity to anticipate social needs was also one of the factors contributing to effective governance by the KMT. Here we can cite the example of vocational training and compulsory education. Vocational training began as early as the 1950s while nine-year compulsory education was implemented in 1968. Both were introduced in anticipation of the need for skilled and qualified labour. Once again we find the imprint of US aid.

As early as 1953 a high-level forum, Sino-America Industry Education Forum (*ZhongMei jiating jiaoyu zuotan*), was organized to review the needs of industrial education in Taiwan. The forum was attended by major government officials including the Provincial Governor Chen Cheng and members of the American Embassy and the US aid mission. A direct result of the forum was the formation of a task force composed of specialists from the US aid mission and technocrats in the KMT government. The task force undertook a review of vocational education in Taiwan and suggested ways of improving it. One of the conclusions was to introduce vocational training in order to meet the needs of industrial expansion. In preparation for that, Taiwanese instructors were sent to the US to receive training in industrial education; at the same time, American experts in industrial education were dispatched to Taiwan to help set up vocational training programmes.

The proactive initiative on vocational training derived to a certain extent from security considerations, at least in the 1950s. In order to enhance the efficiency of munitions loading and unloading and to ensure the safe handling of US aid and other exports and imports, the US Maritime Commission and US Department of Commerce were involved in the establishment of the training school for dockworkers at Keelung Harbour. The success of the school led to further expansion of the training programme to dockworkers' children and people who were interested in stevedoring. Eventually training courses were extended to dockworkers at other harbours and even to workers in other industrial sectors.<sup>69</sup>

The experience of dockworker training left a remarkable legacy for future vocational programmes. When the CUSA was regrouped and renamed the Council for International Economic Cooperation and Development (*Xingzhengyuan guoji hezuo weiyuanhui*) in 1964, the Minister of Education was incorporated in this new commission and a new team of human resources specialists was established at the same time. The US aid mission gave its support for the arrangement,<sup>70</sup> and with the mission's blessing, K. T. Li was able to deploy aid funding to support the establishment of new industrial-vocational high schools and to transform agricultural-vocational high schools into agricultural-industrial vocational high schools.<sup>71</sup> Since then industrial-vocational high schools have trained massive numbers of skilled workers for the manufacturing industry. Eventually, with the advice of US specialists, nine-year compulsory education was introduced in 1968.

## **Conclusion**

It is too easy to conclude that those governance mechanisms which helped to create a more responsible government during the authoritarian period in Taiwan originated from US aid and its related conditionality. Such a conclusion seems to offer a positive case compared with similar World Bank and IMF conditionality programmes which often have dubious effects on state capacity and responsibility in the host countries. We caution against arriving at such a conclusion too hastily. In fact, the differences lie not so much in any contrast between US and World Bank aid, but in the historical circumstances under which new governance mechanisms have been transplanted and indigenized.

In this regard, it is useful to distinguish between the introduction of organizational-administrative reforms, and the subsequent institutionalization of these reforms to become part of the normal governance structures and routines. In our Taiwan case, US aid played a significant role in introducing new institutional set-ups and ascribing new administrative procedures to the KMT government. This role is important in two regards. First, US aid served as a source of innovation. It brought new institutional resources to the KMT government and helped officials to acquire the administrative know-how in effecting policy planning, programme execution, budgetary control, and policy feedback. However, this was not necessarily appreciated by political fiefdoms who treasured secrecy and arbitrariness more than transparency and accountability. This role should thus be seen in tandem with the second role, namely, US aid acted as a kind of external intervention which helped overcome bureaucratic fiefdoms, official inertia, and patrimonial legacies to implement much needed public administration reforms in the authoritarian regime. The effectiveness of such a role was a result of unique geo-historical conditions. In the wake of imminent threat from a communist takeover, the KMT government had little choice but to comply with the dictates of the US in exchange for economic aid and military protection. Individual government departments, especially the armed forces, resented measures of budgetary discipline, policy auditing, programme evaluation, and so on, but eventually had to accept the principle and practice of administrative transparency and accountability. In other words, external intervention was accepted in exchange for survival.

