Four types of capitalist revolution

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Two major revolutions marked the history of mankind, the Agricultural and the Capitalist Revolutions. The first, around twelve thousand years ago, transformed nomadic into sedentary societies, and, seven thousand years later, allowed for the realization of a permanent economic surplus and the formation of the first ancient empires in Mesopotamia and Egypt. The capitalist revolution represented a tectonic shift in the history of civilization. It began with the rise of the first city-states and the emergence of the commercial and financial bourgeoisie in Venice, Florence, and Genoa. It advanced with the great navigations, the establishment of the mercantile colonial system, and the rise of the absolute monarchies of the *ancien régime.* From mid eighteenth century to the end of the nineteenth century, the formation of the nation-state and the industrial revolution completed the capitalist revolution in the today's advanced countries.

The capitalistic revolution gave origin to a contractual society where goods, services, and the labour-force are commodities sold and bought in the market, which the state regulates and assures; a society where a ruling class, the bourgeoisie, commands capital accumulation and innovation and, in this way, realizes profits; a monetary society where money besides facilitating transactions in the market, is a fully liquid asset. As Ellen Meiksins Wood defined, following Marx, "capitalism is a system in which goods and services, down to the most basic necessities of life, are purchased for profitable exchange, where even human labour-power is a commodity for sale in the market, and where all economic actors are dependent on the market."[i]

At the political level, capitalism involved the transition from the absolute to the liberal state –a state that assures the rule of law but not democracy. At the administrative level, capitalism implied the separation of the public from the private patrimony, or, in other words, the transition from the patrimonial state, where rent seeking was part of the game, to the modern bureaucratic state where rent-seeking turned a disease. At the cultural level, it involved the transition from tradition and the revelation to reason and scientific research.[ii]

Capitalism changed the form of appropriation of the economic surplus. While in pre-capitalist societies an oligarchy utilized force and the direct control of the state to appropriate the economic surplus, in capitalism a large bourgeois class appropriates the surplus in the market by the exchange of equivalent values. It turned profit into the economic motive, and capital accumulation embodying technical progress into the means to achieve profits and economic development. Contrary to the previous modes of production, capitalism is necessarily oriented to economic development because capital accumulation and innovation are not a choice but a condition of survival of the companies in a world in which technical progress is always happening.

To create the conditions for capital accumulation and innovation, which are in the core of economic development, peoples have historically organized as nations, built a state, controlled a territory, and formed a nation-state endowed of a large domestic market which is required to achieve its industrial revolution. With the capitalist revolution, the new nations were able to develop three basic institutions: the modern state, a national market, and a national currency. With the capitalist revolution, the process of capital accumulation with embodiment of technical progress and improvement of the standards of living turned a reality and a necessary condition for the survival of business enterprises in a competitive environment. Before capitalism, the emperors and monarchs invested the economic surplus in military power, in building temples and palaces, and in luxury consumption. With the commercial revolution and mercantilism, the idea of profit and the practice of its reinvestment became generalized; and with the industrial revolution and the acceleration of technical progress, reinvestment ceased to be an alternative to become a necessity – a condition for the business enterprises to keep competitiveness.

The formation of the nation-state

The formation of the national states in Europe was a condition for the industrial revolution in each country because industrialization required large domestic markets that demanded the cheap manufactured goods. The wars the absolute monarchs waged were the way some these countries were unified, and their capitalist revolutions succeeded. Nationalist intellectuals and politicians had a key role in building their nations and their state, thus forming a sovereign society, the nation-state. Such a social construction involved the creation of a formal institution – the constitutional and law system – which involved a political compromise or class coalition. It was the outcome of a complex historical process in which the economic instance and the institutional and cultural instances change, which are deeply intertwined.

The nation-state is the sovereign society formed by a nation, a state, and a territory. It is the territorial society proper to capitalism as the ancient empire was proper to the slave societies. According to Ernest Gellner, in the ancient empires the state regulated only the core of the imperial system, and the rulers were not interested in transferring its superior culture to the colonies but to collect taxes. The ancient empires were not a form of society, while the nation-states are integrated society; as Norbert Elias remarked, they are the greatest integrated societies that ever existed.[iii] Returning to Gellner, the nation-state "is, ultimately, a society based on economic growth..." a society in which there is "the hope of perpetual increase of satisfactions and whose legitimacy depends on their ability to meet this expectancy" and achieving economic development.[iv]

In the international domain, the national states are competitive societies. They are or are supposed to be autonomous nations which use the state as its own instrument of collective action. The logic of the nation-state is the capitalist logic of capital accumulation, technical progress and increase of productivity, which require a reasonably cohesive and educated society. The first peoples that formed their nation-states, industrialized, and thus completed their capitalist revolutions did that in the framework of mercantilism – the first historical form of developmentalism. Since formal colonies, which were part of the modern empires (which should not be confused with the ancient empires), have gained independence after World War II, nation-states cover the entire globe.

