

This article was downloaded by: [The University of Manchester Library]

On: 19 June 2012, At: 04:38

Publisher: Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



New Political Economy

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/cnpe20>

The Political Economy of Brazilian (Latin American) and Korean (East Asian) Comparative Development: Moving beyond Nation-centred Approaches

Nicolas Grinberg ^a

^a SOAS, Economics, University of London, Thornhaugh Street, Russell Square, London, WC1H 0XG, United Kingdom E-mail:

Available online: 11 Jun 2012

To cite this article: Nicolas Grinberg (2012): The Political Economy of Brazilian (Latin American) and Korean (East Asian) Comparative Development: Moving beyond Nation-centred Approaches, *New Political Economy*, DOI:10.1080/13563467.2012.678823

To link to this article: <http://dx.doi.org/10.1080/13563467.2012.678823>



PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.tandfonline.com/page/terms-and-conditions>

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae, and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand, or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

The Political Economy of Brazilian (Latin American) and Korean (East Asian) Comparative Development: Moving beyond Nation-centred Approaches

NICOLAS GRINBERG

The article argues that in order to grasp fully Brazilian and Korean post-WWII developmental and growth experiences, it is first necessary to account for global-economy dynamics and the transformations in the International Division of Labour. These, together with local factors that particularly affect the objective conditions for the valorisation of capital in different productive sectors, explain the specific characteristics of capitalism in both countries. The article claims that capital has accumulated in Brazil and Korea under two different specific forms. In Brazil, capital has accumulated while producing on an internationally small-scale for domestic markets and compensating the resultant high production costs through the appropriation of a portion of the abundant ground-rent. While before the mid-1960s capital accumulated in Korea under that same specific form (though ground-rent was complemented with a portion of small agrarian capital profits and foreign aid), it afterwards began to do so through the production of specific industrial goods for world markets using the *relatively* cheap and disciplined labour-force available in the country. World-scale technological changes associated with computerisation and electronics-based automation have changed Korea's 'competitive advantages' as they resulted in sharp advances in the codification of technical knowledge and, thus, in the reduction of the tacit know-how and skills necessary to perform several labour processes. Though resulting in strong growth, these processes have created new contradictions and challenges for Korea which it may be incapable of overcoming.

Keywords: new international division of labour, comparative development, global capital accumulation, Korea, Brazil, Marx

Dr Nicolas Grinberg, SOAS, Economics, University of London, Thornhaugh Street, Russell Square, London WC1H 0XG, United Kingdom. Email: ng16@soas.ac.uk

Introduction

When in 1979 the second oil shock rocked the global economy and triggered the wave of interest rates hikes that led to the ‘debt crisis’ of the early 1980s, the Korean and Brazilian economies shared several characteristics. First, both had been growing substantially during the previous 15 years. Secondly, in contrast with their earlier experiences, post-1964 growth had been characterised by a sharp expansion of non-traditional exports. Thirdly, both had experienced a significant state-led development of the heavy industry sector during the 1970s. Fourthly, both were highly dependent on imported oil and external credits; they had become two of the three most indebted economies in the ‘developing world’. Such were the similarities that authors as diverse as Balassa (1979), Warren (1980) and Fröbel *et al.* (1980) did not hesitate to highlight them. Brazil and the Republic of Korea (hereafter Korea) were usually included in the group of the most successful Newly Industrialising Countries (NICs). More than three decades later, there is no doubt that the differences between the Korean and Brazilian economies were then much larger than their apparent similarities. Their post-1980 experience is more than clear in this respect: unlike Brazil, Korea suffered neither the ‘debt crisis’ nor ‘lost’ the decade of the 1980s and, though it faced, as Brazil, a severe financial crisis during 1997–98, Korea came back on track more rapidly than the latter. Moreover, while Korea has become a global industrial power, Brazil has endured a continued process of deindustrialisation. To a very large extent, these post-1980 experiences have been representative of East Asia and Latin America, respectively.¹

Though several explanations have been advanced to account for the performance difference between these countries, scholarly debate has centred on the analysis of national economic policies, the political or cultural institutions that shape their formulation and the organisations that implement them. Some studies focus directly on Korea and Brazil while others include them in, large or small, samples of countries representative of Latin America and East Asia, respectively. On the one side, ‘neo-liberal’ authors attribute remarkable Korean and East Asian economic growth to the ‘free-trade’ policies or, when reluctantly admitting the existence of extended forms of state intervention, ‘market-friendly’ environment allegedly prevailing in the region since the 1960s. On the other side, ‘statist’ authors argue that it resulted from the actions of a strongly-interventionist ‘developmental’ state. For both groups, the poor or inefficient implementation of the indicated policies in Latin America caused its underperformance relative to East Asia.

The goal of the present article is to advance the foundations for an alternative approach to the analysis of Latin American and East Asian comparative development. This approach has three key theoretical starting-points, based on the unfolding of the Marxian ‘law of value’ on a global scale as elaborated by Iñigo Carrera (2008). First, that the process of capitalist development is essentially global, and only national in its form of realisation. Secondly, that national state policies are forms of realisation of the autonomously regulated process of capital accumulation on a global scale. Thirdly, that the unity of this process establishes itself through the international division of labour. The focus of the article will be largely on Brazil and Korea. The trajectories of these two countries have been paradigmatic within their

respective regions. While having had a developmental experience qualitatively similar to that of their regional neighbours, Brazil and Korea have also enjoyed the strongest and deepest processes of industrialisation among Latin America's and East Asia's NICs, respectively. For this reason, most interregional comparisons include them and many are focused exclusively on them.

The article is organised as follows. Section two and three survey the aforementioned debates between 'neoliberal' and 'statist' authors. Section four outlines the fundamental flaws of these approaches, claiming that they spring from their over-emphasis on national processes. Section five puts forward an analysis of global-economy processes which, by resulting in a reconfiguration of the international division of labour, have affected the developmental experiences of Korea (East Asia) and Brazil (Latin America). Based on this analysis, section six briefly deals with the Brazilian and Korean long-term developmental experiences. The article closes with a section presenting its main conclusions.

Neoliberal approaches

Interest in the fast growth of the first tier of East Asian NICs (i.e. Korea, Taiwan, Hong Kong and Singapore) started in the mid-1970s. Then, East Asian processes of export-oriented industrialisation (EOI) were already contrasting to most other developing country experiences, where growth was irregular and industrialisation largely domestic-markets-oriented. Neoliberal authors like Brown (1973), Fei and Ranis (1975), Frank *et al.* (1975) and Krueger (1979) began then to argue that 'free-market' reforms implemented since the early 1960s explained the acceleration of economic growth in the region. These allegedly consisted of a non-selective and stable trade policy, enhancing outward orientation; the 'deregulation' of capital and labour markets, facilitating 'factor' accumulation and movement; and, the concentration of state activities in the provision of 'public goods'. Hence, export, rather than domestic-market, orientation resulted in the allocation of resources according to these countries' 'comparative advantage' in production intensively using their most abundant 'factor', 'hard-working' labour, and gave place to substantial 'gains from trade', as predicted by neoclassical economic theory. These kinds of policies contrasted markedly, it was suggested, with the import-substituting industrialisation (ISI) strategy pursued in the region before the 1960s, and in Latin America during most of the post Second World War (WWII) era. ISI programmes, the argument goes, discriminated against exports and promoted productions intensively using the least abundant 'factor', capital. In this view, Latin America's incapacity, despite its efforts during the late 1960s and early 1970s, to carry out fully the shift from ISI to EOI explains its long-term underperformance relative to East Asia.

Despite its supposedly theoretical consistency, authors within this current soon realised that their interpretation of policy-making in the East Asian NICs was simplistic, crucially in light of Korea's and Taiwan's experiences during the second part of the 1970s. The shift to more capital-intensive heavy and, later on, durable-consumer goods industries taking place there undermined these 'orthodox' accounts. The changes involved more openly interventionist state actions than the allegedly 'free-market' ones previously implemented, and still in place

in Hong Kong, Singapore and the upcoming Southeast Asian NICs, where light-industry and services were at the core of their integration in world markets. Thus Krueger (1990), for instance, admits that ‘other’ types of policies were implemented in Korea and Taiwan apart from those strictly prescribed by orthodox neoclassical theory. These included ‘moderate’ restrictions on international trade and interventions in the financial market. Unlike in Latin America, however, these policies were successful because the overall outward orientation of the East Asian economies imposed the necessary discipline, by reducing the space for ‘rent-seeking’ in both private and public sectors, and gave governments the necessary flexibility to liberalise markets when ‘welfare’ losses associated with interventions became higher than the gains.

The wide range of criticisms that neoliberal positions kept receiving by ‘statist’ authors, stimulated further revisions of the former’s account of the East Asian ‘success’ *vis-à-vis* other developing countries. The changes, however, were more of form than substance. To avoid uncomfortable facts, neoliberal studies began then to bunch together ‘interventionist’ Japan, Korea and Taiwan with ‘free-markets’ Hong Kong and Southeast Asia, attempting to find what common neoclassical-theory-conforming policies or institutions were implemented across the region. Thus, the World Bank (1993) recognises that in some, though not all, fast-growing East Asian countries (notably Japan, Korea and Taiwan), governments intervened extensively in the economy. Yet it argues that these interventions, unlike elsewhere in the ‘developing world’, were circumscribed to particular sectors, subject to strict performance conditions and, above all, ‘market-conforming’. Moreover, the Bank’s report contends that policy interventions only worked (when they did, which was not always the case) because of the existence of ‘strong’ macroeconomic fundamentals and ‘healthy’ political institutions (i.e. stable governments and corruption-free bureaucracies able to impose contest-like practices when granting subsidies). In a nutshell, East Asian countries succeeded in achieving strong and sustained growth because their governments kept price distortions within ‘reasonable’ levels, and, regardless of the policies used, created a ‘market-friendly’ (i.e. business-friendly) environment by opening their economies to international trade and technology and, also, by investing in ‘human capital’, promoting savings growth and ‘freeing’ labour markets from trade unions and wage regulations. All these favoured ‘factor’ accumulation and thus growth.