It should be noted that this dual role played by US aid is both

intended as well as unintended. The range of administrative measures proposed by the US aid mission was meant to improve the effectiveness of aid utilization by the KMT government. By helping to create a viable market economy, the US government hoped that Taiwan could stand on its own feet and be anchored in its own economic well-being within a short period of time rather than relying on US aid forever. There is little evidence to suggest that the US had tried to use the aid package as a means of fostering a more responsible government in Taiwan. In other words, the main concern was transparency and accountability to the US aid mission, not the general populace.

Regarding the subsequent institutionalization of the governance mechanisms, one has to look beyond the role of the US aid and focus on the internal dynamics of the regime. The governance mechanisms took root even after the termination of US aid in the 1960s for two reasons. First, the measures prescribed by US aid revived the legacy of a technocratic mode of fiscal and economic policy making which had never been able to perform its proper role during the turbulent years of the Republican period. KMT technocrats who once served in former planning bodies were receptive to the US prescription, for these measures put them back in the power echelon of decision making. The new organizational set-ups provided them with strong protective shields against the ambush of the armed forces and rival political factions, although ambushes did occur from time to time. They became the main supporters and had a vested interest in institutionalizing those governance mechanisms. Second, the Taiwan economy performed very well during the 1950s and 1960s. Whether the economic “miracle” can be attributed to the set of governance measures sponsored by US aid is not our concern here. The point is that the economic performance convinced the political leaders that those governance measures worked. Continuous economic development thus provided a basis for the subsequent institutionalization of the initial reforms.

In a nutshell, while US aid was by no means the only factor in strengthening government accountability under authoritarian rule, it was certainly one of the crucial factors. Equally important were the geo-historical circumstances and the internal dynamics of the regime in responding to the aid conditionality. The resulting reform measures might be rather limited in scope, far short of the kind of mechanisms we can find in democratic, responsible governments, but their imprints have been long-term. The enhanced technocratic competence, administrative

rationality, and bureaucratic transparency provided an indispensable foundation for future movement towards a more developed, responsible government. In fact, they have proved to be more effective than comprehensive reform packages put forward after the democratic transition. The comparison, however, is another story.<sup>72</sup>

## Notes

1. A. F. Pollard, *The Evolution of Parliament* (London: Longmans, Green and Co., 1926), p. 337.
2. Dennis F. Thompson, *Restoring Responsibility: Ethics in Government, Business, and Healthcare* (Cambridge: Cambridge University Press, 2005).
3. Michael M. Harmon, *Responsibility as Paradox: A Critique of Rational Discourse on Government* (Thousands Oaks, CA: Sage Publications, 1995).
4. Clarence A. Dykstra, "The Quest for Responsibility," *American Political Science Review*, Vol. 33, No. 1 (February 1939), p. 1.
5. For a detailed critique of the developmental state thesis, see Richard Boyd and Tak-Wing Ngo, "Emancipating the Political Economy of Asia from the Growth Paradigm," in *Asian States: Beyond the Developmental Perspective*, edited by Richard Boyd and Tak-Wing Ngo (London: RoutledgeCurzon, 2005), pp. 1–18.
6. See, for example, Merilee S. Grindle (ed.), *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries* (Cambridge, MA: Harvard Institute for International Development, 1997).
7. See, for example, Luis Carlos Bresser-Pereira, *Democracy and Public Management Reform: Building the Republican State* (New York: Oxford University Press, 2004); and Denis Saint-Martin, *Building the New Managerist State: Consultants and the Politics of Public Sector Reform in Comparative Perspective* (New York: Oxford University Press, 2000).
8. Tak-Wing Ngo, "Minzhuhua guocheng zhong Taiwan xingzheng gaige de kunju" (The Dilemma of Taiwan's Administrative Reform during Democratization.), *Gonggong guanli pinglun* (China Public Administration Review), No. 5 (2006), pp. 20–31.
9. Tak-Wing Ngo, "'Bad Governance' under Democratic Rule in Taiwan," in *Good Governance in the Era of Global Neoliberalism*, edited by Jolle Demmers, Alex Fernández Jilberto, and Barbara Hogenboom (London: Routledge, 2004), pp. 224–45.
10. Tak-Wing Ngo, "Civil Society and Political Liberalization in Taiwan," *Bulletin of Concerned Asian Scholars*, Vol. 25, No. 1 (1993), pp. 3–15.
11. Fred W. Riggs, *Prismatic Society Revisited* (Morristown, NJ: General Learning Press, 1973), p. 29.