All the major concepts that historians and other social scientists use like nation, civil society and democracy, state and the nation-state, economic development, and human progress, as well as the main ideologies – nationalism, developmentalism, liberalism, socialism, and environmentalism – derived from this major historical change. In the previous chapter, I argued that the capitalist revolution followed four different paths, depending on the time it occurred, and whether it was central or peripheral – peripheral because the new nations had to face the modern industrial imperialism to realize their own industrial revolutions. In this chapter I will discuss two forms and four phases of capitalist development, which, although having relations with, should not be confused with the four forms of capitalist revolution.

The original central model

The transition from pre-industrial to industrial and capitalist societies lasted centuries in the countries that first industrialized, which had their concluding moment in the respective industrial revolution. The industrial revolution has always taken place in the framework of developmental capitalism, but the model of capitalism varied depending on whether the country was central or peripheral, and the time it happened. The two main institutions that coordinate capitalism are the state and the market, but while the market is devoid of will (albeit not of the interests), the state represents the law and the public policies, therefore, political will. It is through the state that collective action takes place, nations assure their autonomy and regulate their social and economic life, while through the market companies and people compete, prices are formed, and resources are allocated across the various competitive sectors of the economy. The naturally non-competitive sectors like the infrastructure and the basic inputs industries, the state has no alternative but exert its coordination.

An overview of the countries that industrialized and today are rich or middle-income capitalist countries shows that all the capitalist revolutions happened in the framework of a developmental state, but in four different historical conditions. I distinguish four models of capitalist revolution, using as criteria whether the country in "central" or "peripheral": (a) the *mercantilist model,* in the central countries that first industrialized, such as England and France; (b) the *Hamiltonian* or *Bismarckian model,* in latecomer central countries, which were not colonies but which were late in forming their respective nation-states carrying out their industrial revolutions, such as Germany; (c) the *independent model,* in the countries that were colonies or quasi-colonies but realized capitalist revolutions, achieved a high degree of national autonomy, industrialized and caught up, as was the case with Japan, Taiwan and South Korea, or are still catching up like China and Vietnam; and (d) *national-dependent model,* in countries like Brazil, Argentina and Mexico, which achieved a certain national autonomy and managed to undertake their industrial revolutions between the

1930s and the 1970s, thus experiencing catching up, but in the 1980s, with the Neoliberal Turn in the North, they faced a major financial crisis, turned weaker, bowed to the pressure of the centre, adopted neoliberal reforms and are quasi-stagnant since them.

Many scholars, from great economists such as Adam Smith and Karl Marx to historians like Fernand Braudel studied the original central model of capitalist revolution. It unfolded within the framework of a mercantilist developmental state rather than a liberal state. Adam Smith's liberal critique of mercantilism is part of the historical construction of economics and political economy and was right on the critique of the identification of the wealth of nations with the country's reserves in gold, but it ignored that the mercantilists were the real founders of the discipline, and that the policies they defended were instrumental for the achievement of the industrial revolution. It is or should be common knowledge that there were remarkable economists among the mercantilists.[v] Mercantilist policymaking involved a firm intervention of the state in the market to foster economic growth and counted with the support of a class coalition that included the monarch, his patrimonial nobility (whose revenues come from state coffers rather than land rent), and the large nascent grand bourgeoisie of bankers and merchants. Its development strategy focused on the enlargement of the domestic market by making the boundaries of the nation-state as wide as possible. The monarch waged wars aiming the annexation of the neighbours' territories. The monarch did not hesitate to intervene in the economy and organize monopolies through which the partnership between the absolute monarch and the large commercial and financial bourgeoisie, which was required to pay taxes to fund the monarch's wars. As for Adam Smith's radical criticism of mercantilist theory, it is quite understandable, not because he was "founding" economic theory (its founders were mercantilist economists), but because he was founding a new school of economics: the classical or political economy school, whose members would include brilliant economists such as Malthus, Ricardo, and Marx.