Rather than appeasing critics, the Bank’s report infuriated them, as well as its main sponsor, the Japanese government (Amsden 1994). Later works within this current were, then, ‘forced’ to a further shift to less dogmatic positions which share several points with ‘statist’ explanations reviewed below. Ranis (1989, 1995), for instance, argues that the key factor explaining East Asian ‘success’, in particular in Taiwan and Korea, *vis-à-vis* other ‘developing’ countries was the flexibility and pragmatism of governments to implement policies which allowed the private sector to develop by following market signals, including targeted interventions in specific industrial sectors to speed up learning processes. Taiwan and Korea implemented only a ‘mild’ and short-lived ISI strategy; rapidly corrected the distortions created during the 1970s state-led drive into heavy industry; and, always managed macroeconomic fundamentals in a relatively orthodox manner. Finally, Stiglitz (1996, 2001), who took part in the Bank’s

study, goes further still in recognising the importance for East Asian growth of industrial policies (e.g. state credit) and cooperation-enhancing institutions (e.g. deliberation councils in Japan and Korea) solving ‘market failures’ due to coordination and imperfect information problems, respectively. Nevertheless, despite these ‘concessions’ to critics, these state interventions, Stiglitz (1996) concludes, improved, complemented or created, rather than replaced, markets, and, again, worked because of the stable macroeconomic and political environment (gained through equity-improving policies) in which they were implemented.

Statist approaches

First making an appearance in the mid-to-late 1980s as a critique to orthodox neo-liberal stances, ‘statist’ accounts of East Asian ‘miracles’ have focused largely on the analysis of the Korean and Taiwanese economies, where the most interventionist set of policies have been pursued and the strongest processes of industrial development experienced. These cases have been contrasted with those Latin American countries, notably Brazil, Mexico and Argentina, which had followed seemingly similar patterns of state-led industrial promotion but had developed different institutional settings. Nevertheless, some studies also stress the importance of the state in the promotion of growth and development in supposedly ‘free-markets’ Singapore and Hong Kong, thus also giving to this argument a regional perspective (see, e.g., Castells 1992).

In contrast to the neoliberal position, ‘statist’ authors have argued that the difference in the performance of East Asian and Latin American economies after the mid-to-late 1970s cannot be simply attributed to the outward-oriented or the ‘market-friendly’ policies implemented in the former region as opposed to the inward-looking and more interventionist measures pursued in the latter. In her study of Korean development, Amsden (1989), for instance, claims that state interventions to promote industrialisation have been common to all ‘late-industrialisers’. The state there has not only subsidised domestic industry but also created publicly-owned enterprises in the branches of production where private capital did not venture. Moreover, in Korea, Amsden (1989: 79–81) argues, the state went further, to the point of performing the role of entrepreneur, deciding, planning and effectively promoting through different means (e.g. subsidies, market protection and output quotas) the development of specific industrial sectors, products, firms and markets. This view is supported by Wade (1990) who claims that the state in Korea and Taiwan ‘governed’, rather than followed or supplemented, the market. The key to Korean ‘success’, according to Amsden (1989), resides in that state interventions have been qualitatively superior to other cases, ‘reciprocal’ rather than unidirectional as in most other ‘late-industrialisers’. In direct exchange for support and protection, the Korean state exacted certain performance standards from firms (Amsden 1989: 145–6). In contrast to other developing country experiences, the state in Korea ‘disciplined’ not only labour but also capital.²

This perspective is, to a very large extent, shared and developed further by others like Chang (1993), Rodrik (1994), Mesquita Moreira (1995), Evans (1995) and Kohli (2004). In sharp opposition to the authors reviewed in the previous section, Chang (1993) suggests that macroeconomic policy in Korea was far

from prudentially managed and was completely subordinated to, and sometimes sacrificed to suit, an overarching industrial policy aimed at promoting rapid know-how acquisition and technological development. Less confrontational, Rodrik (1994) claims that the key behind Korean and Taiwanese economic success is to be found in the efficacy of government's interventions in solving several 'coordination failures' springing from the imperfect tradability of key inputs and technologies and from the existence of scale economies. These 'market failures', typically affecting developing countries, had been allegedly blocking potentially-high returns on investments using the available 'skilled labour'. According to this author, state interventions (e.g. subsidies, tax incentives and administrative guidance) managed to coordinate, and make possible, private-sector investments in different industrial sectors, thus improving productive efficiency and international competitiveness. This investments-led virtuous cycle, rather than an export-led process, resulted in the acceleration of economic growth.³ In his comparative study of Korea and Brazil, Mesquita Moreira (1995) follows closely, and substantiates, this line of argument. For him, the key difference between these countries' policy-making was the quality, not simply the extent, of state interventions in the field of industrial policy. The Korean state was simply more efficient than the Brazilian in solving a number 'failures' in 'factor' and 'product' markets. Moreover, echoing Krueger (1990), the outward-orientation of the Korean economy imposed, unlike in Brazil, discipline over state's interventions since policy 'mistakes' were penalised with failures in world markets. Finally, Kohli (2004), in a comparative study of Korea and Brazil that also includes the cases of India and Nigeria, puts forward an interpretation which runs similar to Amsden's. In contrast to the neoliberal accounts opposing Latin American ISI to East Asian EOI, Kohli (2004: 390) claims that the state in Korea and Brazil simultaneously pursued both types of strategies. Yet again, the difference in these countries' economic performance, Kohli stresses, has been due to the effectiveness with which these policies have been pursued in each case. The Korean state has been simply more effective than the Brazilian in implementing, rather than in designing, those eclectic growth-promoting policies.

Problems of nation-centred approaches

However precise in their analysis of particular economic policies and state institutions, the accounts reviewed above have several limitations. First, it is apparent both 'market-friendly' and 'interventionist' policies were implemented simultaneously in several countries in East Asia (e.g. Korea and Taiwan) and Latin America (e.g. Brazil and Argentina), though with different degrees of intensity, across the post-1960s period. Secondly, it is also apparent that, despite the far-reaching and pervasive intervention of the state, Korea and Taiwan followed an overall export-oriented pattern of industrialisation, developmental path and integration in the world economy *qualitatively* similar to that of other Asian Tigers (e.g. Hong Kong and Singapore) and Southeast Asian NICs (e.g. Indonesia, Malaysia and Thailand) which implemented much less interventionist policies (World Bank 1993; Perkins 1994). Notwithstanding the much heated debates, the main problem with these accounts invariably lies not in their inability to discover the

exact mix of policies and supporting institutions that facilitated and promoted growth in East Asia and hindered it in Latin America but, conversely, in exclusively basing their explanations of national economic performances in these factors.

Effectively, when trying to account for the cause behind national policy-making, all the limits of these approaches become evident. Some authors, like Brown (1973), Krueger (1979, 1990), World Bank (1993), and Mesquita Moreira (1995), seem to believe that economic policies are simply the product of enlightened, confused or corrupted state bureaucrats. The problem is that these authors assume what should be explained: why bureaucrats in each region have behaved as they did and implemented different sets of policies. In a less naïve manner, most of the above-mentioned scholars tend to explain the specificity of public policies, the degree of success in their implementation and their outcome in each region by pointing to the prevailing societal, institutional and political background.

Amsden (1989), for instance, argues that state autonomy due to historical and political circumstances (WWII and Korean War), the elimination of the landowning class through an extensive land reform, and the 'reciprocal' nature of state/business relations due to cultural values, explain the particular success in promoting growth of public policies in Korea. Rodrik (1994) suggests that special initial conditions, like the high level of average education and the egalitarian distribution of income, reduced rent-seeking and thus increased the effectiveness of government interventions in Korea and Taiwan. Chang (1993), in turn, points to the 'corporatist' ideology predominant among a military leadership educated in Japanese-style institutions as the main determinant of Korean 'strong' state and growth-promoting policy-making. In a similar fashion, Kohli (2004) signals the Japanese colonial legacy as the main factor in the development of a 'cohesive', extended and far-reaching state apparatus in Korea, with the capacity to design, implement and fully enforce growth-oriented policies. Evans (1995), for his part, suggests that the 'embedded autonomy' of the Korean bureaucracy – i.e. a relationship with the business leadership close enough to learn about its necessities but relatively autonomous in the final decision-making not to follow vested interests – allowed it to do so. For Ranis (1989), the secularism (i.e. the pre-eminence of material over spiritual values), egalitarianism (i.e. the value given to 'even' opportunities), and 'organic' nationalism (i.e. the subordination of individuals to the state's authority and to the 'common good') embedded in the Korean and Taiwanese societies are the key institutional factors behind their flexible, pragmatic and therefore successful policy-making *vis-à-vis* other developing countries. All these authors signal the lack, weak or sporadic development of these factors in Brazil and the rest of Latin America as the key to the region's relative underperformance after the mid-1970s.

Besides the questionable historical accuracy of some of these formulations (e.g. the existence of low levels of rent-seeking, high initial educational attainments, reduced rural poverty and even income distribution in Korea and Taiwan *vis-à-vis* Latin America),⁴ the key question that remains to be answered is why all these Korean (East Asian) cultural and political institutions became growth-enhancing only after the mid-1960s, given that most of these factors were stressed by authors like Rostow (1958) during the late 1950s as the cause of Asian poor economic performance *vis-à-vis* Latin America.⁵ Or, why a 'corporatist' military leadership could gain control of the Korean state and, after an initial policy failure, impose

its particular type of growth-promoting programme over the rest of the society while failing to do so consistently in countries like Brazil or Argentina. As Chibber (1999: 324–7) shows, during the first years of military government in Korea (i.e. 1961–64), economic policy did not differ greatly from the previous period, despite the ‘corporatist’ or ‘growth’ ideology of its leadership.⁶ Moreover, these accounts can neither explain why it was only by the mid-1970s that Brazilian cultural and political institutions became growth-limiting. Or, why policies maximising Korea’s ‘comparative advantage’ in production intensively using relatively cheap and disciplined labour began to be implemented only around the mid-1960s.