12. See the discussions in Edwin A. Winckler, "Elite Political Struggle, 1945–1985," in *Contending Approaches to the Political Economy of Taiwan*, edited by Edwin A. Winckler and Susan Greenhalgh (New York: M. E. Sharpe, 1988), pp. 151–71; and Chen Ming-tong, *Paixi zhengzhi yu Taiwan zhengzhi bianqian* (Factional Politics and Political Transformation in Taiwan) (Taipei: Yuedan chuban, 1995).
13. A detailed discussion of such intra-statal conflicts can be found in Tak-Wing Ngo, "The Political Bases of Episodic Agency in the Taiwan State," in *Asian States: Beyond the Developmental Perspective*, edited by Richard Boyd and Tak-Wing Ngo (London and New York: RoutledgeCurzon, 2005), pp. 83–109.
14. Blanca Heredia and Ben Ross Schneider, "The Political Economy of Administrative Reform in Developing Countries," in *Reinventing the Leviathan: The Politics of Administrative Reform in Developing Countries*, edited by Ben Ross Schneider and Blanca Heredia (Miami, FL: North-South Center Press, 2003), pp. 2–3.
15. Kirby called the establishment of the Commission a "turning point" in the Kuomintang's nation-building efforts. See William C. Kirby, *Germany and Republican China* (Stanford, CA: Stanford University Press, 1984), p. 99. The most detailed study of the National Resources Commission hitherto is Xue Yi, *Guominzhengfu Ziyuanweiyuanhui yanjiu* (A Study of the National Resources Commission of the Nationalist Government) (Beijing: Shehui kexue wenxian chubanshe, 2005).
16. William C. Kirby, "Continuity and Change in Modern China: Economic Planning on the Mainland and on Taiwan, 1943–1958," *Australian Journal of Chinese Affairs*, No. 24 (July 1990), pp. 121–41.
17. *Ibid.*, pp. 130–32.
18. Stephan Haggard and Chien-Kuo Pang, "The Transition to Export-led Growth in Taiwan," in *The Role of the State in Taiwan's Development*, edited by J. D. Aberback, D. Dollar, and K. L. Sokoloff (New York: M. E. Sharpe, 1994), pp. 47–89.
19. Leonard Gordon, "American Planning for Taiwan, 1942–1945," *Pacific Historical Review*, Vol. 37 (1968), pp. 201–28.
20. Prior to this programme, an earlier aid package was already in place under Title IV of the Foreign Assistance Act which was enacted on 3 April 1948. According to this Act, US\$75 million was given to China for reconstructing its industries. From that amount, US\$5 million was used to restore and expand the sugar industry, railway infrastructure and electricity supply in Taiwan.
21. Zhou Xiu-huan (ed.), *Taiwan guangfu hou Meiyuan shiliao III* (Archives of US Aid after the Recovery of Taiwan, vol. 3) (Taipei: Academia Historica, 1998), pp. 3–8.
22. *Ibid.*