The latecomer central model

The latecomer central model characterized countries such as Germany, Italy, Sweden, and the United States. The classic study of this development model comes from Alexander Gerschenkron (1962), who analysed European countries that developed in the latter half of the nineteenth century and found in them more state intervention. These countries had to face the industrial imperialism of England and France, which, as Friedrich List (1999) put it in 1846, attempted to "kick away the ladder" from under Germany.[vi] In that country, the developmental state was called Bismarckian. The German industrial revolution, led by Otto von Bismarck (1815-1898), served as an example for other latecomer central countries. Policies combined state intervention and the support of industrial cartels. Hélio Jaguaribe, writing about Bismarckian model in 1962, noted that under it the domestic market was reserved to domestic industry and that the state played the role of an arbiter between conflicting forces – something that would be later defined the corporatist states.[vii]

Although the United States domestic market was also reserved to domestic manufacturers, the state's decisive role in the fast growth of the time is not as clear because the liberal ideology obscured it. Its first Secretary of the Treasury, Alexander Hamilton, was not only one of the three great Federalist philosophers, but the first developmental economist – the doyen of developmental economists. His classic "Report on Manufactures" (1791), in which he argued for the protection of the nascent American industry, launched a lasting and consistent policy of industrial promotion that would only ended as late as 1939, when the United States finally lowered its customs tariffs, which had been very high until that point.[viii]

According to Paul Bairoch, the average import tariff in the nineteenth century and until the 1930s ranged from 35% to 48%, making the country, in the words of this remarkable economic historian, "a bastion of protectionism".[ix] Ha-Joon Chang (2002a, pp. 24-32) provides additional data bearing this out. The present author's interpretation of tariffs so much higher than those of the United Kingdom and France, where they were lowered more than 100 years previously, is a developmental strategy that neutralized the country's Dutch disease.[x] The United States' extraordinary natural resources, including oil, resulted in long-term overvaluation of the exchange rate because these commodities could be profitably exported at a stronger exchange rate than manufactured goods. The tariffs, therefore, were not so much a "protectionist" system to neutralize Dutch disease for the purposes of the domestic market.

The independent peripheral model

The third developmental state model, the independent peripheral model, has Japan as an exemplar. The Japanese were humiliated when they were forced to open-up to trade with the West in 1854 under the threat of Commodore Perry's cannons.[xi]

The Meiji restoration of 1868 -the Japanese nationalist revolution that freed the country from the West's tutelage- was followed by a strategy of copying Western technology and institutions. Rapid industrialization occurred in the following forty years, under the direct control of the Japanese state.[xii] This was how technology was copied. The copying of institutions came from 1908 to 1910, with the decision to privatize companies in competitive industries. Thus, the former Samurais of the Tokugawa period, who took part in the Meiji Restoration in a military capacity, became first a middle class of bureaucrats and then, with privatization, businessmen. Privatization had no ideological import: the Japanese simply copied the Western institutional model, which, in the case of competitive companies, assigns the role of economic coordination to the market.

Classic works on latecomer independent development include those by Alexandre Barbosa Lima (1973) and Chalmers Johnson (1982) on Japan, by Alice Amsden (1989) on South Korea and by Robert Wade (1990) on Taiwan. These books clearly show the impact of the state's intervention -or industrial policy- on firms. What they lack, with the partial exception of Robert Wade's, is an accurate analysis of the active macroeconomic policy these countries embraced. Each sought, first, to limit foreign borrowing and penetration of the domestic market by multinational companies and, second, to get macroeconomic prices right: the profit rate, the interest rate, the wage rate, the inflation rate and, above all, the exchange rate.

In this effort, Asian policymakers had a major advantage over their Latin American counterparts: they did not export commodities and so did not have to neutralize the Dutch disease. But neither were aware of the problem. Corden and Neary (1982) had already published their paper on Dutch disease, but it manifested itself as a problem only in boom times. Only after Bresser-Pereira's (2008) paper did it become clear that Dutch disease could also derive from a structural variable, namely Ricardian rents, and that it could be successfully neutralized by an export tax on commodities or an import tax on the imports combined with an export subsidy on manufactured goods.[xiii]

