The capitalist revolution and the developmental state

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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 to formation of the first national markets in which not only goods and services but also labour transformed into a labour-force are commodities; a society where a ruling class, the bourgeoisie, commands capital accumulation and innovation and, in this way, realises 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 and the market (the property rights and contracts) 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 utilised 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 organised 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 generalised; 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 slavery 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 quite 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, industrialised, 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.

Four models of capitalist revolution

The transition from pre-industrial to industrial and capitalist societies lasted centuries in the countries that first industrialised, 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 capitalist revolution 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.

The capitalist revolution followed four different paths, depending on the time it occurred, and whether it was central or peripheral and gave rise to four developmental models of capitalism. The central revolutions, which happened in late eighteenth and early nineteenth centuries, were either the original or the latecomer revolutions; the peripheral revolutions happened in the new nations had to face the modern industrial imperialism to realise their own industrial revolutions, and I distinguish the independent from the national-dependent revolutions and respective developmental models.

An overview of the countries that industrialised 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. The four models of developmental capitalism are: (a) the *mercantilist model,* in the central countries that first industrialised, 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 and the United States; (c) the *independent model,* in the countries that were colonies or quasi-colonies but realised capitalist revolutions, achieved a high degree of national autonomy, industrialised 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.

The original mercantilist model

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 organise 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 Hamiltonian or Bismarckian model

The latecomer central model characterised countries such as Germany, Italy, Sweden, and the United States. The classic study of this development model comes from Alexander Gerschenkron, who analysed European countries that developed in the latter half of the nineteenth century and found in them more state intervention.[vi] These countries had to face the industrial imperialism of England and France, which, as Friedrich List wrote it in 1846, attempted to "kick away the ladder" from under Germany.[vii] 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 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.[viii]

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 rhetoric 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. In his classic "Report on Manufactures" (1791), he argued for the protection of the nascent American industry, thus launching 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.[ix]

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".[x] Ha-Joon Chang provides additional data bearing this out.[xi] 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 neutralised the country's Dutch disease.[xii] 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 neutralise Dutch disease for the purposes of the domestic market.

The independent peripheral model

Japan was the pioneer of the independent peripheral growth model. 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.[xiii] The Meiji restoration of 1868 - the Japanese nationalist revolution that freed the country from the Tokugawa dynasty of shoguns and 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.[xiv] Then Japan copied technology. The copying of institutions came from 1908 to 1910, with the decision to privatise 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.[xv] 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 neutralise the Dutch disease. But neither were aware of the problem. In 1982, Corden and Neary published a founding paper on the Dutch disease, but only in 2008, when Bresser-Pereira published the second model on the Dutch disease in the framework of New Developmentalism, it become clear that Dutch disease could also derive from a structural variable, namely Ricardian rents, and that it could be successfully neutralised by an export tax on commodities or an import tariffs on imports of manufactured goods combined with an export subsidy on the same goods.[xvi] Concerning this third model of industrialization, China also illustrates the metaphor of flying geese originally proposed by Kaname Akamatsu 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.[xvii] India is in South Asia and requires a special analysis.

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).[xviii] 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. But statism is inefficient in managing the complex economic activities of developed economies require. The second phase involved privatizations, liberalisation, and productive diversification, while the state and the Communist Party maintained centralised 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 growth model, the national-dependent peripheral model, that was not as successful. Countries in this group were developmental enough to achieve the industrial and capitalist 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 found it to have four basic characteristics: state-dependent profits and investment, a developmental discourse dominated by the need to industrialise and the role of the state in fostering industrialization, the exclusion of the majority of the population, and a highly institutionalised public sector bureaucracy.[xix] I would add two characteristics to the foregoing: current-account deficits financed by foreign borrowing and the pragmatic neutralisation of the Dutch disease with import taxes and export subsidies. Following Peter Evans' 1979 book, a triple class coalition commanded this form of developmental capitalism: the industrial bourgeoisie, the state bureaucracy, and the multinational corporations.[xx]

The main analysts of national-dependent development were Mihail Manoilescu, Raúl Prebisch, André Gunder Frank, Celso Furtado, Hélio Jaguaribe, Ignácio Rangel, and Maria da Conceição Tavares, whose fundamental contributions emerged in the 1950s and 1960s.[xxi] 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. From the 1980s, a second generation of developmental economists emerged, among which I cite Alice Amsden, Robert Wade, Ha-Joon Chang, Gabriel Palma, and Eric Reinert, who emphasised the role of industrial policy, while some post-Keynesian economists like Jan Kregel and Anthony Thirlwall also focused on developing countries. Finally, from the early 2000s we have the emergence of new developmentalism, which integrated macroeconomics in the study of the economic development of the countries in the periphery of capitalism.

New developmentalism argues that 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 competitive 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 (v) a satisfying 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.[xxii] The Asian technobureaucrats did not develop a theoretical framework to rely on, but they showed an impressive ability to pragmatically complement the industrial policies correcting microeconomic prices with a competent macroeconomic policy that make the five correct the macroeconomic prices. The new-developmental theory has drawn from the experience of the East Asian countries to build its theoretical framework.