23. The earliest study on this subject was written by Jacoby in 1966. Jacoby was a former member of the Council of Economic Advisers and a consultant to US aid missions in India and Laos. He focused his attention on the role of US aid in Taiwan's defence and economic recovery. Since then US aid has been commonly understood in terms of these two achievements. See Neil Jacoby, *US Aid to Taiwan: A Study of Foreign Aid, Self-Help, and Development* (New York : F.A. Praeger, 1966).
24. Lin Bing-yan, *Baowei da Taiwan de Meiyuan* (The US Aid that Protected Taiwan) (Taipei: Sanming chubanshe, 2004).
25. Shisou congshu (Chen Cheng Archive), Subject: Biography, File name: Taizheng yinian: congzheng huiyi zhi er (One Year in Taiwan Politics: Reminiscence of Political Career, Part Two), Content Abstract: Shengfu gaizu — You Zheng Jiemín yu Bái Jier de huitan shuqi, Gaizu jingguo, Wu Guozhen yu Meiyuan (Reform of Taiwan Provincial Government — The Meeting between Zheng Jie-Min and Bai Ji-Er, Reform Process, Wu Guo-zhen and US Aid), Taipei: Academia Historica.
26. Shen Yun-long (ed.), *Yin Zhongrong xiansheng nianpu chugao* (Draft Chronological Biography of Mr. K. Y. Yin) (Taipei: Chuanji chubanshe, 1972), p. 194.
27. Ironically, the autonomy of the US aid-related organizations from the Legislative Chamber and the National Assembly did not undermine their accountability. The parliamentary bodies were in fact satirized as the “Ten-Thousand-Year Parliament” since no general election was ever held during martial law. Members of parliament who were originally (s)elected in mainland China enjoyed indefinite terms of office in Taiwan.
28. Academia Historica, *Tudi gaige shiliao, minguo shiliunian zhi sishijiunian* (The Historical Record of Land Reform from 1927 to 1960) (Taipei: Academia Historica, 1988).
29. Wang Zuo-rong, *Zhuangzhi weichou: Wang Zuo-rong zizhuan* (The Unfulfilled Ambition: Autobiography of Wang Zuo-rong) (Taipei: Tianxia chubanshe, 1999).
30. William C. Kirby, “Engineering China: Birth of the Developmental State,” in *Becoming Chinese: Passages to Modernity and Beyond*, edited by Wen-hsin Yeh (Berkeley, CA: University of California Press, 2000), p. 138.
31. William C. Kirby, “China, Unincorporated: Company Law and Business Enterprise in Twentieth-Century China,” *Journal of Asian Studies*, Vol. 54, No. 1 (February 1995), pp. 43–63.
32. Xue Yi, *National Resources Commission of the Nationalist Government*, Ch. 5.
33. Yeh Wan-an, “Taiwan jingji sheji jigou de bianqian” (The Transition of Economic Planning Institutions in Taiwan), Lecture Note (Taipei: Institute of Modern History, Academia Sinica, 1995).