Concerning this third model of industrialization, China also illustrates the metaphor of flying geese originally proposed by Kaname Akamatsu (1962) for the way Asian countries copied the Japanese model in waves: first came South Korea, Taiwan, and Singapore, then Malaysia and Indonesia, followed by China and Vietnam.[xiv]

China, which under the West's industrial imperialism (from mid-1800s to 1949) experienced a great economic decline, bounced back with its national and socialist revolution under the leadership of Mao Zedong (1893-1976).[xv] Mao thought he was carrying out the first phase in the Chinese socialist revolution, but, in fact, soon after the revolution China, in the same way that had already happened to Soviet Union, changed to statism for lack of entrepreneurial and managerial capabilities modern economic system require. In this first phase (1949-1976), China asserted itself as a genuinely independent nation-state, educated its population and developed infrastructure and the basic industry – activities that the state can conduct with reasonable efficiency under a technobureaucratic command. Under his command, China asserted itself as a genuinely independent nation-state, educated its population and developed infrastructure and basic industry – activities that the state can typically conduct effectively and with reasonable efficiency. But statism is inefficient in managing the complex economic activities of developed economies require. The second phase involved privatizations and productive diversification, while the state and the Communist Party maintained centralized political control, planned the non-competitive sector, and executed an active macroeconomic policy to make sure that the five prices, and particularly the exchange rate, were correct. In this second phase, when the market took on a strategic role, China experienced the most extraordinary economic development of all times, outstripping even Japan's earlier example and achieving an average yearly growth rate of 10% for 30 years.

The national-dependent peripheral model

The fourth developmental state model, the national-dependent peripheral model, was not as successful. Countries in this group were developmental enough to achieve the industrial revolution, but unable to maintain rapid growth rates from 1980 onward. In Brazil, per capita income growth dropped from almost 4% a year during the industrial revolution (1930-1980) to 1.2% a year from 1981 to 2014. Much the same happened in Mexico.

When analysing the two countries' developmentalism in this period, Ben Ross Schneider (1999, p. 278) found it to have four basic characteristics: state-dependent profits and investment, a developmental discourse dominated by the need to industrialize and the role of the state in fostering industrialization, the exclusion of the majority of the population, and a highly institutionalized public sector bureaucracy.[xvi] I would add a fifth characteristic to the foregoing: over-dependence on foreign borrowing, which ultimately financed consumption far more than investment and was the central cause of the crisis and demise of the developmental state – something that was definitely not a feature of East Asia's independent peripheral model. The rejection of the growth with foreign indebtedness or "foreign savings" policy not only assured the industrialization of East Asia, but also saved it from the 1980s' Great Foreign Debt Crisis, which and saved the East Asian countries from the deep financial crisis produced by the foreign debt crisis of the 1980s, which interrupted growth in the Latin American countries while the East Asian countries continued to grow fast.

The main analysts of national-dependent development were Raúl Prebisch, Celso Furtado, Hélio Jaguaribe and Ignácio Rangel, whose fundamental contributions emerged in the 1950s and 1960s.[xvii] Classic developmentalism argued that the market could not ensure correct microeconomic pricing in developing countries, particularly in the early industrialization phase, and proposed economic planning as a remedy.

Fifty years on, the new developmentalism sees industrial policy as a major tool of economic development, especially the taxes on the imports of manufactured goods and the subsides on its exports, but remarks that in this case industrial policy and the macroeconomic policies neutralizing the Dutch disease are the same thing. Industrial policies have a strategic place for industrial policy and argues that in developing countries (and to a lesser extent advanced countries too) the market is incapable, above all, of setting correct macroeconomic prices: (i) a low base interest rate around which the central bank conducts monetary policy, (ii) a balanced exchange rate that makes manufacturing companies using state-of-the-art technology competitive, (iii) wages that grow with productivity so that (iv) inflation is kept under control and, last but not least, (v) a satisfactory rate of profit for manufacturing firms, motivating them to invest. The very existence of central banks is, indeed, an admission of this incapability. To achieve this, besides defending balanced fiscal and external accounts, the country must adopt an active exchange-rate policy involving structural or long-term measures.[xviii] The Asian technobureaucrats did not develop a theoretical framework to rely on but had an impressive ability to pragmatically align measures to correct microeconomic prices through industrial policy with the maintenance of the right macroeconomic prices through active macroeconomic policy.