New Developmentalism is a new school of thought based on Classical Structuralist Developmentalism and Post-Keynesian Economics. It was born in the early 2000s and started from the fact that, in the 1980, the growth rates in national-dependent developmental states, like Brazil and Mexico have fallen and, since then, are quasi-stagnating. To understand the causes of such quasi-stagnation, New Developmentalism built a whole theoretical model, mostly a development macroeconomics and a political economy. The economics focused in the exchange rate and in the current account; the class coalitions, the economic forms of capitalism, and the developmental models of state and capitalism.

New Developmentalism is, counterintuitively critical of the growth with foreign indebtedness policy and developed a new structuralist model of Dutch disease, and holds that countries that are exporters of commodities, like the Latin American countries will not grow and industrialise if they adopt such policy and don't neutralize this great competitive disadvantage by either imposing a variable tax on the exports of commodities, or import tariffs on manufactured goods as they did when they were successful industrialising. Foreign borrowing appreciated the national currencies and, ultimately, financed consumption far more than investment; the neutralisation of the Dutch disease, which was required to allow the countries to industrialise, was done in an intuitive way as the policymakers didn't know what was the disease, why it sets to the manufacturing industry an overvalued exchange rate that makes industrialisation impossible; thus, when, around 1990, the Latin-American countries, under the pressure from the Global North, opened their economies, they stopped neutralizing the Dutch disease and the countries faced deindustrialisation. Instead, in East Asia, the rejection of the growth with foreign indebtedness or "foreign savings" policy assured the industrialization of East Asia, while as the countries in this region are not rich in natural resources, they were unable to export commodities and, so, didn't have to neutralise a Dutch disease that they didn't have.

In 2006, the World Bank introduced in the literature of economic development the concept of middle-income trap. The argument was that when a middle-income country attains a certain income level, it gets stuck at that level. The several studies that followed defined as the middle-income trap countries whose income per person ranged from US$1,000 to $12,000 at constant, 2011, prices, and made econometric studies to determine the cause of the slowdown.[xxiii] Yet, 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 liberalisation, were causal in stopping the growth process of these countries.[xxiv] 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.[xxv]

Developmental capitalism

Considering these four forms developmental capitalist revolutions and the respective developmental models, we may say that in modern societies, the degrees of state intervention are disposed along a continuum running from economic liberalism to statism, with developmentalism in the middle. Following Karl Polanyi's classical 1944 book, the economic integration or solidarity principles may either follow the exchange principle or state principle[xxvi] – a distinction relatively coincident with the two institutions that coordinate capitalist societies, the state and the market – a distinction that allow we see two forms of economic coordination of capitalism: the developmental and the liberal

Comentado [AAC1]: E, amadurecendo o que disse a respeito da seção anterior, acho que essa seção aqui também está desconectada do conjunto do capítulo. Sendo assim, minha sugestão final para o capítulo é:

1. Acabar capítulo com discussão dos quatro modelos de revolução capitalista.

2. Eliminar seção anterior.

3. Transformar essa última seção em uma espécie de síntese a partir da recuperação do argumento segundo o qual todas as revoluções capitalistas foram feitas no quadro de uma gestão desenvolvimentista da economia e a partir de um Estado desenvolvimentista.

4. Manteria esse capítulo basicamente histórico. Para, no capítulo seguinte, você formalizar o modelo dos dois modos de gestão das economias capitalistas.

forms. As we have in Table 2.1, the two extremes are the liberal form of economic coordination of capitalism and statism, but statism is another form of social organisation.

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).

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. It 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 society 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.[xxvii]
- 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 decides for a countercyclical fiscal policy.

- Rejects current account deficits which overvalue the domestic currency and hurt the competitiveness of the manufacturing industry.
- Neutralises the Dutch disease when the country is an exporter of commodities.

The definition proposed here is not prescriptive, but 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 summarise 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.[xxviii]

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".[xxix] 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] Gerschenkron (1962).

[vii] 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 industrialise 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.

[viii] Jaguaribe (1962). On the corporatist state, see Schmitter (1974) and Love (1996).

[ix] Hamilton (1791). 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.

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

[xi] Chang (2002a: 24-32).

[xii] The right way to neutralise 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 neutralise Dutch disease on the domestic market side, by increasing the price of imports, while multiple exchange-rate regimes may neutralise it on both the import and the export side.

[xiii] 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 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 organised through NATO and their main economic instruments are the International Monetary Fund and the World Bank.

[xiv] Angus Maddison's data suggests 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 strong enough to attack Russia in 1905, China in 1936, and the United States in 1942 because it had already developed a powerful manufacturing industry before.

[xv] Barbosa Lima (1973), Chalmers Johnson (1982), Amsden (1989), Wade (1990).

[xvi] Corden and Neary (1982); Bresser-Pereira (2008). 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).

[xvii] Akamatsu (1962). 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".

[xviii] The Chinese call this century, the "century of humiliation".

[xix] Schneider (1999: 278). 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.

[xx] Evans (1979).

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

[xxii] To neutralise the tendency towards cyclical and chronic overvaluation of the exchange rate, the new developmentalism proposes an export tax to neutralise 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.

[xxiii] 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).

[xxiv] 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.

[xxv] The tax on copper exports would fully neutralise 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.

[xxvi] Polanyi (1844).

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

[xxviii] 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.

[xxix] Evans (1992: 12).