34. In 1973 Chiang Ching-kuo extended the duration of the sixth plan to span a longer period of six years. However, this plan lasted only for three years. The seventh plan also lasted six years but the duration of the eighth plan reverted to four years. When Hau Pei-chun assumed premiership the duration of the plan was changed back to six years. Existing side by side with the four/six-year plans were ten-year plans. However, the division of labour between the ten-year plans and the four/six-year plans was never made clear. The first ten-year plan was made in 1964 but was shelved by the Executive Chamber. The second plan (1971–1980) was approved. The third one (1980–1989) was put forward in response to the second oil crisis but lasted only for six year before being replaced by a 15-year plan for the period 1986–2000.
35. Li Kuo-ting and Chen Mu-zai, *Woguo jingji fazhan celüe zonglun (shang)* (A General Discussion of the Economic Development Strategy of Our Country, Part One) (Taipei: Linking Press, 1987); Niu Ke, “Meiyuan yu zhanhou Taiwan jingji gaizao” (US Aid and Taiwan’s Postwar Economic Reform), *Meiguo yanjiu jikan* (American Studies Quarterly), No. 3 (Beijing: Chinese Academy of Social Sciences, 2002).
36. Shisou congshu (Chen Cheng Archive), Subject: Second Compilation, File Name: Tanhualu (Meeting Records), Content Abstract: *Jiejian Meiguo anquanfenshu shuzhang Hau Lexun tanhua jiyao* (Minutes of Discussion with Wesley C. Haroldson, Division Director of US Mutual Security Agency, 19 July 1958), Taipei: Academia Historica.
37. Wang (Note 29), p. 196.
38. A stylized account of the plan-rational state was first put forward by Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford, CA: Stanford University Press, 1982).
39. Archive of K. T. Li, B54: Di yi’erqi sinian jingjian jihua zhixing jiantao (Review of the Execution of the First and Second Four-Year Economic Plans), 4.1, Taipei: Institute of Modern History, Academia Sinica.
40. Li Kuo-ting and Yeh Wan-an, “Economic Planning in the Republic of China,” Conference Proceedings on Experiences and Lessons of Economic Development in Taiwan, Taipei: Institute of Economics, Academia Sinica, 18–20 December 1981, pp. 174–75.
41. Archive of K. T. Li, B64: Meiyuan yunyong jihua (The Plan for the Implementation of US Aid), Taipei: Institute of Modern History, Academia Sinica.
42. Chao Yi-na, “Meiguo zhengfu zai Taiwan de jiaoyu yu wenhua jiaoliu huodong (1951–1970)” (US Educational and Cultural Exchange Programmes in Taiwan [1951–1970]), *Oumei yanjiu* (European and American Studies), Vol. 31, No. 1 (March 2001), pp. 79–127.

43. This report was translated and published by the JCRR in April 1955, and cited in Zhen Tian-xi and Yin Jian-zhong, *Renkou zhengce de xingcheng yu jiantao* (The Formation and Review of Population Policy) (Taipei: Linking Press, 1995), p. 23.
44. Lin Zhong-xiong, “Taiwan jingji jianshe jihua yu Meiyuan” (Taiwan’s Economic Construction Plan and US Aid), *Taiwan yinhang jikan* (Quarterly of the Bank of Taiwan), Vol. 21, No. 1 (March 1970), pp. 111–37.
45. Yin Chung-jung, “Jinhou Meiyuan yunyong de tujing” (Ways of Utilizing US Aid in the Future), *Guoji jingji ziliao yuekan* (International Economic Data Monthly), Vol. 2, No. 3 (March 1959), p. 4.
46. Archive of K. T. Li, B59: Meiyuan huiye huibao jilu (Records of the Working Reports of US Aid), 22.1, Taipei: Institute of Modern History, Academia Sinica.
47. Wang (Note 29), pp. 309–18.
48. Archive of K. T. Li, B64 (Note 41).
49. Nick Cullather, “‘Fuel for the Good Dragon’: The United States and Industry Policy in Taiwan, 1950–1965,” *Diplomatic History*, Vol. 20, No. 1 (Winter 1996), p. 17.
50. Wang Yi-ding, *Zouguo guanjian de niandai: Wang Yi-ding huiyilu* (Through the Critical Years: The Memoirs of Wang Yi-ding) (Taipei: Shangzhou wenhua chubanshe, 1991), p. 105; Kang Lu-dao, *Li Guo-ding koushu lishi* (The Oral History of K. T. Li) (Taipei: Zhuoyue wenhua chubanshe, 1993), pp. 168–69.
51. Archive of K. T. Li, B64 (Note 41).
52. Archive of Academia Historica, Content No. 471, Vol. 001-6, Taipei: Academia Historica.
53. Archive of Chiang Kai-shek, Choubi, File No. 16685, Vol. 17, Content No. 5, 1951; File No. 16706, Vol. 18, Content No. 26, 1951; File No. 16766, Vol. 19, Content No. 36, 1952; File No. 16903, Vol. 21, Content No. 14, 1953. Taipei: Academia Historica.
54. Archive of Taiwan Production Board, File No. 033/1961/1.1; 134/1962/1.1, Taipei: Institute of Modern History, Academia Sinica.
55. Kang (Note 50), pp. 168–69.
56. *Ibid.*, p. 139.
57. *Lianhebao* (United Daily), 4 August 1968; 5 December 1969.
58. Wu Ting-feng, “Caizheng zhengzhi de zhuanxing: cong weiquan zhuyi dao xin ziyou zhuyi” (The Transformation of Fiscal Politics: From Authoritarianism to Neo-Liberalism), Ph.D. dissertation, Tunghai University, Faculty of Sociology, pp. 35–36.
59. *Lianhebao*, 16 May 1970; *Lianhebao*, 28 July 1973.
60. *Lianhebao*, 11 November 1968.
61. Wang Chao-ming, “Zhanhou Taiwan de caizheng gaige” (The Fiscal