From 1980, indeed, growth rates plunged in countries with national-dependent developmental states, like Brazil and Mexico. The literature on the middle-income trap does not explain this, nor are they to be found in Schneider's

(1999) explanation. In 2006, the World Bank introduce in the literature of economic development the concept of middle-income trap. The argument was that one middle-income country attains a certain income level, it gets stuck at that level. The several studies that followed defined as the 'middle-income range' countries with gross national product per capita has remained between $1,000 to $12,000 at constant (2011) prices.[xix] Having identified those periods, which are common to radically different types of countries, this literature attempted to use econometric studies to determine the cause of the slowdown, but the "findings" were mere tautologies, such as "lack of industrial diversification" or "too high a growth rate", or generic claims, such as "insufficient investment in education". In 2020, Bresser-Pereira, Araújo and Peres published a study, "An alternative to the middle-income trap", which argued and demonstrated with an econometric study the Latin-American countries, in the early 1990s, had fallen not in a middle-income trap, but in a "liberalization trap". The reforms these countries adopted, mainly the trade and the financial reform, were causal in stopping the growth process of these countries.[xx] Chile has been the exception, but it is worth mentioning that the country changed its economic policy after the crisis created by the 1981-1982 neoliberal experience, making it less liberal, and has consistently maintained a high rate of tax on copper, partially neutralizing its Dutch disease.[xxi]

The developmental state

The good state is the capable state that leads the nation to progress; it is the independent and democratic state that assures security, individual freedom, the social, and the republican rights including the protection of the environment. According to Peter Evans, is the state able to serve as intermediary in the political pacts or class coalitions associating business industrialists, organized labour, and the state bureaucracy.[xxii] It is the republican state, which is strong enough to protect itself or the *res publica* from the actions of powerful individuals, corporations and groups engaged in capturing the public patrimony.[xxiii] It is the state that builds and regulates a good society. On these defining characteristics of the good society and the good state, I will discuss shortly two of them that are central in this book: the developmental state and the republican state.

Chalmers Johnson defined in the 1980s the developmental state as a state that (i) holds economic development as a priority objective; (ii) intervenes in the economy not only by means of regulation, but also directly; (iii) has a small and highly skilled public bureaucracy to which actual powers are assigned, leaving the legislature and judiciary in the background; (iv) controls its foreign commercial and financial accounts and, therefore, the exchange rate; (v) protects domestic manufacturing industry from end products; (vi) facilitates machinery imports; (vii) distinguishes foreign technology, in which it has a strong interest, from foreign capital, in which it has no interest; creates state-owned enterprises including financial institutions; (viii) adopts credit and fiscal incentives, but always on a temporary basis, subject to constant assessments; (ix) adopts a consolidated public investment budget; (x) offers strong government support for science and technology; and (xi) eschews detailed laws, leaving room for firms to take the initiative, with discretionary guidance from the public bureaucracy.[xxiv]

Ha Joon Chang, following Johnson, attributes South Korea's successful catching up similar industrial and macroeconomic policies.[xxv]

The pioneers of the developmental state were Alexander Hamilton (1792), Friedrich List (1844), Mihail Manoilescu (1929), the main economists associated to classical developmentalism, like Raul Prebisch and Rosenstein-Rodan, Celso Furtado, Hélio Jaguaribe (1962) a second generation of economists and other social scientists of the same school of thought like Alice Amsden, Ha-Joon Chang and Gabriel Palma.[xxvi] Peter Evans (1992) has drawn attention to two characteristics of the twentieth-century developmental state, namely bureaucratic capacity and embeddedness: the way the public bureaucracy is enmeshed in society and the business community. Johnson and Evans credit the public bureaucracy with a strategic role in the developmental state.[xxvii]

My definition of developmental state is broader, less demanding than the one proposed by Chalmers Johnson, because I see only two forms of economic coordination of capitalism, the developmental and the liberal form. Thus, the developmental state is not limited to a few East-Asian countries, nor in phase of their industrial revolution. Developed countries may also be developmental or liberal. I see as developmental the capitalist states of the post-war Golden Years of Capitalism – more the European than the American state. For me, the policy regime of a country is developmental when the state intervenes moderately in the economy, keeps the five macroeconomic prices right, adopts a national perspective in a world in which nation-states are highly competitive.

Developmental capitalism

Table 2.1: Economic Forms of Capitalism and the Distribution Principle

	Economic Forms of Capitalism		**Statism**
Forms of Capitalism	Liberal	Developmental	-
Coordinating Institution	Market	Market - State	State
Economic Integration Principle	Exchange Principle	Mixed Principle	State Principle

Observ.: For this table I counted with the contribution of Alexandre Abdal. The economic integration principles are based on Polanyi (1944) and Servet (2007).