Indeed, these explanatory gaps become critically evident in Kohli’s detailed and exhaustive historical analysis of Korean, Brazilian, Indian and Nigeria development experiences. Despite all efforts, this author is unable to explain fully why, in Korea, the allegedly efficient and ‘cohesive’ (i.e. developmental) state inherited from the Japanese fell prey of the corrupt and incompetent Rhee regime (1948–60), and was only restored 20 years after the end of the colonial period. Equally, Kohli is at pains when accounting for the much more volatile capabilities of the Brazilian state: from being ‘cohesive’ during the corporatist 1933–45 Estado Novo to ‘non-cohesive’ during the populist democratic 1945–64 period, back to ‘cohesive’ during the highly-repressive 1964–73 period when the ‘economic miracle’ allegedly took place, and back again to ‘non-cohesive’ thereafter as a slow-motion transition to democracy began. It seems that every time that there is period of fast industrial growth accompanied with political closure, the ideal features of cohesiveness are found in the Korean and Brazilian states, and vice versa, in a typical *cum hoc ergo propter hoc* fallacy.⁷ What are still missing are the objective factors that made the state change in both directions.

Global capital accumulation and the new international division of labour⁸

After reviewing different accounts on Korean (East Asian) and Brazilian (Latin American) comparative development, two related conclusions can be put forward. First, it can be argued that, despite their valuable contributions, all the approaches reviewed have somehow failed to give a solid and complete explanation of the reasons behind the dissimilar growth performances enjoyed by the Korean and Brazilian economies since the late 1970s. The reason for this failure lies in that these approaches are one-sided; they take particular manifestations of these national (regional) processes of capitalist development as if they were the cause of their own specificity. Secondly, it can be argued that they all suffer from this explanatory problem because, despite their many differences, all the accounts reviewed above share one crucially theoretical perspective: they all regard the process of capitalist development (i.e. capital accumulation) as being nationally based. In the best of the cases, the global economy appears as the context or environment to which national strategies adapt, react or integrate with more or less degrees of autonomy. They all thus signal the specific economic policies implemented by national states or the political/cultural institutions that shape them as the ultimate cause behind economic performance. The problem with these approaches is that, on the contrary, the process of capitalist development is *essentially* global and national only in its *form* of realisation; and the

concrete subject of this worldwide process is *capital* rather than the *state* (Fröbel *et al.* 1980; Iñigo Carrera 2008).⁹

Effectively, the *historical specificity* of capitalism resides in that the production of use-values needed for human life is not organised, as in previous modes of production, through *direct* personal relations among individual members of society. In capitalism, social production is organised, and thus the unity social labour established, *indirectly* through the exchange of the products of labour processes performed privately and independently of each other (Marx 1990: 125–32; Iñigo Carrera 2008: 10–12). When producing for the market, then, ‘economic agents’ produce not only goods that are potentially useful for others, they also produce their own *general* social relationship; they produce goods that are exchangeable, commodities. The exchange of commodities resolves the allocation of society’s labour capacities to satisfy its consumption needs; it organises the contemporary process of human life (Marx 1990: 164–6). In this indirectly regulated process, individual members of society enter into direct relations with each other, and thus exist for one another, as ‘persons whose will resides in these objects ... as representatives of and hence owners of, commodities’ (Marx 1990: 178–9). Because of its impersonal character, this form of organisation of human life, in contrast to its historical predecessors, has the potentially of becoming universal or global.

The production of goods with the capacity to attract one another in the market – the production of value – thus becomes itself the object of the production process, and the participation of each private independent producer in the appropriation of society’s total production, thus its individual process of metabolism, is limited by the amount of value he produces. The valorisation of value – the production of surplus-value – is the most potent form of expanding that participation and therefore of expanding the reproduction of human life in capitalism. The objectified general social relationship, the value-form, thus becomes the immediate *automatic* subject of the production and consumption processes, a relentlessly self-expanding mass of value; it becomes capital. The global potentiality of the commodity becomes necessity when it develops into capital.

Nation-state policies, however extensive their reach, are *direct* forms of organising the process of social metabolism. They resolve the allocation of resources through the conscious and voluntary (political) actions of individuals who, though collectively-organised as members of antagonistic social classes, are, nevertheless, themselves representatives, personifications of the commodities they own. In other words, they resolve the allocation of human capacities to produce goods useful for social life through the *political* actions of collective personifications of commodities. Effectively, in the process of renewing the conditions for its self-valorisation on an expanded scale, the total social capital produces and reproduces commodity owners as members of antagonistic social classes – i.e. personifications of capital and of labour-power. In their struggle over the conditions of purchase and use of labour-power, the general unity of the process of social production is thus established. This unity, however, is but a form of realisation of the indirect social relationship that determines the specificity of capitalism, the sale of labour-power for its value, and, thus of the general indirect social relationship, the exchange of commodities. As such, this unity is inherently contradictory and potentially disruptive. The capitalist state develops

from the movement of the class struggle as the necessary *objective* social form that confronts the classes of personifications of commodities to assure the normal reproduction of the process of capital accumulation. The general unity of social labour established through the class struggle is thus resolved in the capitalist state. As a concrete form of realisation of that general unity, the state is the political representative of the total social capital. Nation-state policies are, therefore, forms of realisation of the general *indirect*, self-regulating way of organising the allocation of resources through the exchange of commodities – the process of valorisation of value on an expanded scale.¹⁰ Hence, they are not ‘independent variables’ that autonomously shape and determine national economic performances. On the contrary, they *mediate* the integration of the world market and the formation of the International Division of Labour – the global unity of the process of capitalist development – through the specific determination of each national portion of world capital. The inherently contradictory dynamics of capital accumulation on a world scale should then be the starting-point for the critical analysis of national processes of capitalist development.

The development of labour productivity is the most powerful form of increasing the rate of valorisation of capital. In the short run, before competitive pressures generalise the conditions that allow the gains, productivity improvements reduce production costs and thus increase the rate of profit of those capitals that first obtain them. In the long run, as new technical conditions become the norm and competition forces the cost of producing goods and services to fall, productivity gains directly or indirectly reduce the cost of reproducing the labour-force and thus expand the mass of surplus-value available for the valorisation of the total social capital. The development of labour productivity is thus the most powerful lever of the process of capital accumulation. The system of machinery of large-scale industry is, in turn, the most potent way of increasing labour productivity in the capitalist mode of producing human life. This process is centred on the advance of scientific knowledge over natural forces and their control through the technological application of science, that is, their objectification in the instruments of production (Marx 1990: 508–17; Iñigo Carrera 2008: 15–23).

The development of the system of machinery – i.e. the transformation of tools used for the productive consumption of raw materials into mechanical implements – does not simply increase the average or normal productivity of labour. As a consequence of, and condition for, its own continual development, it also constantly revolutionises the productive characteristics of the industrial workforce. This impact, however, is not uniform but differentiated, continuously changing the structure of skills required from the collective (i.e. combined) worker of large-scale industry. On the one hand, the process of mechanisation transforms productive attributes of human labour into attributes of the machine. Each advance thus tends to reduce the skills necessary to operate machine-tools and, therefore, to intervene directly in the transformation of raw materials in the shop-floor (Marx 1990: 544–53; Aglietta 1979: 113). Moreover, technological advances also tend to deprive the need for any necessary skill whatsoever, and transform it into a surplus for the process of accumulation, the portion of the labour-force expelled from the immediate process of production and not reabsorbed through the absolute expansion of the scale of accumulation

(Marx 1990: 553–75). On the other hand, each advance in the systems of machinery increases their complexity, and thus the skills and knowledge required to develop them further and to organise production processes based on them, especially as the optimal scale of production tends to increase with their development.¹¹

Though these trends are inherent to the development of labour productivity in capitalism, their extension has multiplied by the material form of technological developments taking place in the global capitalist economy since the mid-1960s and, crucially, after the mid-1970s ‘microelectronics revolution’. Technological developments began then to be centred on the automation of the systems of machinery and the computerisation of their calibration for serial repetitive production.¹² These developments have accelerated the codification of *tacit* knowledge, previously embodied in the manual industrial worker and largely acquired through lengthy on-the-job, learning-by-doing processes. Once codified, this knowledge has been objectified as an attribute of the machinery (Balconi 1999, 2002).

Starting already in the last part of the 1950s, the development of large-scale industries evolved in two separated lines that finally converged during the 1980s to give place to the current robotised and largely automated industrial facilities. On the one hand, industries based on serial, repetitive production methods, where the transformation of raw materials is done sequentially, witnessed technological improvements that centred on the automation of machine-tools and the computerisation of their calibration and control. On the other hand, in continuous flow or ‘process’ industries, where raw materials are subjected to a series of physicochemical transformations, technological improvements were centred on the informatisation of the monitoring of production processes and, subsequently, the automation of their control and adjustment (Coriat 1992: 38–50; Hasaewa 1996: 82–4).