- Reform of Post-War Taiwan), *Caizheng yu xiandai lishi* (Budgetary and Modern History) (Taipei: Institute of Modern History, Academia Sinica, 1999), p. 8.
62. Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press, 1995).
  63. Chung-in Moon and Rashemi Prasad, "Beyond the Developmental State: Networks, Politics and Institutions," *Governance*, Vol. 7, No. 4 (1994), pp. 360–86; Boyd and Ngo (Note 5).
  64. Ngo (Note 8), pp. 20–31.
  65. See Haggard and Pang (Note 18).
  66. Wang Chao-ming, "Suxing jingji qiji: gongye weiyuanhui yiwang" (Tracing the Economic Miracle: Reminiscence of the Industry Development Commission), *Yuanjian zazhi* (Vision Magazine), 15 October 1993, pp. 76–130.
  67. *Lianhebao*, 27 May 2002; 10 March 1963; 14 November 1961; 22 July 1952; 6 April 1966; 15 October 1966.
  68. Kang (Note 50), p. 67; Zhang Jue, 'Funü yu jiankang' (Women and health), *Taiwan funü chuanyi baogaoshu* (Report of Taiwan Women's Rights) (Taipei: Caituan furen funü chuanyi cujin fazhan jijinhui, 2003); Guo Wen-hua, "Meiyuan xia de weisheng zhengce: yijiuliuning niandai Taiwan jiating jihua de tantao" (Politicizing Family Planning and Medicalization of Reproductive Body: US Backed Population Control in 1960s Taiwan), *Taiwan shehui yanjiu jikan* (Taiwan: A Radical Quarterly in Social Studies), No. 32 (1998), pp. 39–82.
  69. Archive of Academia Historica, File: F1.7.11, Content No. 078, Vol. 136, Topic: "Matou gongren zhi xunlian juan" (Volume on the Training for Dockers), Taipei: Academia Historica.
  70. Shisou congshu (Chen Cheng Archive), Subject: Second Compilation, File Name: Yousheng ji shangce (Part One of Friendly Voices), Content Abstract: Li Guo-ding qiancheng Meiguo Enshide dui wo jingjian jihua biaooshi yijian ji fujian Meiyuan gongshu daishuzhang Enshide zhi jinghehui Yan fuzhuren weiyuan han yiwen deng (Letter from K. T. Li to US Aid Agency Acting Director Concerning Our Country's Economic Project, and the Translation of the Letter from the Acting Director to the Deputy Chairman of the Council for International Economic Cooperation Yen Chia-kan), 15 October 1963, Taipei: Academia Historica.
  71. Kang (Note 50), pp. 168–69.
  72. See Tak-Wing Ngo, "Public Sector Reform and Bureaucratic Purges: Transforming the Party-State Complex in Post-Authoritarian Taiwan," paper for the 20th IPSA World Congress "Is Democracy Working?" 9–13 July 2006, Fukuoka, Japan.