As we can see in Table 2.1, in modern societies, the degrees of state intervention may be thought as disposed along a continuum running from economic liberalism to statism, with developmentalism in the middle. Following Karl Polanyi, the economic integration or solidarity principles may either follow the exchange principle or state principle, a model that is relatively coincident with the two institutions that coordinate capitalist societies, the state and the market originating respectively the developmental and the liberal form of capitalism. The two extremes are the liberal form of capitalism and statism – the liberal form that corresponds and statism – both inefficient and biased social formation which are inefficient and unjust. In between is the developmental form of capitalism – a social construction that searches to instrumental in leading human societies to human progress.

A society will be liberal if they state limits itself to guaranteeing property rights and contracts and keeps balanced its fiscal accounts; if its policymakers adopt the liberal policies and reforms in which rich countries are involved since the 1980s. This society will be developmental if it presupposes that economic development is the outcome of political design, where markets have a major role, but the will of citizens and moderate state intervention in the economy are the crucial variables. This society will be statist as the Soviet Union was if the state controls the whole economy and the market has no role or a marginal role to play. More analytically, according to new developmentalism, capitalism will be developmental when:

- The nation views economic growth as its main objective and industrialization or productive sophistication the means to achieve it.
- The market coordinates the competitive sectors of the economy.
- The state intervenes moderately in the market by planning and investing in the infrastructure and other non-competitive industries.[xxviii]
- Adopts strategic industrial policies.
- Practices an active macroeconomic policy aiming to keep the five macroeconomic prices right, principally the exchange rate and the profit rate.
- Avoids budget deficit except when a countercyclical fiscal policy is required.
- Rejects current account deficits which overvalue the domestic currency and hurt the competitiveness of the manufacturing industry.
- Neutralizes the Dutch disease when the country is an exporter of commodities.

The definition proposed here is not prescriptive, but rather a generalization of the behaviour of developmental states, particularly those in East Asia. Assuming that the behaviour of individual East Asian developmental states has not been too different, South Korea summarize the measure that enabled it to successfully catch up: high import tariffs, in the range of 30% to 40% in the 1970s and 20% to 30% in the 1980s; plenty of non-tariff barriers; large export subsidies subject to strict conditions of export performance; small fiscal deficits; a low debt-to-GDP ratio; a strongly regulated financial market; low, often negative, interest rates; strict control of the exchange rate; strict control of capital inflows and outflows; and average inflation of 17.4% in the 1960s and 19.8% in the 1970s.[xxix]

This distinction between developmental and liberal states is irrelevant when we have what Peter Evans called the "predatory state", when the state "lacks the ability to prevent individual incumbents from pursuing their own goals. Personal ties are the only source of cohesion, and individual maximization takes precedence over pursuit of collective goals".[xxx] Predatory states exist in pre-industrial countries that are far from realizing their capitalist revolution. Their rulers claim to be developmental or liberal, as convenience dictates, but this means little or nothing.

[i] Wood (2017: 2).

[ii] According to Marx (1864: 1024-25), the social formation turns dominantly capitalist when the relative surplus value (profit involving technological progress) turns the dominant form of surplus appropriation.

[iii] Elias (1970).

[iv] Gellner (1983: 32).

[v] At least, since Schumpeter's 1954 monumental *History of Economic Analysis.*

[vi] The expression "ladder kicking" was originally employed by Friedrich List in 1846 to describe the behaviour of England, which sought to convince the Germans not to industrialize by using the arguments of classical liberal economics. The argument describes the current behaviour of advanced countries vis-à-vis developing ones. Ha-Joon Chang (2002a) picked up the expression and applied it very capably and appositely.

[vii] On the corporatist state, see Schmitter (1974) and Love (1996).

[viii] According to William A. Lovett, Alfred E. Eckes Jr. and Richard L. Brinkman (1999), the United States made 621 concessions in a 1938 agreement with the United Kingdom that added up to US$ 457.8 million and represented 37% of the country's durable goods imports.

[ix] Bairoch (1993: 40; 51).