Though these technological developments have not followed a linear progression, the underlying trend has been towards an increased automation of large-scale industrial facilities. The general effects of this pattern of technological transformations on the structure of skills required from the collective worker have been, as all other processes of mechanisation, threefold. First, the emerging and consolidating technologies have tended to eliminate simple (unskilled) manual labour, as processes such as materials transport/handling and machine feeding have been progressively automated. Secondly, they have tended to expand the amount of ‘office’ work by taking away from the shop-floor the programming of machine-tools and the planning of large-scale industrial productions based on them. These two effects have led to the relative decrease of blue-collar *vis-à-vis* white-collar workers in industrial plants.¹³ Though ‘office’ work has tended to require a more skilled and longer-trained workforce, these activities have also been affected by the continual introduction of automated, and thus work-simplifying, techniques in this section of large-scale industrial production. Thirdly, these technologies have also tended to transform the skills necessary to perform productive tasks on the shop-floor, notably those involving the operation and calibration of machinery systems.¹⁴ While skills related to these activities as well as the practical knowledge of materials and processes gained through prolonged on-the-job experiences have been increasingly dispensable, others

acquired through formal technical education, like basic computer literacy and knowledge of the unity of manufacturing activities, have become relatively more important (Balconi 1999: 17). In some cases, this resulted in an expansion of the intellectual content of work-processes (i.e. 'up-skilling'), as these activities involved analysis of problems and decision-taking. In other cases, these activities rapidly became trivialised and routinised (Coriat 1992: 183–4, 203–5; Iñigo Carrera 2008: 56–9).¹⁵ Moreover, the new technological base has also generated, as its own condition of existence, a multitude of production processes still subjected to the manual intervention of low-skilled labourers, like the assembly, testing and packaging of electronic micro-components and electronic appliances which are at the base of the robotised and computer aided systems of machinery.

This enhanced process of skills differentiation within the modern industrial labour-force has been on the basis of the recent differentiation of 'developing country' processes of capitalist development. In effect, these technological developments, and the revolution on the communications (e.g. telecommunications) and transportation methods (e.g. containerisation, larger ocean-going ships) to which they have given place, explain why industrial capital has been increasingly able to relocate internationally the different parts of labour-processes where the relative price and characteristics of the different national labour-forces (through their impact upon labour productivity and unit labour costs) best satisfies its profit maximising requirements, thus giving place to the so-called New International Division of Labour (NIDL). Yet, this does not mean that Multinational Companies (MNCs) have been the single subject of the process as is sometimes argued by such authors as Schoenenberg (1988) and Gereffi (1995), among others. Irrespective of the 'nationality' of industrial capitals, this process, directly or indirectly, minimises the total costs of producing labour-power and thus increases the rate of valorisation of global capital, the *real subject* of the process of accumulation (Fröbel *et al.* 1980: 46; Iñigo Carrera 2008: 65–8). MNCs, the so-called 'national champions', the recently emerging 'global suppliers' and the 'production networks' established amongst them have constituted institutional mediations of the NIDL (Starosta 2010).

Although entailing a leap forward in the internationalisation of productive activities and trade and capital flows, these transformations have not eliminated the importance of national economies and states. On the contrary, this process has been riding on the continued existence and reinforcement of the role of that national mediation as the basis on which capital has been able to internationally fragment the labour-force according to the different costs and characteristics of its members. In the first place, the relocation of simplified manual labour processes has been guided by the search for national labour-forces whose attributes include not only relatively low wages but, in addition, the disciplined subordination to centrally- and hierarchically-organised collective (i.e. large-scale) work-processes and the habituation to labour-intensive activities under harsh conditions. This has been the case of domestic working classes whose genesis occurred in wet-rice cultivating societies, like those of East Asia.¹⁶ The latter has been the main East Asian institutional singularity explaining the nature of the region's participation in the NIDL. These features have particularly increased the productivity of East Asian labour when functioning as an appendage of the increasingly automated systems of machinery or in the manual assembly of

electronic parts and components needed for their production. In the second place, this process (the NIDL) has come about through the emergence and consolidation of particular nation-state policies and political institutions such as those signalled by 'neo-liberal' and 'statist' authors reviewed above. In those countries that, by the mid-1960s, began to act as sources of relatively cheap and disciplined labour-power to perform the simplest parts of the industrial labour processes (i.e. East Asian countries), state actions concentrated in the creation and later conservation of the necessary conditions to produce under that specific base. These included the promotion of exports, liberalisation of imports of inputs used in export activities, political repression of the working-class and, when necessary, the forced centralisation of private industrial capital or its concentration under public ownership (e.g. in Japan, Korea and Taiwan). The key point is that these policies did not cause the structural transformation of East Asian economies; they simply mediated it. In fact, the development of industrial productions using cheap and disciplined labour of rural origin to perform manual simple labour processes had already begun in Japan with the textile, clothing and footwear industries well before the advanced automation and robotisation of large-scale industry multiplied the bases for its expansion – as the 'industrious' revolution metaphor reveals.¹⁷

Processes leading to the formation of the NIDL have not been static as Fröbel *et al.* (1980) suggested in their original theorisation on the subject. On the contrary, they have taken shape in a wide and constantly changing range of combinations of relative cost and characteristics/productivity of national labour-forces. The aforementioned technological transformations have involved an ever wider range of industrial sectors, including relatively advanced ones, such as the steel, automobile and microelectronics industries (Balconi 1999, 2002; Balconi *et al.* 2007). Moreover, the local peasant surplus populations in certain East Asian NICs (in Japan first and then in Korea and Taiwan) were sooner or later exhausted and the domestic labour-forces began to be reproduced under new conditions which, in turn, have enabled them to perform increasingly more complex labour processes. Productions in specific industrial branches, then, expanded in some countries while contracting in others where new and more advanced sectors developed, following a rhythm determined by the evolution of those factors – i.e. the technological changes and the relative cost and productivity of national labour-forces within the region.

The NIDL superseded the 'classical' international division of labour based on the determination of some countries as producers of raw materials for the world market (whether or not accompanied by an incipient development of industrial production for the domestic market) and the concentration of advanced industrial productions in others. The presence of distinctive natural conditions, enhancing the productivity of labour in primary productions or simply permitting them in the former group of countries, played a crucial role in their form of integration into the capitalist world division of labour. The NIDL has tended to revolve around the international fragmentation of the different segments of large-scale industry workforce. Some countries have tended to concentrate within their boundaries the great bulk of the skilled labour-force and therefore of the most complex labour-processes (mainly the USA and the European Union but also partly in Japan lately). Other countries have been mainly transformed into

sources of *relatively* cheap and disciplined labour for simplified, though increasingly complex, productions (e.g. East and then Southeast Asia).¹⁸ Yet, a third group of countries has remained integrated into the international division of labour as producers of raw materials and therefore as sources of appropriation of the extraordinary profits available there in the form of ground-rent.¹⁹ At the same time, countries in this third group have been increasingly transformed into reservoirs of surplus-population (for instance, most of Africa and parts of Asia and South America), and, in some cases, have eventually become new sources of cheap and disciplined labour-power (e.g. parts of South Asia, North Africa and the Caribbean Basin) (Iñigo Carrera 2008: 148–64).

Capital accumulation in Brazil and Korea

The Brazilian and Korean processes of capital accumulation are, with their specific characteristics, forms of realisation of the unity of the process of capital accumulation on a global scale. The long-run development and growth performance of the Brazilian and Korean economies has thus been a product of the contradictory dynamics of the modalities under which capital has accumulated in these national spaces. In Brazil, capital accumulation has, since its origins in the colonial period, revolved around the appropriation of ground-rent by different social subjects. Crucially since the 1930s, industrial capital has valorised there producing on a small scale (for world-market norms) for the domestic market and compensating for its relatively high production costs by appropriating a portion of the country's abundant ground-rent. Ground-rent has been substantial in Brazil not only due to its large territory, but also due to the favourable natural conditions for the production of several raw materials prevailing there. Though initially organised in a relatively similar fashion to the Brazilian, though supported by much smaller primary-sector surpluses, from the mid-1960s the Korean process of capital accumulation came to be structured to produce several specific industrial goods for world markets using the large local supply of relatively cheap and disciplined labour. The distinct economic content of the Brazilian and Korean processes of capital accumulation has realised through different state-forms, political processes and institutions (Grinberg and Starosta 2009).

The accumulation of capital through the appropriation of a portion of ground-rent to complement *normal* surplus-value has come about in Brazil through specific, though periodically changing, state policies as well as a wide range of economic and political institutions. These have mediated the transfer of primary-sector surpluses to the rest of the economy and created the conditions necessary to allow their appropriation, mainly by industrial capital. In general terms, two types of mechanisms, indissolubly united, have given form to that process. Some state policies have intervened in the turnover cycle of agrarian (and mining) capital and separated from it a portion of ground-rent, thus interrupting its flow towards landowners' pockets.²⁰ These have included exchange rate overvaluation, taxes on commodity exports and state control over their domestic and international trade. All of these policies have transferred a portion of ground-rent to privately-owned industrial capital, by setting domestic prices of raw materials below international levels and, in the case of the

overvaluation of the currency, by reducing the local price of foreign exchange for specific imports and profits repatriation.²¹ These policies have also transferred a portion of ground-rent to the state not only directly (through the monopoly/control of foreign exchange markets and commodity trade or the taxation of raw material exports) but also indirectly (through the payment of relatively high import taxes and import-related duties with an overvalued currency). Simultaneously, other policies have allowed the appropriation of the separated portion of ground-rent by industrial capital either through 'market mechanisms' or direct state actions.²² These have included the differentiated protection of domestic markets (stronger for final goods than for inputs and equipment), the provision of services, industrial inputs and credit at subsidised rates by state-owned companies and banks, and the regulated expansion of domestic markets through their activities (i.e. the purchase of locally-produced goods and services at inflated prices and an oversized workforce). Though most of these mechanisms of ground-rent appropriation by capital have been in place during the entire post-WWII period, their extension, as well as the specific policies and institutional settings through which they came about, have varied significantly, expressing and mediating the objective conditions for the valorisation of capital prevailing in the Brazilian economy.²³

Between the end of the WWII and the mid-to-late-1970s, the amount of ground-rent available for appropriation in Brazil increased strongly and remained, in general, sufficient to sustain the expanded reproduction of capital accumulation, especially during the 'commodity booms' associated with the Korean War (1950–53) and the First Oil Shock (1973–74) which created the bases for the so-called state-led ISI process and marked its peak, respectively.²⁴ The strong growth of the global economy was then sustaining the demand for raw materials, especially those of agrarian origin.²⁵ Moreover, since 1968, the expansion of global credit markets, crucially that of Eurodollars, gave place to a large inflow of loanable capital which complemented, as junior partner, the ground-rent in sustaining the process of capital accumulation through 'import-substituting' industrialisation.²⁶ Under these conditions, the Brazilian economy and industrial value-added grew strongly, at 7.5 per cent and 10 per cent annual average, respectively. In the mainstream (i.e. formal) section of the industrial sector, employment expanded 4.7 per cent per year average while real wages grew at around 3.5 per cent to reach 54 per cent of US purchasing power levels in 1980.²⁷ Yet, though profitable for industrial capital, especially since it could valorise using outdated equipment, the reproduction of the Brazilian process of capital accumulation rested on structurally weak bases: the evolution of the ground-rent available for appropriation. Ground-rent became necessary to compensate for the ever-growing difference between local and world-market production costs, in turn resulting from the difference between local and world-market scales of production, technological profile and, thus, labour productivity levels. Growing at an average of 4.35 per cent per year between the mid-1950s and mid-2000s, which was only 1 per cent faster than in the USA, labour productivity in the Brazilian mainstream industrial sector fluctuated around 25 per cent of US levels; the absolute gap between them has thus widened continuously.²⁸ Policies maximising the appropriation of ground-rent by industrial capital (i.e. the combination of an overvalued currency

and market protection) precluded the production of industrial goods for world markets. Moreover, by producing in a small scale for domestic consumers and accumulating through the appropriation of ground-rent, MNC subsidiaries, which accelerated their entrance in the Brazilian economy after the mid-1950s and dominated the most dynamic industrial sectors thereafter, became able to valorise normally despite using obsolete and often already amortised equipment, and without competing with their parent houses and branches in global markets.

Throughout the mid-to-late-1970s, however, the prices of raw materials entered, after the short-lived 1973–75 boom, into a prolonged period of contraction (in the case of oil, the decline began in 1981) which affected negatively the evolution of the Brazilian ground-rent. The slow-growing, or even stagnating, ground-rent became, then, increasingly complemented by rapidly expanding inflows of foreign loanable capital. Yet, though global credit supply has been expanding worldwide ever since (as a form of postponing the general crisis of overproduction), the process has not been constant.²⁹ It has taken the form of an alternation of periods in which fictitious capital and, consequently, global credit supply expanded rapidly and sustained world consumption, including that of raw materials, and eventually credit flows to ‘developing’ countries, with periods in which the opposite was the case. Still, even if sporadically enlarged and complemented with large inflows of loanable capital, the Brazilian ground-rent has proved altogether incapable of sustaining the previous scale of accumulation, especially in the industrial sector. The ever-widening productivity gap and the consolidation of the NIDL have increased substantially capital’s requirement of these resources to valorise normally.

The slow growth of the ground-rent relative to industrial capital’s requirements has not only resulted in substantially weaker growth than during the pre-1980 period and in the partial reversion of the previous process of state-promoted industrial ‘deepening’. Indeed, GDP grew at only 0.6 per cent annual average between the early 1980s and the early 2000s while industrial value-added contracted by 44 per cent in absolute terms. As a consequence of this development, capital has increasingly relied on even weaker sources of extraordinary social wealth to complement normal surplus-value: the payment of labour-power below its value and, crucially during the 1990s, the resources raised through the sale of state-owned assets at fire prices. Hence, the ‘developmentalist’ policies of the high-rent, high-growth pre-1980 period gave way to a broadly, and increasingly, neoliberal state. The latter has mediated politically these transformations in the economic content of the Brazilian process of capital accumulation. Though the policy-shift slowly began in the early 1980s under the military, neoliberal policies peaked during the democratic governments of the 1990s. By then, the existence of an increasingly large industrial reserve army dispensed capital to rely on politically expensive solutions to push down wages.

Yet, since around 2004, the Brazilian process of capital accumulation has, after a long period, experienced the revival of pseudo-developmental policies and a relatively robust economic performance. This, however, has not meant the overcoming of the previously prevailing limited form of capitalist development. Rather, as in the past, these developments have been nothing other than specific manifestations of the strong expansion of the ground-rent resulting from the

recent, and ongoing, 'commodity-price boom' and the related growth of agrarian and mining productions (Grinberg 2010; Campodónico 2008). Indeed, despite its impressive post-2003 growth performance (5.7 per cent p.a. during 2004–8), the underlying structure of the Brazilian economy has not changed whatsoever. As ever before, industrial and service capital have accumulated producing largely on a small scale for the, politically or 'naturally', protected domestic and regional markets. They have compensated for the high costs resulting from the low local level of labour productivity through the appropriation of a portion of the ground-rent, complemented with the payment of labour-power below its value and, after 2006, foreign loanable capital inflows attracted by the state through its high-interest-rate policy. Moreover, though significantly enlarged, the ground-rent has been so far enough to only support a relatively mild reindustrialisation. In 2008, after five years of fast expansion, and before the effects of the 'credit crunch' kicked in, manufacturing value-added and wages were, in real terms, still around 53 per cent of the 1986 peak values.

In Korea, the story has been radically different. The emergence and development of the NIDL has created and continuously renewed the conditions for capital to produce there industrial goods for world markets using the relatively cheap and disciplined local labour-force for simplified work-processes. In general terms, three main types of policy-sets and political institutions have mediated the structural transformation and long-term reproduction of the Korean process of capitalist development. Some of these policies and institutions facilitated the export orientation of local industrial capital. These included the removal of tariffs and quantitative restrictions on inputs used in export production while still protecting infant industry, the supply of soft loans for these activities and the 'realignment' of exchange rates. Others accelerated the concentration of industrial capital in the masses required for world-markets-oriented production, crucially during the 1970s transition from light- to heavy-industry-based EOI. These included the provision of subsidised credit to firms undertaking large-scale investments in the heavy industries, the creation of state-owned firms in these sectors and the regulation of market entry to avoid market fragmentation. Finally, another set policies and institutions helped reproduce the local workforce with the characteristics needed for export-oriented industries. These included the prolonged political repression of the working-class followed by pseudo-democratic opening since the late 1980s, the enactment of labour laws limiting collective bargaining and helping reproduce fragmented labour markets, and the accelerated 'upgrading' of workers' productive attributes through lengthy military instruction and, after the mid-1970s industrial 'deepening', wide-reaching state-promoted training and educational programmes as well as large-scale indoctrination campaigns.³⁰

With capital accumulating under a different specific form, the Korean developmental and growth experiences have also differed from the Brazilian as noted by most authors reviewed above. Effectively, after growing weakly during much of the period up to the mid-1960s, partly due to extended political and military conflicts and partly due to the weak bases of support of its industrialisation process, the Korean economy entered into a process of structural transformation resulting in high-speed growth. Between the mid-1960s and the mid-1970s, changes occurring in the Korean economy resulted largely from the appreciation of Japanese

industrial labour-power, as the global process of capital accumulation began to transform Japanese capital into a producer of certain consumer-durable goods, industrial inputs and equipment for world markets (Kohli 2004: 106). The Japanese labour-force began then to be replaced by new sources of relatively cheap and disciplined labour-power available in East Asia to perform simple manual labour-processes like those in the textile and apparel industries (Chibber 1999: 330). The skill-replacing technological changes permitting the flourishing of these industries in the region were already in place for several decades. After the mid-1970s, however, the transformations experienced by the Korean economy resulted not only from the continuous appreciation of the Japanese labour-force. They have also, and crucially, resulted from the direct impact of the contemporary processes of tacit-skill-replacing technological change, initially in process ('continuous-flow') industries like steel and chemicals and subsequently in serial production ('repetitive-flow') industries like motor-vehicles and electronics. Moreover, by then the Korean labour-force was becoming itself a product of the process of capital accumulation; its quality was, thus, continuously improving through on-the-job experiences and, increasingly, state mediation.

Hence, the much-debated metamorphosis of the mostly liberal direction in economic policies of the second part of the 1960s into the strongly-interventionist, and authoritarian, 'developmental' state of the 1970s mediated politically those developments in the international division of labour and the Korean process of capital accumulation – i.e. the transition from a light- to a heavy-industry-based EOI. Conversely, the retrenchment of the 'developmental' state since the 1980s and the increasing consolidation of neoliberal public policies have largely expressed politically the 'maturation' of Korean industrial capital which has no longer required extended state support to acquire and sustain the conditions necessary to produce for world markets under the above-mentioned bases. Like in Brazil, this policy-shift began in the 1980s under the military and accelerated during the 1990s democratic governments. Unlike there, however, Korea's late 1980s 'democratic' opening also mediated politically the strong expansion of core manual worker wages to levels compatible with the normal long-term reproduction of their labour-power. Yet, as a form of realising the continued reproduction of fragmented labour markets, trade union involvement in party politics remained thereafter as marginal as ever before.