[x] The right way to neutralize the Dutch disease (long-term overvaluation of the exchange rate because commodities can be successfully exported at a substantially stronger exchange rate than tradable industrial non-commodities) is to impose a variable retention on the prices of the commodities giving rise to it. High import tariffs only neutralize Dutch disease on the domestic market side, by increasing the price of imports, while multiple exchange-rate regimes may neutralize it on both the import and the export side.

[xi] By the West is meant the group of advanced countries around the North Atlantic plus Australia, New Zealand, Japan and the three East Asian countries that caught up in the twentieth century: South Korea, Taiwan and Singapore. The West is therefore not a geographical concept. Its members make up the ~~modem~~ modern empire, under the leadership of the United States. These are countries that have in common high levels of knowledge and high wages that they attempt to protect along with the profits of their firms. They are militarily organized through NATO and their main economic instruments are the International Monetary Fund and the World Bank.

[xii] Angus Maddison's data suggest that the Japanese industrial revolution happened at the time of the World War II, but the ability of these data to detect industrial revolutions is limited. Japan was only able to attack Russia in 1905, China in 1936 and the United States in 1942 because it had already developed a powerful manufacturing industry.

[xiii] In a 1989 conference held in Tokyo by the Institute of Developing Economies, the natural resource-rich Latin American countries were compared with the natural resource-poor East Asian countries, but none of the economists used the Dutch disease model to explain why the East Asian countries continued to grow fast even as Latin America fell behind from 1980. The book on the conference is Fukuchi and Kagami (1990).

[xiv] In the case of South Korea, the Japanese model was imposed in more than 30 years of Japanese colonial rule and maintained after the country's independence. As Atul Kohli (1999, p. 94) points out, by 1940 Korea was already a country with a "relatively high level of industrialization".

[xv] The Chinese call this century, the “century of humiliation”.

[xvi] Where the public bureaucracy is concerned, this view applies more to Mexico than to Brazil. In an essential book, Schneider (1991) showed that the Brazilian public bureaucracy was relatively informal but very professional.

[xvii] Prebisch (1949), Furtado (1961), Jaguaribe (1962), Rangel (1962), Conceição Tavares (1963).

[xviii] To neutralize the tendency towards cyclical and chronic overvaluation of the exchange rate, the new developmentalism proposes an export tax to neutralize Dutch disease and a rejection of three commonly applied policies: growth combined with foreign borrowing ("savings"), the use of an exchange-rate anchor to control inflation, and a high real interest rate around which the central bank manages its monetary policy.

[xix] See Eichengreen, Park and Shin (2014); Jankowska, Nagengast and Perea (2012); Kharas and Kohli, 2011). What this literature found was the obvious: countries that grow at high rates (more than 4% a year, for example) for a relatively long period of time (such as five years) after that experience a relatively large drop in growth rates (to below 2.5% a year, for example).

[xx] Bresser-Pereira, Araujo, and Peres (2020). To explain the quasi-stagnation of the Latin American countries in the 1990s we need new historical facts that the middle-income trap literature does not provide. The neoliberal reforms were this new facts.

[xxi] The tax on copper exports would fully neutralize Chile's Dutch disease if it its rate varied with the severity of the disease (that is, exchange-rate overvaluation), which varies in turn with international commodity prices.

[xxii] Evans (1995).

[xxiii] I developed the concept of republican rights and the republican state in Bresser-Pereira (2002a; 2004).

[xxiv] Johnson (1982, 1999).

[xxv] I took these characteristics from the classes that Chang offered in Brazil between 2012 and 2015, in the yearly “Laporde - Latin American Advanced Programme on Rethinking Macro and Development Economics”.

[xxvi] Among the main economists of the first generation of classical developmentalist we have Raúl Prebisch, Hans Singer, Arthur Lewis, Ragnar Nurkse, Albert Hirschman and Celso Furtado; among the second generation, Alice Amsden, Robert Wade, Eric Reinert, Ha Joon Chang, and Gabriel Palma; among the sociologists and political scientists interested economic development we have besides Chalmer Johnson, Peter Evans, Fred Block, John D. Stephens, Evelyne Huber Stephens, and Dietrich Rueschemeyer.

[xxvii] Evans (1992).

[xxviii] An industry will be non-competitive when they are naturally quasi-monopolist.

[xxix] This summary is based on Ha-Joon Chang (2002b) and on a class at the sixth Latin American Advanced Programme on Rethinking Macro and Development Economics (Laporde), Sao Paulo, 11 January 2016.

[xxx] Evans (1992: 12).