On these bases, the Korean economy experienced one of post-WWII strongest process of growth, industrial development and structural transformation. Between the mid-1960s and the mid-2000s, GDP and industrial value-added expanded by 9.4 per cent and 10.8 per cent annual average, respectively. In the industrial sector, the branch carrying out the transformation, labour productivity increased by 10 per cent yearly average and core manual worker real wages grew 7.7 per cent average, going from 7 per cent to 70 per cent and from 4 per cent to 80 per cent of US levels, respectively. Average educational attainments narrowed substantially the gap with industrially-advanced economy levels but, tellingly, working hours have remained among the highest in the world.³¹

Yet, as evidenced by the 1997–98 financial-cum-economic crisis, this modality of capital accumulation has not been free of contradictions either. By the mid-1990s, new sources of low-cost and highly-disciplined labour-power, crucially

in the region, were increasingly replacing Korean labour in simple, and continuously simplified, work-processes while capital there remained incapable of using the local workforce to produce competitively 'skill- and knowledge-intensive' industrial goods for world markets. The transformation of a process of capital accumulation based, like the Korean, on the use of *relatively* cheap and disciplined labour-power into one that is based on the vanguard development of basic scientific knowledge and technology is not a straightforward process. It requires not only massive investments in research equipment and the widespread and extensive upgrading of labour's skills. Workers performing vanguard research in basic sciences and frontier technologies (e.g. the design of microchip logic structures and software languages) need to perceive themselves as completely free individuals who are not closely tied to any hierarchy and who are able to express their entire unrestricted creative individuality in the labour-process they perform. These characteristics are in contradiction to the ones that made the Korean economic 'miracle' possible.³² Unsurprisingly, the strong post-1999 recovery of the Korean economy has been sustained on bases weaker than ever before. Unlike in previous high-growth periods, the expansion of industrial exports has been supported with a strongly undervalued currency and large-scale lending to overseas consumers (mostly US social capital), result of Central Bank's interventions in the foreign exchange market and its reserve accumulation policy. These actions combined have artificially increased exports' demand.³³ Moreover, the post-crisis recovery has also been based on the accelerated differentiation of the wage structure (now between permanent and 'temporary' workers and between employees in large and small- and medium-size firms) and the increased precariousness of the labour market.³⁴

Conclusions

This article critically revised mainstream accounts of Brazilian and Korean comparative development and claimed that they all fail to explain fully the key forces behind these countries specific patterns of development and growth. This was so because, despite their many differences, they all fail to realise that the processes of capital accumulation is essentially global in content and national only in its form of realisation. The article then put forward an explanation of the recent transformations and trends in the global process of capital accumulation that, it was suggested, should constitute the starting-point for the study of the political economy of Brazilian and Korean long-term development. It was claimed there that East Asian and Latin American patterns of integration into the evolving international division of labour explain the specifically different developmental and growth experiences of both regions. These patterns, it was suggested, have resulted not from national public policies and state institutions, as often argued, but from the interaction between global-economy processes and local-economy factors that particularly affect the conditions for the valorisation of capital in different branches of production. The emergence and consolidation of the NIDL and the concomitant fragmentation of industrial labour-processes explain, together with the characteristics and costs of local labour, East Asia's transformation in less than 40 years from a poor agrarian society into a global industrial

power. The existence of a large mass of ground-rent available for appropriation, creating the conditions for industrial capital to valorise through small-scale production for domestic markets, together with the relative absence of a sufficiently cheap and disciplined labour-force, explain Latin America's, and crucially Brazil's, inability to undergo a similar structural transformation.

State policies and institutions in these regions thus mediated the inherently contradictory dynamics capitalism on a global scale through the specific determination of these processes of capitalist development. In Brazil and the rest of Latin America, state policies channelled a portion of ground-rent to, and created the conditions to allow its appropriation by, social subjects other than landowners, crucially industrial capital. In Korea and the rest of East Asia, state policies concentrated in producing and reproducing the conditions for capital to accumulate using a relatively cheap and disciplined workforce for simplified productions. As noted for Korea and Brazil, economic growth and development in East Asia and Latin America depended on the possibilities for capital to accumulate under the aforementioned bases. While the conditions for the reproduction of the 'new' forms of 'developing' country integration into the international division of labour expanded strongly after the mid-1970s, though not without contradictions, those for 'classical' forms of integration became increasingly weaker.

Notes

1. See Figure 1 in the Appendix for the evolution of Gross Domestic Product (GDP) and industrial value-added in Brazil and Korea.
2. See Amsden (1994) for an extension of these arguments to account for the experience of other East Asian countries.
3. Though this argument seems plausible for the 'big push' of the 1970s, it is in clear contradiction to the pre-1970s experience when labour-intensive 'light' industries predominated. First, equipment and inputs for these industries were largely tradable internationally. Backward links were thus not necessary for their profitable emergence. Secondly, these industries did not enjoy large returns to scale. See Michell (1988: 125–33).
4. See Pomerlano (1998) and Kang (2002) for cronyism and rent-seeking in East Asia and Korea, respectively. See Grinberg and Starosta (2009) for how poverty and income distribution in Taiwan compared less favourably to Latin America. Despite experiencing relatively low levels of economy-wide income inequality as a consequence of an extensive land reform, wage and income disparities in Korea's urban sector were substantial and significantly higher than those prevailing in many Latin American countries. See You (1990). Finally, see McGinn, *et al.* (1980) for the evolution of educational attainments in Korea. Contrary to most opinions, average years of education in mid-1960s Korea were lower than in some Latin American countries (e.g. Argentina, Chile and Uruguay).
5. See also Chang (1993: 150–1) on this point. Moreover, Chibber (1999) convincingly suggests that, in Korea, improvements in the quality of state institutions, like the bureaucracy, were usually contemporary with, rather than predated, the post-mid-1960s transformations.
6. See also Economic Planning Board (1962); Hamilton (1986).
7. See Haggard (2004) for a similar criticism to lines of argument akin to Kohli's.
8. This section draws on, and elaborates the arguments presented in, Iñigo Carrera (2008) and Grinberg and Starosta (2009).
9. Though not fully agreeing with the second point, see also Burnham (1994: 226–9).
10. It is regarding the conditions for the use and normal reproduction of labour-power that Marx discovers the state as a form of realisation of economic determinations. '[T]he value of the labour-power includes the value of the commodities necessary for the reproduction of the worker, for continuing the existence of the working class. If then the unnatural extension of the working day, which capital necessarily strives for in its unmeasured passion for self-valorisation, shortens the life of the individual worker, and therefore the duration of his

labour-power, the forces used up have to be replaced more rapidly, and it will be more expensive to reproduce labour-power, just as in the case of a machine, where the part of its value that has to be reproduced daily grows greater the more rapidly the machine is worn out. It would seem therefore that the interest of capital itself points in the direction of a normal working day' (Marx, 1990: 377). 'Capital, which has such "good reasons" for denying the sufferings of the legions of workers that surround it, allows its actual movement to be determined as much and as little by the sight of coming degradation and final depopulation of the human race, as by the probable fall of the earth into the sun. [...] But looking at things as a whole, it is evident that this does not depend on the will, good or bad, of the individual capitalist. Under free competition, the immanent laws of capitalist production confront the individual capitalists as a coercive force external to him' (Marx, 1990: 380–1). 'The changed material mode of production, and the correspondingly changed social relations of the producers, first gave rise to outrages without measure, and then called forth, in opposition to this, social control, which legally limits, regulates, and makes uniform the working-day and its pauses' (Marx, 1990: 411–2). Moreover, Marx also discovers here that the necessity of capital to impose a normal working-day through legislation (i.e. state regulation) cannot take other form of realisation than the struggle between the class of individuals who sell their labour-power (and personify this commodity) in exchange of a wage and the class of individuals who buy it (personifying capital). In other words, he discovers the determination of, and struggle between, social classes in capitalism as being a form of realisation (i.e. determined by) the autonomously regulated process of capital accumulation. 'The history of the regulation of the working day in certain branches of production, and the struggle still going on in others over this regulation, prove conclusively that the isolated worker, the worker as "free" vendor of his labour-power, succumbs without any resistance once capitalist production has reached a certain stage of maturity. The establishment of a normal working day is therefore the product of protracted civil war and more or less concealed civil war between the capitalist class and the working class' (Marx, 1990: 412–3). Based on this analysis, Iñigo Carrera (2008: 95–124) develops the account of the state as the political representative of the total social capital followed in this paper. See also Kicillof and Starosta (2007). See Clarke (1988: 120–51) and Burnham (1994) for a closely related approach to the capitalist state which, however, identifies the 'capital-labour' antagonistic relationship, the class struggle, as the subject of the process of social reproduction in capitalism.

It should be stressed here that the above does not mean, as mainstream economists argue, that an autonomously and abstractly determined state intervenes in the economy to solve the 'failure' of markets (i.e. their deviance from a theoretically-constructed type of market structure which only exists in economics textbooks) due to their allegedly inherent, or eventual, imperfections or under-development. On the contrary, the previous analysis argues that the *general* autonomous regulation of the processes social production and consumption through the exchange of commodities comes about through its opposite, the direct regulation through the state.

11. See Iñigo Carrera (2008: 56–9) for the original identification of the three-fold differentiation.
12. See Alcorta (1999), for a synthetic introduction to these developments. See Hoffman and Kaplinsky (1989) and Hasaewa (1996) for the motor-vehicles and steel industries, respectively.
13. In this sense, automated and computerised technologies have been, as all forms of mechanisation, 'skill-enhancing' or 'biased'.
14. '[...] the introduction of NC [Numerically-controlled] machines has broad implications for the operators who remain on the job. One issue is that of deskilling. It takes less skill to monitor and handle parts for an NC machine than it does to operate a standard machine' (Watanabe 1987: 38). In this sense, computerised and automated technologies have been, as all forms of mechanisation, 'skill-replacing.'
15. See also Hasegawa (1996: 111–27) on the impact of work-simplifying automation and computerisation on manual worker productive attributes and the structure of skills in the Japanese steel industry.
16. Wet-rice cultivation is highly labour-intensive, notably during implantation and harvest periods, and whatever their extent and complexity irrigation systems require the 'cooperation at various levels between the farmers in a single water control unit' (Bray 1986: 67).
17. In effect, the emergence of the Japanese textile industry as a global leader in the early decades of the twentieth century already resulted from the previous replacement of mule-spinning machinery with ring-spinning machinery. The latter made possible the replacement of male semiskilled workers with young female unskilled workers of rural origin. See Silver (2003: 87–9).
18. This does not mean that the first group of countries has exclusively concentrated skilled workers. First, immigration from 'Third World' countries has helped satisfy the local demand for a great part of the unskilled labour-force. See Sassen (1988) on this point. Secondly, the dismantling of the 'welfare state' and the

- introduction of neoliberal policies there since the 1980s has also played its part in the increase in the local supply of this type of labour. See Iñigo Carrera (2008: 72–6).
19. In its simplest determination, ground-rent is surplus-value appropriated by landowners due to their (differential and absolute) monopoly over natural conditions of production that that increase labour productivity in the primary sector and cannot be controlled by normal capital. The surplus-value that constitutes ground-rent is thus rested from that available for capital accumulation. See Marx (1981: 779–916). To the extent that rent-bearing commodities are consumed overseas, ground-rent constitutes an inflow of social wealth to commodity-producing countries.
 20. See Figure 2 for the evolution of the Brazilian ground-rent appropriated by landowners and others. See Grinberg (2008, 2011) for the methodology to pursue the measurement and for the identification of the different forms of appropriation. See Iñigo Carrera (2007) for the original development of the methodology for the Argentinian case.
 21. Competitive pressures have passed the ‘discount’ from exporters to agrarian capitalists and from these onto landowners; and from internationally to domestically-traded commodities.
 22. What is said here for industrial capital holds, *mutatis mutandis*, also for its junior partners, namely, commercial and service capital.
 23. Except in the case of state-owned mining and hydroelectricity-producing lands, the partnership between landed property and industrial capital for the appropriation of ground-rent has been inherently contradictory. Not only have they fought politically over the appropriation of the available rent. By lowering domestic prices of primary goods, the forms of ground-rent appropriation by capital have limited the intensive and extensive application of capital to land, and thus lifted a barrier to the growth of primary production and of the total rent available for appropriation.
 24. See Grinberg (2011) for a detailed analysis of Brazilian economic history based on the approach presented in this article.
 25. See Radetzki (2006) for the evolution of post-WWII international primary-commodity prices.
 26. See Figure 3 for the evolution of the ratios of ground-rent appropriated by others than landowners and net loanable capital inflows to total surplus-value. It should be noted that the latter includes the ground-rent effectively appropriated by landowners.
 27. See Figure 4 for the evolution of the purchasing power of industrial wages in Brazil and Korea relative to US levels. See Grinberg (2011: 454) for the evolution of employment in the sector.
 28. See Figure 5 for the evolution of industrial-labour productivity in Brazil and Korea relative to US levels.
 29. See Brenner (2006) and Iñigo Carrera (2008) on the development of the general crisis of overproduction and the expansion of credit on a global scale.
 30. For the detailed analysis of these policies and of Korean long-term economic and political development in general, see Grinberg (2011).
 31. Yet, until the mid-1980s, increases in the average number of years of schooling in Korea were achieved at the expense of the quality of instruction. Nevertheless, with its overcrowded classes and overemphasis on moral and physical education, the Korean educational system promoted discipline and collective/collaborative work habits. And, though quality (and quantity in the case of higher levels) improved thereafter, moral education has remained an essential part of the compulsory curriculum during the first 10 years of instruction. See Grinberg (2011: 203–10) for the evolution of the characteristics of the Korean workforce.
 32. See Iñigo Carrera (2008) for the general argument and Ernst (2005) for the microelectronics industry and microchip design.
 33. See Grinberg (2011: 71) for the evolution of the Korean exchange rate around its purchasing power parity. See Moon and Rhee (2009: 62–5) on post-1997 exchange rate policy.
 34. See Figure 4 for the differentiated evolution of core worker wages and the average of all employees. See also Chang and Chae (2004) on post-crisis labour market developments.

Notes on contributor

Nicolas Grinberg recently finished a PhD in Economic History at the London School of Economics. He is a Teaching Fellow at the Department of Economics of the School of Oriental and African Studies (UK) and a Research Fellow at the Centre for Research as Practical Criticism (Argentina). Papers published in refereed journals include: ‘From the “Miracle” to the “Lost Decade”’: Intersectoral Transfers and External Credit in the Brazilian Economy’, *Brazilian Journal of Political Economy*, 28 (2), 2008; ‘The Limits of Studies in

Comparative Development of East Asia and Latin America: The Case of Land Reform and Agrarian Policies' (with G. Starosta), *Third World Quarterly*, 30 (4), 2009; and 'Where is Latin America Going? 'FTAA or "Twenty-first-century Socialism"?'', *Latin American Perspectives*, 37 (1), 2010.

References

- Alcorta, L. (1999), 'Flexible Automation and Location of Production in Developing Countries', *European Journal of Development Research*, 11 (1), pp. 147–75.
- Aglietta, M. (1979), *A Theory of Capitalist Regulation* (London: New Left Review Editions).
- Amsden, A. (1989), *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press).
- Amsden, A. (1994), 'Why Isn't the Whole World Experimenting with the East Asian Model to Develop? Review of The "East Asian Miracle"', *World Development*, 22 (4), pp. 627–33.
- Balconi, M. (1999), *Codification of Technological Knowledge, Firm Boundaries, and 'Cognitive' Barriers to Entry*, DYNACOM research project, Fourth Framework Programme, European Commission.
- Balconi, M. (2002), 'Tacitness, Codification of Technological Knowledge and the Organisation of Industry', *Research Policy*, 31, pp. 357–79.
- Balconi, M., Pozzali, A. and Viale, R. (2007), 'The "Codification Debate" Revisited: A Conceptual Framework to Analyze the Role of Tacit Knowledge in Economics', *Industrial and Corporate Change*, 16 (5), pp. 1–27.
- Balassa, B. (1979), 'Incentive Policies in Brazil', *World Development*, 7, pp. 1023–42.
- Bray, F. (1986), *The Rice Economies: Technology and Development in Asian Societies* (Oxford: Basil Blackwell).
- Brown, G. (1973), *Korean Pricing Policies and Economic Development in the 1960s* (Baltimore: John Hopkins University Press).
- Brenner, R. (2006), *The Economics of Global Turbulence* (London: Verso Books).
- Burnham, P. (1994), 'Open Marxism and Vulgar International Political Economy', *Review of International Political Economy*, 1 (2), pp. 221–31.
- Campodónico, H. (2008), *Renta petrolera y minera en países seleccionados de América Latina* (Santiago: CEPAL).
- Castells, M. (1992), 'Four Asian Tigers with a Dragon Head: A Comparative Analysis of the State, Economy, and Society in the Asian Pacific Rim', in R. Appelbaum and J. Henderson (eds), *States and Development in the Asian Pacific Rim* (Newbury Park, California: Sage Publications), pp. 33–70.
- Chang, H.J. (1993), 'The Political Economy of Industrialisation in Korea', *Cambridge Journal of Economics*, 17 (2), pp. 131–57.
- Chang, D.O. and Chae, J.H. (2004), 'The Transformation of Korean Labour Relations Since 1997', *Journal of Contemporary Asia*, 34 (4), pp. 427–48.
- Chibber, V. (1999), 'Building a Development State: The Korea Case Reconsidered', *Politics and Society*, 27 (3), pp. 309–46.
- Clarke, S. (1988), *Keynesianism, Monetarism, and the Crisis of the State* (Cheltenham: Edward Elgar).
- Coriat, B. (1992), *El taller y el robot* (Madrid: Siglo XXI).
- Economic Planning Board (1962), *Summary of the First Five-Year Economic Plan, 1962–1966* (Seoul: Economic Planning Board).
- Evans, P. (1995), *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press).
- Fei, J.C. and Ranis, G. (1975), 'A Model of Growth and Employment in the Open Dualistic Economy: The Cases of Korea and Taiwan', *Journal of Development Studies*, 1 (2), pp. 32–74.
- Frank, C., Kim, K.S., and Westphal, L. (1975), *Foreign Trade Regimes and Economic Development: Korea* (New York: Columbia University Press).
- Fröbel, F., Heinrichs, J., and Krey, O. (1980), *The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries* (Cambridge: Cambridge University Press).
- Grinberg, N. (2008), 'From the "Miracle" to the "Lost Decade": Intersectoral Transfers and External Credit in the Brazilian Economy', *Brazilian Journal of Political Economy*, 28 (2), pp. 291–311.
- Grinberg, N. and Starosta, G. (2009), 'The Limits of Studies in Comparative Development of East Asia and Latin America: The Case of Land Reform and Agrarian Policies', *Third World Quarterly*, 30 (4), pp. 761–77.

- Grinberg, N. (2010), 'Where Is Latin America Going? FTAA or "Twenty-first-century Socialism"?', *Latin American Perspectives*, 30 (1), pp. 185–202.
- Grinberg, N. (2011), *Transformations in the Korean and Brazilian Processes of Capitalist Development between the Mid-1950s and the Mid-2000s: The Political Economy of Late Industrialisation*, unpublished PhD thesis, London School of Economics and Political Science.
- Hamilton, C. (1986), *Capitalist Industrialization in Korea* (Boulder: Westview Press).
- Haggard, S. (2004), 'Institutions and Growth in East Asia', *Studies in Comparative International Development*, 38 (4), pp. 53–81.
- Hasegawa, H. (1996), *The Steel Industry in Japan: A Comparison with Britain* (Sheffield: Routledge).
- Iñigo Carrera, J. (2007), *La formación económica de la sociedad argentina: volumen I* (Buenos Aires: Imago Mundi).
- Iñigo Carrera, J. (2008), *El capital: razón histórica, sujeto revolucionario y conciencia* (Buenos Aires: Ediciones Cooperativas).
- Kaplinsky, R. and Hoffman, K. (1989), *Driving Force: The Global Restructuring of Technology, Labour, and Investment in the Automobile and Components Industries* (Boulder: Westview Press).
- Kang, D. (2002), 'Bad Loans to Good Friends: Money Politics and the Developmental State in South Korea', *International Organisation*, 56 (1), pp. 177–207.
- Kicillof, A. and Starosta, G. (2007), 'Value-Form and Class Struggle; A Critique of the Autonomist Theory of Value', *Capital and Class*, 92, pp. 1–32.
- Kohli, A. (2004), *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press).
- Krueger, A. (1979), *The Developmental Role of the Foreign Sector and Aid* (Cambridge, MA: Harvard University Press).
- Krueger, A. (1990), 'Asian Trade and Growth Lessons', *The American Economic Review*, 80 (2), pp. 108–11.
- McGinn, N.F., et al. (1980), *Education and Development in Korea* (Cambridge, MA: Harvard University Press).
- Moon, W. and Rhee, Y. (2009), 'Financial Integration and Exchange-Rate Coordination', in D.K. Chung and B. Eichengreen (eds), *Fostering Monetary and Financial Cooperation in East Asia* (Singapore: World Scientific), pp. 51–72.
- Marx, K. (1981), *Capital Vol. III* (Harmondsworth: Penguin Books).
- Marx, K. (1990), *Capital Vol. I* (London: Penguin Books).
- Mesquita Moreira, M. (1994), *Industrialisation, Trade and Market Failures: Role of Government Intervention in Brazil and Korea* (London: Macmillan).
- Michell, T. (1988), *From a Developing to a Newly Industrialised Country: The Republic of Korea, 1962–82* (Geneva: International Labour Office).
- Perkins, D. (1994), 'There Are At Least Three Models of East Asian Development', *World Development*, 22 (4), pp. 655–61.
- Pomerleano, M. (1998), 'The East Asia Crisis and Corporate Finances: The Untold Micro Story', Working Paper No. 1900, The World Bank.
- Radetzki, M. (2006), 'The Anatomy of Three Commodity Booms', *Resources Policy*, 31, pp. 56–64.
- Ranis, G. (1989), 'The Role of Institutions in Transition Growth: The East Asian Newly Industrializing Countries', *World Development*, 17 (9), pp. 1443–53.
- Ranis, G. (1995), 'Another Look at the East Asian Miracle', *The World Bank Economic Review*, 9 (3), pp. 509–34.
- Rodrik, D. (1994), 'Getting Interventions Right: How South Korea and Taiwan Grew Rich', Working Paper No. 4964, National Bureau of Economic Research.
- Sassen, S. (1988), *The Mobility of Labour and Capital: A Study in International Investment and Labor Flow* (Cambridge: Cambridge University Press).
- Silver, B. (2003), *Forces of Labor: Workers' Movements and Globalisation Since 1870* (Cambridge: Cambridge University Press).
- Schoenberger, E. (1988), 'Multinational Corporations and the New International Division of Labor: A Critical Appraisal', *International Regional Science Review*, 11 (2), pp. 105–19.
- Starosta, G. (2010), 'Global Commodity Chains and the Marxian Law of Value', *Antipode*, 42 (2), pp. 433–65.
- Stiglitz, J.E. (1996), 'Some Lessons From the East Asian Miracle', *The World Bank Research Observer*, 11 (2), pp. 151–77.
- Stiglitz, J.E. (2001), 'From the Miracle to Crisis to Recovery: Lessons from Four Decades of East Asian Experience', in J.E. Stiglitz and S. Yusuf (eds), *Rethinking the East Asian Miracle* (Oxford: Oxford University Press), pp. 509–26.

- Watanabe, S. (1987), 'Flexible Automation and Labour Productivity in the Japanese Automobile Industry', in S. Watanabe ed., *Microelectronics, Automation and Employment in the Automobile Industry* (Chichester: Wiley), pp. 41–77.
- Wade, R. (1990), 'Industrial Policy in East Asia: Does It Lead or Follow the Market?' in G. Gereffi and D.L Wyman (eds), *Manufacturing Miracles: Paths of Industrialisation in Latin America and East Asia* (New Jersey: Princeton University Press), pp. 231–66.
- Warren, B. (1980), *Imperialism: Pioneer of Capitalism* (London: NLB and Verso).
- World Bank (1993), *The East Asian Miracle: Economic Growth and Public Policy* (Oxford: Oxford University Press).
- You, J.G. (1990), 'Income Distribution in Korea', in J.K. Kwon, (ed.) *Korean Economic Development* (New York: Greenwood Press), pp. 373–91.

Appendix

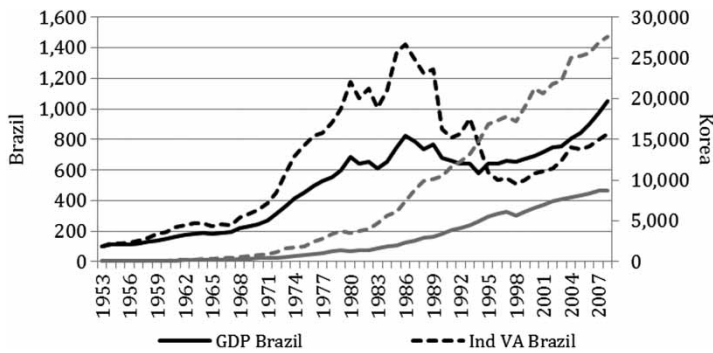


FIGURE 1. GDP and industrial value-added in local currency of constant purchasing power (1953 = 100)

Source: Grinberg (2011: 196).

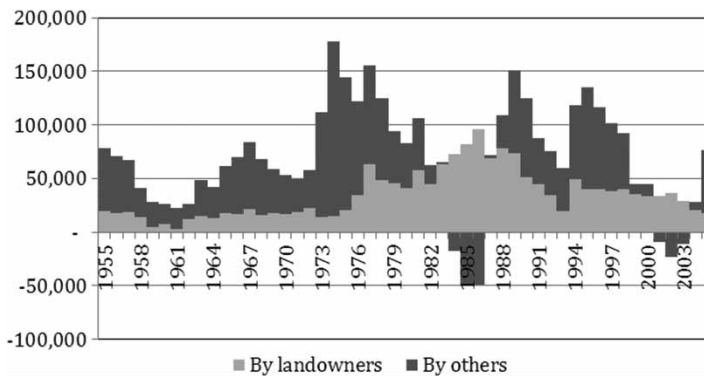


FIGURE 2. Appropriation of Brazilian ground-rent in million R\$ 2004

Source: Grinberg (2011: 94).

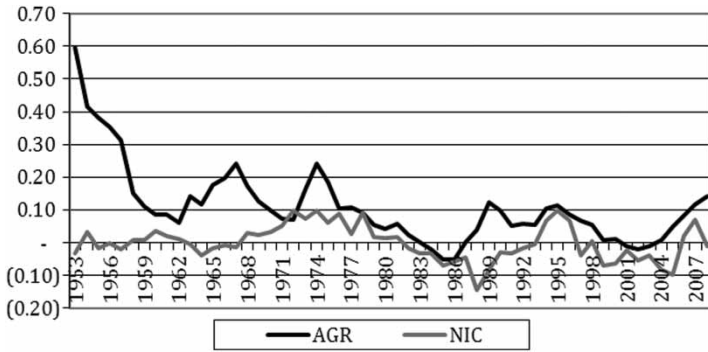


FIGURE 3. Ground-rent appropriated by others than the landowners and net credit inflows relative to total surplus-value

Source: Grinberg (2011: 101).

Note: AGR = Ground-rent appropriated by others than landowners; NIC = Net inflows of credit to Brazil.

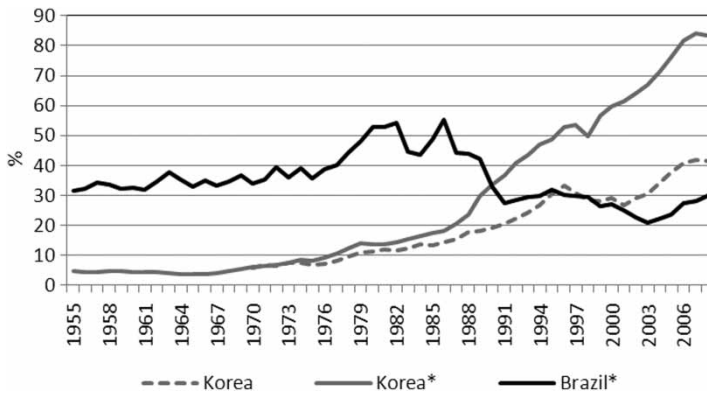


FIGURE 4. Purchasing power of industrial wages relative to US levels

Source: Grinberg (2011: 212).

Note: Korea*, Brazil* = Manual workers in permanent employment; Korea = All employees (manual and non-manual, in permanent and temporary contracts).

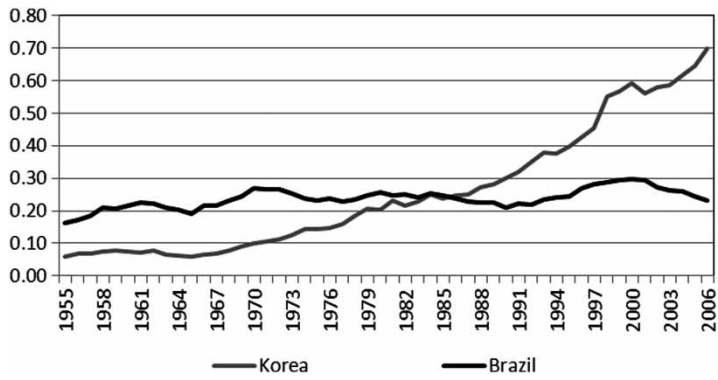


FIGURE 5. Industrial labour productivity relative to US levels

Source: Grinberg (2011: 204).

Note: Korea* = adjusted for differences in hours worked; Brazil* = mainstream manufacturing sector.